

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

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

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

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

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

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

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

1 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. :  
:

9 - - -

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 Friday,  
15 October 7, 2011.

16 - - -

17 VOLUME IV

18 - - -

19  
20  
21 ARMSTRONG & OKEY, INC.  
22 222 East Town Street, Second Floor  
Columbus, Ohio 43215-5201  
23 (614) 224-9481 - (800) 223-9481  
Fax - (614) 224-5724  
24  
25

- - -

## 1 APPEARANCES:

2 American Electric Power  
3 By Mr. Steven T. Nourse  
4 Mr. Matthew J. Satterwhite  
5 1 Riverside Plaza  
6 Columbus, Ohio 43215-2373

7 Porter, Wright, Morris & Arthur, LLP  
8 By Mr. Daniel R. Conway  
9 41 South High Street  
10 Columbus, Ohio 43215-6194

11 On behalf of the Applicants.

12 FirstEnergy Service Company  
13 By Mr. Mark A. Hayden  
14 76 South Main Street  
15 Akron, Ohio 44308

16 Jones Day  
17 By Mr. David A. Kutik  
18 Ms. Allison Haedt  
19 North Point  
20 901 Lakeside Avenue  
21 Cleveland, Ohio 44114

22 Calfee, Halter & Griswold, LLP  
23 By Mr. James F. Lang  
24 1400 KeyBank Center  
25 800 Superior Avenue  
Cleveland, Ohio 44114

Calfee, Halter & Griswold, LLP  
By Mr. N. Trevor Alexander  
Ms. Laura McBride  
Fifth Third Center  
21 East State Street  
Columbus, Ohio 43215

On behalf of FirstEnergy Solutions  
Corporation.

- - -

## 1 APPEARANCES: (Continued)

2 McNeese, Wallace &amp; Nurick, LLC

3 By Mr. Frank P. Darr

4 Mr. Samuel P. Randazzo

5 Mr. Joseph Olikier

6 Fifth Third Center, Suite 1700

7 21 East State Street

8 Columbus, Ohio 43215-4288

9 On behalf of Industrial Energy Users.

10 Chester, Willcox &amp; Saxbe, LLP

11 By Mr. Mark S. Yurick

12 Mr. John Bentine

13 Mr. Zach Kravitz

14 65 East State Street, Suite 1000

15 Columbus, Ohio 43215-4213

16 On behalf of the Kroger Company.

17 Janine L. Migden-Ostrander

18 Ohio Consumers' Counsel

19 By Mr. Terry L. Etter

20 Ms. Maureen R. Grady

21 Assistant Consumers' Counsel

22 10 West Broad Street, Suite 1800

23 Columbus, Ohio 43215-3485

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

Mike DeWine, Ohio Attorney General

By William Wright, Section Chief

Public Utilities Section

Mr. Werner L. Margard, III

Mr. Steven Beeler

Mr. John Jones

Assistant Attorneys General

180 East Broad Street, 6th Floor

Columbus, Ohio 43215-3793

On behalf of the staff of the Public  
Utilities Commission of Ohio.

- - -

## 1 APPEARANCES: (Continued)

2 Ohio Partners for Affordable Energy  
3 By Ms. Colleen L. Mooney  
4 Mr. David C. Rinebolt  
231 West Lima Street  
Findlay, Ohio 45840

5 On behalf of Ohio Partners for Affordable  
6 Energy.

7 Schottenstein, Zox & Dunn Co., LPA  
8 By Mr. Christopher L. Miller  
9 Mr. Gregory J. Dunn  
Mr. Asim Z. Haque  
250 West Street  
Columbus, Ohio 43215

10 On behalf of the Association of  
11 Individual Colleges and Universities,  
City of Hilliard, City of Grove City.

12 Boehm, Kurtz & Lowry  
13 By Mr. David Boehm  
Mr. Michael L. Kurtz  
Mr. Kurt Boehm  
14 36 East Seventh Street, Suite 1510  
Cincinnati, Ohio 45202

15 On behalf of Ohio Energy Group.

16 Ohio Environmental Council  
17 By Mr. Nolan Moser  
18 Mr. Trent A. Dougherty  
1207 Grandview Avenue, Suite 201  
Columbus, Ohio 43212-3449

19 On behalf of the Ohio Environmental  
20 Council.

21 Thompson Hine, LLP  
22 By Mr. Philip B. Sineneng  
41 South High Street, Suite 1700  
Columbus, Ohio 43215

23 On behalf of Duke Energy Retail.  
24  
25

## 1 APPEARANCES: (Continued)

2 Covington & Burling  
3 By Mr. William Massey  
4 1201 Pennsylvania Avenue  
5 Washington, D.C. 20004

6 On behalf of The Compete Coalition.

7 Ohio Hospital Association  
8 By Mr. Richard L. Sites  
9 155 East Broad Street, 15th Floor  
10 Columbus, Ohio 43215

11 Bricker & Eckler, LLP  
12 By Mr. Thomas J. O'Brien  
13 Mr. Matthew W. Warnock  
14 100 South Third Street  
15 Columbus, Ohio 43215-4291

16 On behalf of Ohio Hospital Association.

17 Bricker & Eckler, LLP  
18 By Ms. Lisa Gatchell McAlister  
19 Mr. Matthew W. Warnock  
20 100 South Third Street  
21 Columbus, Ohio 43215-4291

22 On behalf of Ohio Manufacturers  
23 Association.

24 Vorys, Sater, Seymour & Pease, LLP  
25 By Ms. Lija Kaleps-Clark  
Mr. M. Howard Petricoff  
P.O. Box 1008  
52 East Gay Street  
Columbus, Ohio 43216-1008

On behalf of Exelon Generation  
Company, LLC, Constellation NewEnergy,  
Inc., Constellation Energy Commodities  
Group, Inc., Retail Energy Supply  
Association, The Compete Coalition,  
PJM Power Providers Group, and Direct  
Energy.

## 1 APPEARANCES: (Continued)

2 Exelon Generation Company, LLC  
3 By Ms. Sandy Grace  
4 101 Constitution Avenue NW  
5 Washington, D.C. 20001

6 Eimer, Stahl, Klevorn & Solberg, LLP  
7 By Mr. David M. Stahl  
8 Mr. Scott Solberg  
9 224 South Michigan Avenue, Suite 1100  
10 Chicago, Illinois 60604

11 On behalf of Exelon Generation Company,  
12 LLC.

13 Mr. Henry W. Eckhart  
14 1200 Chambers Road, Suite 106  
15 Columbus, Ohio 43212

16 On behalf of the Sierra Club and Natural  
17 Resources Defense Council.

18 Ohio Poverty Law Center  
19 By Mr. Joseph V. Maskovyak  
20 Mr. Michael Smalz  
21 555 Buttles Avenue  
22 Columbus, Ohio 43215

23 On behalf of Appalachian Peace and  
24 Justice Network.

25 Keating, Muething & Klekamp PLL  
By Mr. Kenneth P. Kreider  
One East Fourth Street, Suite 1400  
Cincinnati, Ohio 45202

Ms. Holly Rachel Smith  
HITT Business Center  
3803 Rectortown Road  
Marshall, VA 20115

On behalf of Wal-Mart Stores East, LP,  
and Sam's East, Inc.

- - -

## 1 APPEARANCES: (Continued)

2 Bell & Royer Co., LPA  
3 By Mr. Barth E. Royer  
4 33 South Grant Avenue  
5 Columbus, Ohio 43215

6 On behalf of Dominion Retail, Inc.

7 Bricker & Eckler, LLP  
8 By Mr. Christopher L. Montgomery  
9 Mr. Terrence O'Donnell  
10 100 South Third Street  
11 Columbus, Ohio 43215

12 On behalf of Paulding Wind Farm, II.

13 Environmental Law & Policy Center  
14 By Ms. Tara C. Santarelli  
15 1207 Grandview Avenue, Suite 201  
16 Columbus, Ohio 43212-3449

17 on behalf of the Environmental Law &  
18 Policy Center.

19 SNR Denton US, LLP  
20 By Ms. Emma F. Hand  
21 Mr. Douglas G. Bonner  
22 1301 K Street NW  
23 Suite 600 East Tower  
24 Washington, D.C. 20005

25 On behalf of Ormet Primary Aluminum  
Corporation.

EnerNOC, Inc.  
By Mr. Gregory J. Poulos  
101 Federal Street, Suite 1100  
Boston, Massachusetts 02110

On behalf of EnerNOC.

- - -



1 APPEARANCES: (Continued)

2 Vorys, Sater, Seymour & Pease, LLP  
3 By Ms. Lija Kaleps-Clark  
4 Ms. Benita A. Kahn  
5 P.O. Box 1008  
6 52 East Gay Street  
7 Columbus, Ohio 43216-1008

8 On behalf of the Cable Telecommunications  
9 Association.

10 - - -  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

## INDEX

- - -

Witnesses	Page
Phil Honsey	
Direct Examination by Mr. Mr. Haque	481
Cross-Examination by Mr. Smalz	490
Cross-Examination by Ms. Grady	498
Cross-Examination by Ms. McBride	512
Redirect Examination by Mr. Haque	525
Teresa L. Ringenbach	
Direct Examination by Mr. Petricoff	530
Cross-Examination by Mr. Etter	531
Cross-Examination by Mr. Kutik	537
Redirect Examination by Mr. Petricoff	563
Laura J. Thomas	
Direct Examination by Mr. Conway	568
Cross-Examination by Mr. Kutik	571
Cross-Examination by Mr. Darr	607
Cross-Examination by Ms. Grady	614
Cross-Examination by Mr. Smalz	615
Redirect Examination by Mr. Conway	617
Recross-Examination by Mr. Kutik	621
Recross-Examination by Mr. Darr	623

- - -

Companies' Exhibit	Identified	Admitted
5 - Direct Testimony of Laura J. Thomas	568	624

- - -

OHA Exhibit	Identified	Admitted
1 - Direct Testimony of R. Reed Fraley	479	479

- - -

## INDEX (Continued)

- - -

## IEU-Ohio Exhibits Identified Admitted

2 - Direct Testimony of  
Stephen J. Baron III-252 566

3 - Request for Production  
of Documents  
STIP-FES-RDP-20-001 III-253 624

4 - Direct Testimony and  
Exhibits of Stephen J.  
Baron III-255 566

- - -

## Grove City Identified Admitted

1 - Direct Testimony of  
Phil Honsey 481 529

- - -

## RESA Exhibit Identified Admitted

1 - Direct Testimony of  
Teresa L. Ringenbach 529 564

- - -

## IEU-OHA Joint Exhibits Identified Admitted

1 - Stipulation of Facts by  
Ohio Hospital Association 480 480

- - -

## FES Exhibit Identified Admitted

10 - 2011 Ohio ESP Filing  
AEP Ohio (Confidential) 604 624

1 Friday Morning Session,

2 October 7, 2011.

3 - - -

4 EXAMINER SEE: Let's go on the record. I  
5 understand there are a couple procedural matters that  
6 we need to address first this morning.

7 Mr. O'Brien?

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 MR. O'BRIEN: Yes, your Honor, thank you.  
10 At this time we would -- we have asked the court  
11 reporter to mark as OHA Exhibit 1 the prefiled direct  
12 testimony of R. Reed Fraley on behalf of the Ohio  
13 Hospital Association.

14 The parties to the case with the  
15 exception of IEU Ohio, which we'll discuss  
16 subsequently, have indicated that they have no cross  
17 for Mr. Fraley. We would ask that OHA Exhibit 1 be  
18 moved into the record without cross-examination.

19 EXAMINER SEE: Okay. And I'm going to --  
20 there are no objections to the admission of OHA  
21 Exhibit 1?

22 Hearing none, OHA Exhibit 1 is admitted  
23 into the record.

24 (EXHIBIT ADMITTED INTO EVIDENCE.)

25 EXAMINER SEE: Mr. O'Brien?

1 (EXHIBIT MARKED FOR IDENTIFICATION.)

2 MR. O'BRIEN: Your Honors, we have -- the  
3 IEU Ohio and the OHA have marked as IEU-OHA Joint  
4 Exhibit 1 the -- we're calling this the stipulation  
5 of facts by the Ohio Hospital Association which is a  
6 series of -- a series of statements that will be  
7 attributable to Mr. Fraley that have been stipulated  
8 to as between parties, and we would ask that this  
9 document also be moved into the record.

10 EXAMINER SEE: Can the Bench get a copy?

11 MR. O'BRIEN: Yes, the Bench can get a  
12 copy.

13 EXAMINER SEE: And if there are no  
14 objections to the admission of IEU-OHA Joint  
15 Exhibit 1, stipulation of facts as to the what would  
16 have been the cross-examination of Mr. Fraley, the  
17 exhibit will be admitted into the record.

18 (EXHIBIT ADMITTED INTO EVIDENCE.)

19 MR. O'BRIEN: Thank you, your Honors.

20 EXAMINER SEE: Next, Mr. Haque?

21 MR. HAQUE: Yes, your Honor.

22 EXAMINER SEE: Want to call your witness?

23 MR. HAQUE: The City of Grove City calls  
24 Mr. Phil Honsey.

25 I don't have a working microphone.

1 EXAMINER SEE: I have a couple right  
2 here.

3 MR. HAQUE: Thank you, your Honor.

4 - - -

5 PHIL HONSEY

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

8 DIRECT EXAMINATION

9 By Mr. Haque:

10 Q. Good morning, Mr. Honsey.

11 A. Good morning. I apologize, I don't think  
12 the mic is working. Can everyone hear me?

13 There we go. Good morning, Mr. Haque.

14 Q. Mr. Honsey, this is a hearing regarding  
15 the stipulations signed by Grove City in the ongoing  
16 AEP rate case. Did you submit direct testimony in  
17 support of that stipulation?

18 A. Yes, I did.

19 Q. Do you have that direct testimony with  
20 you today?

21 A. Yes, I do.

22 MR. HAQUE: Your Honors, I'd like to mark  
23 Mr. Honsey's testimony in support of stipulation  
24 recommendation as Exhibit No. GC 1.

25 (EXHIBIT MARKED FOR IDENTIFICATION.)

1 MR. HAQUE: I believe there are copies at  
2 the Bench we provided this morning, your Honors. I  
3 believe the court reporter has her copy as well.

4 Does anyone else in the room need a copy?

5 Q. (By Mr. Haque) Mr. Honsey, in looking at  
6 the testimony that you're holding entitled "Direct  
7 Testimony in Support of Stipulation and  
8 Recommendation of Phil Honsey on Behalf of the City  
9 of Grove City, Ohio," was this direct testimony  
10 prepared under your direction?

11 A. Yes, it was.

12 Q. And do you have any updates to that  
13 direct testimony?

14 A. Yes, I do. I would like to call to your  
15 attention on page 3, line 11, I used the term "made  
16 bypassable," and I have been told that that's a  
17 terminology that has certain technical meanings, and  
18 I would like to substitute "made bypassable" with the  
19 word "eliminated."

20 Q. Thank you, Mr. Honsey. Mr. Honsey, if  
21 you were asked the same questions today as you were  
22 asked in GC Exhibit 1, which now includes the update  
23 that you just made, would you answer the same today?

24 A. Yes, I would.

25 MR. HAQUE: Your Honors, I'd like to move

1 for the admission of Exhibit No. GC 1 into the  
2 record, subject to any cross-examination.

3 EXAMINER SEE: Ms. Grady?

4 MS. GRADY: Would now be the appropriate  
5 time to entertain motions to strike?

6 EXAMINER SEE: Yes, it would be. Go  
7 ahead.

8 MS. GRADY: Thank you, your Honor. We  
9 would move to strike the testimony of Mr. Honsey  
10 beginning on page I believe it is 2. I think  
11 Mr. Honsey referred to it as 3, but it is the  
12 question in -- the question that begins "How did the  
13 companies, in the Stipulation, remedy your concerns  
14 with respect to rates."

15 If we go down to that question to line  
16 11, starting with the sentence "This should result in  
17 savings to many consumers" and continuing on through  
18 the answer on line 19, ending with "rates initially  
19 proposed in the SSO."

20 And, additionally, we would move to  
21 strike beginning on line 20, the sentence that begins  
22 on that page "As it has been further explained to  
23 me," continuing on to the following page of the  
24 testimony and running through line 6.

25 EXAMINER SEE: Ms. Grady?



1 MS. GRADY: Yes.

2 EXAMINER SEE: If I understood your  
3 motion to strike correctly, you began on the second  
4 page of Mr. Honsey's testimony beginning with the  
5 sentence that starts on line 11 through line 19?

6 MS. GRADY: Yes.

7 EXAMINER SEE: So you were removing the  
8 question 15, 16 but leaving a sentence in that  
9 portion?

10 MS. GRADY: Yes.

11 EXAMINER SEE: Mr. Haque, would you like  
12 to respond?

13 I'm sorry, were you finished, Ms. Grady?

14 MS. GRADY: No, I wasn't. I was waiting  
15 to give you the basis for the motion to strike.

16 Very briefly, your Honor, it's clear from  
17 the testimony of Mr. Honsey that he is merely  
18 parroting back what he has been told -- what has been  
19 told to him by parties in the stipulation and  
20 negotiations. This can be seen by the phrases that  
21 he uses where he says "as explained to me," or "as  
22 has been further explained to me."

23 Additionally, in response to discovery,  
24 when asked about these specific statements, the City  
25 of Grove City indicated that it had conducted no

1 independent investigation but had relied upon the  
2 expertise and opinions of others.

3 Mr. Honsey himself did not even attend  
4 the negotiations but was merely kept advised of the  
5 negotiations by his attorney.

6 These statements should be struck on  
7 several grounds. In discovery in response to  
8 requests for admissions, the City stated that  
9 Mr. Honsey is a lay witness and not an expert.

10 As such, his testimony is governed by  
11 Ohio Rule of Evidence 701. That rule states that if  
12 a witness is not testifying as an expert, the  
13 witness's testimony in the form of opinions or  
14 inferences is limited to those opinions and  
15 inferences which are rationally based on the  
16 perceptions of the witness and helpful to a clear  
17 understanding of the witness's testimony or a  
18 determination of a fact in issue.

19 This testimony is not rationally based on  
20 this witness's perception. Rather, it is based on  
21 secondhand or thirdhand information or opinions that  
22 were relayed by Mr. Honsey's counsel that relates to  
23 the other stipulating parties' opinions or statements  
24 that were made in negotiations.

25 It simply does not qualify as his opinion

1 testimony under Rule 701 nor is it helpful to the  
2 determination of any fact in issue in this  
3 proceeding.

4 Additionally, your Honor, these  
5 statements amount to hearsy under Rule 801. Hearsay  
6 is statements made by one other than the declarant  
7 while testifying at trial offered to prove the truth  
8 of the matter asserted. His testimony, these  
9 statements in his testimony that we have moved to  
10 strike fall under no exception to the hearsay rule,  
11 and in some instances the testimony is hearsay upon  
12 hearsay.

13 These statements that are made are linked  
14 to what the attorney has relayed to the witness  
15 pertaining to statements that were made by other  
16 stipulating parties. We respectfully move to strike  
17 these portions of Mr. Honsey's testimony.

18 MR. SMALZ: Your Honor, the Appalachian  
19 Peace and Justice Network also joins the motion as  
20 well so articulated by Ms. Grady.

21 MR. HAQUE: Yes, your Honor, the very  
22 basis and foundation for both of the reasons to  
23 strike Mr. Honsey's testimony are, frankly,  
24 preposterous. The notion that an individual who is  
25 testifying, especially for the signatory parties,

1 need to be here and present in order to testify, in  
2 order to submit direct testimony in these motions are  
3 granted, then essentially what the theory is is that  
4 every signatory party, every intervening party, then  
5 needs to be here in the room partaking in these  
6 negotiations in order to actually submit testimony in  
7 this case.

8           Your Honor, that concept has  
9 ramifications on the settlement process period going  
10 forward. If that's the case, then every signatory  
11 party that's basically non-AEP we have to go through  
12 line by line and eliminate any piece of testimony  
13 that for whatever reason the testifying party or the  
14 testifying individual learned from his or her legal  
15 counsel.

16           So I think the very foundation of both of  
17 the reasons for the objection is preposterous and not  
18 supported by the actual Rules of Evidence. And, your  
19 Honor, just to add in one more iota that, yes,  
20 Mr. Honsey -- we did characterize Mr. Honsey as a lay  
21 witness. None of the items that are set forth in his  
22 testimony are items that a utility or regulatory  
23 expert would be -- are items that a utility or  
24 regulatory expert or a lay witness wouldn't be able  
25 to testify to.

1           These are items that are set forth in the  
2 stipulation. They're very basic, broad items that  
3 are set forth in the paragraphs of the stipulation  
4 that Mr. Honsey's legal counsel are more than capable  
5 to relay to him.

6           MR. CONWAY: Your Honor. May I make just  
7 one more short comment?

8           EXAMINER SEE: Yes, but you're going to  
9 have to speak up, Mr. Conway.

10          MR. CONWAY: I know. I apologize. Tom,  
11 if you can't hear me, please let me know.

12          Ms. Grady's argument -- the fulcrum for  
13 her argument appeared to me as her argument's basis  
14 that the testimony isn't rationally based on the  
15 witness's perception. I think it clearly is based on  
16 the witness's perception.

17          Now, OCC may not believe that it's  
18 rational. My opinion is that it is rational  
19 perception. I think based on the test that she laid  
20 out, her argument fails. And I agree with the other  
21 comments that Grove City's counsel made in support of  
22 the testimony's presentation, against the motion to  
23 strike.

24          MR. HAQUE: Your Honor, as we go through  
25 this, in the event that your Honors were to deny

1 Ms. Grady's motion to strike, if at any time  
2 Mr. Honsey provides statements that you believe to be  
3 expert -- utility expert or regulatory expert  
4 opinions, we can go ahead and deal with those  
5 statements then.

6 EXAMINER SEE: Mr. Petricoff?

7 MR. PETRICOFF: Your Honor, we would also  
8 raise and support the testimony and lay out it  
9 probably is valid this witness is relating the views  
10 of the City of Grove City. He has exact knowledge on  
11 that, it's not technical, but it is certainly  
12 important information that ought to be in the record.

13 EXAMINER SEE: Thank you all.

14 We're going to hold Ms. Grady's motion to  
15 strike the testimony in abeyance until after  
16 Mr. Honsey has been cross-examined by the parties and  
17 we have completed his direct and redirect testimony.

18 I assume you have questions for  
19 Mr. Honsey?

20 MS. GRADY: Yes, I do. And, your Honor,  
21 the concern I have is that if the testimony remains,  
22 I would ask questions on those particular portions  
23 that were subject to the motion to strike.

24 EXAMINER SEE: Okay.

25 MS. GRADY: And otherwise I would not if

1 the motion to strike were granted, I would not ask  
2 those questions. So I guess I will go forward and  
3 then we'll have to deal, I suppose, after the fact  
4 with the record if the motion to strike is granted.

5 EXAMINER SEE: Well, let's be efficient  
6 about it. Motion to strike is denied.

7 MS. GRADY: Thank you.

8 EXAMINER SEE: Which parties have  
9 cross-examination for Mr. Honsey?

10 Mr. Smalz.

11 - - -

12 CROSS-EXAMINATION

13 By Mr. Smalz:

14 Q. Mr. Honsey, good morning.

15 A. Good morning.

16 Q. My name is Michael Smalz and I'm  
17 representing the Appalachia Piece and Justice  
18 Network.

19 I understand that you're testifying on  
20 behalf of Grove City, the City of Grove City; is that  
21 correct?

22 A. That's correct.

23 Q. Are you in any sense purporting to be  
24 testifying on behalf of low-income customers?

25 A. I'm testifying on behalf of all citizens

1 and businesses in Grove City that our local  
2 government represents.

3 Q. I see.

4 Do you have any particular knowledge or  
5 expertise concerning the impact of the proposed rates  
6 on low-income customers?

7 A. What I placed in my stipulation is  
8 representative of my knowledge.

9 Q. Turning to the top of page 2 of your  
10 testimony, actually -- I'm sorry, thank you.

11 Actually, on page 1, beginning at line  
12 20, you state that "Grove City provides its legal  
13 counsel with the authority to sign the Stipulation  
14 because Grove City believes its needs, as reflected  
15 in my Direct Testimony filed with the Commission in  
16 this case, were given due consideration by the  
17 Companies and in many instances were directly  
18 addressed by the Companies as part of the  
19 Stipulation."

20 You referred to many instances where your  
21 needs -- where the City's needs were addressed by the  
22 companies in the stipulation. In what other areas  
23 did the stipulation fail to address the needs of the  
24 City of Grove City or its residents?

25 A. I don't know that I would characterize



1 any critique of the situation beyond what I've put in  
2 my stipulation.

3 EXAMINER SEE: Mr. Honsey, you're  
4 referring to the stipulation. Do you intend to refer  
5 to your direct testimony?

6 THE WITNESS: Yes. Thank you.

7 EXAMINER SEE: Thank you.

8 THE WITNESS: I'm not familiar with all  
9 the terminology.

10 EXAMINER SEE: I just want to make sure  
11 the record is clear.

12 THE WITNESS: Thank you.

13 Q. Now, Mr. Honsey, turning to page 2, line  
14 7, of your testimony where you state "Definitive  
15 valuations have now been assigned to riders." Are  
16 you aware that there are still some riders to which  
17 no definitive valuation has been assigned?

18 A. I am not.

19 Q. You don't know of any such riders?

20 A. No.

21 Q. Do you have any knowledge of the  
22 generation resource rider in the stipulation?

23 A. I would not pretend to be an expert when  
24 it comes to generation rate structures.

25 Q. I see. Do you have any knowledge

1 regarding the pool modification rider in the  
2 stipulation?

3 A. Once again, I would answer the same. I  
4 hear terminology but I'm not an analytical expert in  
5 most areas.

6 Q. And do you have any knowledge as to  
7 whether the alternative energy rider may change in  
8 value over the term of the ESP?

9 A. I do not.

10 Could I ask you to restate that one more  
11 time just because we may be crossing in terms.

12 Q. Okay. Do you have any knowledge as to  
13 whether the value assigned to the alternative energy  
14 rider may change over the time period of the  
15 stipulation?

16 A. I do not have any specific knowledge.

17 Q. Now, further down on page 2, beginning at  
18 line 12, you assert "Finally, the Companies are  
19 gravitating towards a model that will effectuate  
20 shopping, which will invariably allow Grove City and  
21 its citizens to shop more effectively for the best  
22 possible rates."

23 Now, has Grove City already implemented  
24 community aggregation for its residents?

25 A. We have not chosen to do so at this time.

1 Q. And is that issue on the ballot?

2 A. That issue is not on the ballot this  
3 year.

4 Q. Has Grove City taken any action  
5 whatsoever to initiate community aggregation?

6 A. Grove City has entertained from  
7 FirstEnergy proposals which we are evaluating.

8 Q. Now, are you aware of the shopping limits  
9 in -- set forth in the stipulation?

10 A. I am not specifically aware of the  
11 shopping limits.

12 Q. Are you aware of the RPM set-asides in  
13 the stipulation?

14 A. No. If you would please, however, once  
15 again for clarity, identify what "RPM" stands for.

16 Q. I'm sorry, Mr. Honsey. RPM stands for  
17 reliability pricing model.

18 Are you aware of the reliability pricing  
19 model set-asides for capacity charges in the  
20 stipulation?

21 A. No. Once again, I think that's expertise  
22 beyond what I purport to hold.

23 Q. Now, have you done any analysis as to  
24 whether Grove City could actually implement a  
25 community aggregation program next year, given the

1 shopping limits in the RPM set-asides?

2 A. We have not completed but we are looking  
3 at alternatives.

4 Q. And similarly have you done any such  
5 analysis as to whether Grove City would be able to  
6 implement community aggregation at any point in time  
7 during the time period of the stipulation?

8 A. No. Once again, we have entertained  
9 proposals from FirstEnergy and are evaluating them.

10 Q. Thank you, Mr. Honsey.

11 Further down in your testimony following  
12 the next question, beginning on line 17, you state  
13 "As it has been explained to me, yes, the  
14 recommendations made in the Stipulation should result  
15 in better rates for our residential customers than  
16 those rates initially proposed in the SSO."

17 Now, are you in any sense testifying that  
18 these rates apart from comparison with the SSO are  
19 favorable rates for residential customers?

20 THE WITNESS: Can I have that question  
21 read back, please?

22 Q. Maybe I can rephrase the question. You  
23 state that the rates in the stipulation are better  
24 rates for residential customers than the rates that  
25 were originally proposed by the company in the SSO;

1 is that correct?

2 A. That is correct.

3 Q. Are you in any sense testifying that  
4 those rates are favorable from any other standpoint  
5 for residential customers?

6 A. No. My testimony is what it is.

7 Q. Okay, thank you.

8 Turning to the last page of your  
9 testimony, on line 11, where you refer to the  
10 \$100,000 pilot program included in the stipulation,  
11 this is apparently a pilot program for conversion of  
12 street lights and street signals to LED lighting  
13 sources; is that correct?

14 A. That's correct.

15 Q. Was this pilot project which is specific  
16 to Grove City, was that a significant inducement to  
17 Grove City agreeing to the stipulation?

18 A. First of all, I would -- the question is  
19 not quite correct, and would ask for the record that  
20 it be -- it is specific to Grove City and Hilliard.

21 The key to me is the word "pilot program"  
22 or the word "pilot" in the phrase "pilot program."  
23 Communities in Central Ohio have enjoyed a  
24 significant economic development working relationship  
25 with the companies for many, many years.

1                   There are many economic development  
2                   triumphs in Central Ohio, job creation investment  
3                   that have occurred because of the partnership with  
4                   the companies, local government, state government,  
5                   and I am -- I have had conversations with the  
6                   companies in the past about commitments to economic  
7                   development.

8                   To me the pilot program is even better  
9                   than words in what we are doing in Hilliard and Grove  
10                  City is we are setting an example, we are doing  
11                  energy conservation as reporting companies. We're  
12                  not just saying, hey, energy conservation is a good  
13                  thing. We're showing them that we have our act  
14                  together within the service areas of these companies  
15                  and municipalities. We are doing economic  
16                  development together. We are conserving energy. We  
17                  are increasing safety.

18                  I don't know how anybody can make that a  
19                  bad thing.

20                  Q.    Thank you, Mr. Honsey. But could you  
21                  also give a "yes" or "no" answer to the question as  
22                  to whether this particular pilot project was a  
23                  significant factor in your decision to approve the  
24                  stipulation?

25                  MR. HAQUE:  Objection. I think that

1 question's asked and answered.

2 MR. SMALZ: I certainly haven't heard a  
3 "yes" or "no" answer.

4 EXAMINER TAUBER: Please answer the  
5 question, Mr. Honsey.

6 A. No problem, yes, I think it's very  
7 significant economic development is one of the  
8 concerns that we have expressed in the past, a  
9 commitment to economic development, and we're very  
10 pleased it's in there and it's very significant so I  
11 will speak for Grove City, I will not speak for  
12 Hilliard, they can speak for themselves, but it is  
13 significant.

14 MR. SMALZ: Thank you, Mr. Honsey.

15 I do not have any further questions.

16 EXAMINER SEE: Ms. Grady?

17 MS. GRADY: Thank you, your Honor.

18 - - -

19 CROSS-EXAMINATION

20 By Ms. Grady:

21 Q. Good morning, Mr. Honsey.

22 A. Good morning.

23 Q. Let's take a moment to talk about the  
24 City of Grove City itself. The City gets its  
25 electric service from Columbus Southern Power, does

1       it not?

2               A.     That's correct. I think there might be a  
3     tiny percentage in another service district B.

4               Q.     The electric service the company gets is  
5     to illuminate also traffic signals and a number of  
6     its street lights and to power and operate its  
7     municipally-owned buildings and facilities; is that  
8     correct?

9               A.     Yes.

10              Q.     Now the City takes service under a number  
11     of CSP rate schedules, does it not?

12              A.     I am not intimately familiar with the  
13     various rate schedules.

14              Q.     Do you have a general understanding that  
15     the city takes service under GS1, GS2, GS3, and  
16     street lighting?

17              A.     We don't call them that. We look at the  
18     bills.

19              Q.     Okay, thank you.

20                     Now, the City of Grove City also has a  
21     number of residential customers that reside within  
22     the City boundaries who receive service from CSP,  
23     does it not?

24              A.     Yes.

25              Q.     Do you know how many residents of Grove



1 City are customers of CSP?

2 A. I would say that we are, according to the  
3 latest estimates of the Mid-Ohio Regional Planning  
4 Commission, in the neighborhood of 36,000 in  
5 population.

6 Q. And that would be 36,000 residential  
7 customers or is it commercial and industrial?

8 A. That's population. You'd have to back it  
9 down then to customers of course being actual housing  
10 units. And my guess would be that we would be in the  
11 neighborhood of 13 to 15 thousand units, and the  
12 reason that's a little bit fuzzy is the differences  
13 in how multifamily, single family, et cetera, may be  
14 metered.

15 Q. When you say "unit," that would  
16 essentially be a customer or residence; is that  
17 right?

18 A. Yes. If you're looking at individual  
19 people, 36,000 plus customers that live in Grove  
20 City.

21 Q. Thank you. Now, would you assume that  
22 the majority of the 13,000 residents or units that  
23 you talked about receive service from CSP?

24 A. I would imagine that to be the case, yes.

25 Q. Do you know how many of your residents

1 are currently shopping?

2 A. I do not.

3 Q. So you wouldn't know how many of your  
4 residents as of, for instance, September 7, 2011,  
5 were shopping.

6 A. No.

7 Q. Now, the City of Grove City also has  
8 commercial and industrial customers that do business  
9 within its City limits, does it not?

10 A. Yes.

11 Q. And do you know how many commercial and  
12 industrial customers do business within the City or  
13 its limits?

14 A. No.

15 Q. And you wouldn't know whether these  
16 customers, would you, Mr. Honsey, were shopping or  
17 not?

18 A. I am aware of some commercial and  
19 industrial, I can't give you a list, but I know that  
20 there are various commercial and industrial that have  
21 for a number of years shopped effectively on the  
22 retail side.

23 Q. Now, as of September 7, 2011, the City of  
24 Grove City was not shopping; is that right?

25 A. That is correct, as a city we were not.

1           Q.   And similarly on September 7, 2011, the  
2 City would not have filed any notice of intent to  
3 shop that you know of.

4           A.   That is correct.

5           Q.   Now let's go to your testimony on page 2,  
6 lines 12 through 14. There you testify that "the  
7 Companies are gravitating toward a model that will  
8 effectuate shopping." Do you see that reference?  
9 Line 12, it's the second full page of testimony.

10          A.   Okay. So what I call page 3, it's  
11 actually -- I'm sorry. Yes.

12          Q.   It's a matter of counting the pages but,  
13 yes, it is the sentence -- what I'm focusing on is  
14 the sentence that you say "the companies are  
15 gravitating toward a model that will effectuate  
16 shopping."

17          A.   Yes.

18          Q.   Now that testimony, Mr. Honsey, merely  
19 reflects what Grove City was told in negotiations,  
20 does it not?

21          A.   It is my understanding or my conclusion  
22 from what I was told that more transparency in the  
23 electric rate system eliminating phase-in recovery  
24 riders, or whatever the correct term is, that did not  
25 have an exact value to them as an important step in

1     gravitating towards a market -- market-based retail  
2     shopping environment making it easier for us as  
3     customers to identify what our costs will be in the  
4     future, I believe, is a very important step.

5             MS. GRADY: May I approach the witness,  
6     your Honor?

7             EXAMINER TAUBER: You may.

8             EXAMINER SEE: Yes.

9             Q. Mr. Honsey, I'm going to show you the  
10    City of Grove City, Ohio Supplemental Response to the  
11    Office of Ohio Consumers' Counsel's First Set of  
12    Interrogatories and Requests for Production of  
13    Documents and Requests for Admission, and I'm going  
14    to specifically direct your attention to  
15    Interrogatory No. 11 and your response. And I'm  
16    going to read that interrogatory into the record and  
17    ask you merely if I read it correctly and as well the  
18    response.

19            A. Okay.

20            Q. "What is it about the model incorporated  
21    into the stipulation that will effectuate shopping?  
22    Will it effectuate shopping specifically for the  
23    residents of Grove City? On what do you base this  
24    conclusion?"

25            Did I read that correctly?

1           A.    Yes, you did.

2           Q.    And the supplemented response indicates:  
3    "Objection, see general objections.  Grove City  
4    participated in general settlement discussions where  
5    the party discussed changes in AEP's business model  
6    and through those discussions Grove City was informed  
7    that these changes in AEP's business model will  
8    result in more shopping for AEP's current customers."  
9    Did I read that correctly?

10          A.    Yes, you did.

11          Q.    Thank you.

12                Grove City was told that the changes in  
13    AEP's business model would result in more shopping  
14    for AEP's current customers, was it not?

15          A.    Yes.

16          Q.    And Grove City was also told that its  
17    citizens will be able to shop more effectively for  
18    the best possible rates; is that correct?

19          A.    That's correct.

20          Q.    Do you know currently if there are  
21    impediments to shopping for Grove City or its  
22    residents?

23          A.    When we talk about gravitating towards a  
24    better retail shopping environment, that the fact  
25    that there's a motion towards, it means I'm sure that

1     there are some impediments that have yet to be  
2     eliminated but at least it's a step in the right  
3     direction. So I am generally aware of it but not an  
4     expert in whatever the impediments may be, but I'm  
5     pleased that we are moving in the right direction. I  
6     recognize we can't get there overnight.

7             Q.     And you have not done an analysis, have  
8     you, Mr. Honsey, to determine where there are  
9     currently impediments to shopping for customers?

10            A.     I have personally not done an analysis  
11     nor do I have the time to do it.

12            Q.     And, Mr. Honsey, you don't have any  
13     independent information, do you, on how the  
14     stipulation will result in more shopping for the  
15     residents of Grove City?

16            A.     I have anecdotal information. But I  
17     don't have expert information. And by that I mean I  
18     have heard comments as we have looked at solar energy  
19     alternatives with solar providers that elimination of  
20     phased-in recovery riders will improve the shopping  
21     environment or elimination of unknown recovery  
22     riders.

23            Q.     You have not confirmed, have you,  
24     Mr. Honsey, independently that the stipulation will,  
25     as you say in your testimony, invariably allow Grove

1 City and its citizens to shop more effectively for  
2 the best possible rates, correct?

3 A. I'll have to ask you to repeat the  
4 question again. I apologize.

5 Q. That's all right. I can repeat it.

6 You have not independently confirmed,  
7 Mr. Honsey, that the stipulation will, as you  
8 testified, invariably allow Grove City and its  
9 citizens to shop more effectively for the best  
10 possible rate.

11 A. I have not.

12 Q. And you have not done any analysis to  
13 determine whether the shopping level will rise for  
14 your residents under the stipulation, have you?

15 A. I have not. And I'll clarify, when I'm  
16 saying "I," that's not to say that our  
17 representatives have not.

18 Q. And when you --

19 A. And by that I mean as a city  
20 administrator we hire engineers and if someone asks  
21 me did I check the elevations on page 16 of that  
22 engineering plan, I would have to say I did not. But  
23 did I review the plan in general to make sure that  
24 that street and city administrator makes sense for  
25 our city, absolutely I did. And that's the level of

1 review that I have done with our other professionals,  
2 the attorneys and the work they have done on this  
3 case.

4 Q. Do you understand the -- let me strike  
5 that.

6 Mr. Smalz had some questions for you  
7 about the RPM set-aside, and you did not have an  
8 understanding of RPM set-aside; is that correct?

9 A. That's correct.

10 Q. So you wouldn't necessarily understand  
11 how capacity -- let me strike that.

12 Now, on page 2 of your testimony, I'm  
13 going to direct your attention to lines 15 through  
14 18. And there you state that the recommendations  
15 made in the stipulation should result in better rates  
16 for your residents. Do you see that?

17 A. Yes, I do.

18 Q. And in making that statement you're  
19 comparing the stipulated rates versus the ESP rate  
20 filing made by the company?

21 A. Stipulated against what I would -- I  
22 guess the term I use being a layman is the SSO.

23 Q. Are you familiar with the term "market  
24 rate offer"?

25 A. Not really.



1           Q.    So when you testified that the  
2       recommendations made in the stipulation result in  
3       better rates, you are not comparing the stipulated  
4       rates, are you, to a market rate offer?

5           A.    No.  What I am making is an observation  
6       based on a chart that has been shown to me by legal  
7       counsel that shows a reduction in each of the next  
8       three years of at least a couple percentage points on  
9       the base generation rate.

10          Q.    Mr. Honsey, you were not personally  
11       involved in the negotiation conferences, were you?

12          A.    Absolutely not.

13          Q.    So the rate differences were explained to  
14       you; is that correct?

15          A.    That is correct, and that's what's in my  
16       testimony.

17          Q.    Now, you testify on page 2, and I'm going  
18       to refer you to lines 7 through 10, that the  
19       valuations have been assigned to riders such that  
20       consumers from each class should now have a better  
21       understanding of the rates to be paid for the life of  
22       the SSO.  Do you see that?

23          A.    Yes, I do.

24          Q.    Would you agree with me that your  
25       understanding of the rates to be paid over the life

1 of the SSO was gained by relying on and accepting the  
2 opinions of those involved in the negotiations?

3 A. Yes. And I've, in fact, stated that in  
4 my testimony.

5 Q. And that would have been relying on and  
6 accepting the opinions of the PUCO staff and the AEP  
7 staff and the other participants?

8 A. It would have been relying on the  
9 information relayed to me as noted in my testimony by  
10 my attorneys.

11 Q. Along with the PUCO staff and the AEP  
12 staff and the other participants to the negotiations?

13 MR. HAQUE: Your Honor, I'm going to  
14 object. I believe Mr. Honsey's answered how he  
15 received that information.

16 EXAMINER SEE: The question's been  
17 answered. Move on, Ms. Grady.

18 Q. Now, when I use the term "stipulation  
19 criteria," or the "three-prong test," do you  
20 understand of what I'm referring to?

21 A. I do not.

22 Q. You are not, Mr. Honsey, providing expert  
23 testimony on whether the settlement is a product of  
24 serious bargaining among capable and knowledgeable  
25 parties, are you?

1           A.    I am limiting my testimony to what's on  
2 paper in front of all of us, and I think it speaks  
3 for itself.

4           Q.    And you consider yourself a lay witness  
5 and not an expert; is that correct?

6           A.    That is correct.

7           Q.    And you are not providing expert  
8 testimony to address whether the settlement as a  
9 package benefits ratepayers and the public interest,  
10 are you?

11          A.    I'm not providing expert testimony on  
12 anything.

13          Q.    So you are not providing expert testimony  
14 to address whether the settlement as a package  
15 violates any important regulatory or principle or  
16 practice.

17               MR. HAQUE: Again, your Honor, objection,  
18 asked and answer. Mr. Honsey stated he is not  
19 providing expert testimony on anything, so any  
20 questions that are after that ask him if he is an  
21 expert and is testifying for as an expert for  
22 anything has been asked and answered.

23               EXAMINER SEE: Objection overruled.

24               Mr. Honsey, answer the question.

25          A.    I have to have the question repeated, if

1 I may, please.

2 Q. Sure. You are not providing expert  
3 testimony to address whether the settlement as a  
4 package violates any important regulatory principle  
5 or practice.

6 A. I am not.

7 Q. And you are a not providing lay testimony  
8 to address whether the settlement as a package  
9 violates any important regulatory principle or  
10 practice.

11 A. I am not, and I don't know how lay  
12 testimony could make that analysis.

13 Q. And, similarly, you are not providing lay  
14 testimony to address whether the settlement as a  
15 package benefits ratepayers in the public interest.

16 A. I'm not providing lay testimony; is that  
17 what you said?

18 Q. Yes.

19 A. As to --

20 Q. As to whether the settlement as a package  
21 benefits ratepayers in the public interest.

22 A. No, I believe as I've noted in my  
23 stipulation, I believe it does benefit ratepayers. I  
24 believe I have said so.

25 Q. So you are providing lay testimony to

1 address whether the settlement as a package benefits  
2 ratepayers in the public interest.

3 A. Yes, I am.

4 MS. GRADY: That's all the questions I  
5 have. Thank you, Mr. Honsey.

6 THE WITNESS: Thank you.

7 EXAMINER SEE: FES.

8 - - -

9 CROSS-EXAMINATION

10 By Ms. McBride:

11 Q. Good morning, Mr. Honsey. My name is  
12 Laura McBride, and I'm one of the attorneys for  
13 FirstEnergy. This is the first proceeding that Grove  
14 City has been involved in; is that right?

15 A. In my tenure, I could not speak to.

16 Q. So during your tenure this is the only  
17 proceeding.

18 A. Yes.

19 Q. Mr. Smalz touched on this briefly. But  
20 it's true, is it not, that Grove City is considering  
21 governmental aggregation?

22 A. Yes. We've had proposals from the  
23 company that you represent and have evaluated them  
24 and will continue to do so with FirstEnergy and other  
25 comers.

1           Q.    And governmental investigation is being  
2 considered for the May 2012 ballot; is that right?

3           A.    I am not the final decision maker in that  
4 regard. That would be pure speculation. Local  
5 government is operated as such that the administrator  
6 makes recommendations and the elected officials will  
7 decide what happens with any ballot issue.

8           Q.    And have you made any recommendations  
9 about whether governmental aggregation should appear?

10          A.    Not yet.

11          Q.    Is it your understanding that  
12 governmental aggregation would allow Grove City  
13 residents and small commercial customers to receive  
14 an alternative offer for retail electric service?

15          A.    Yes.

16          Q.    And so that if governmental aggregation  
17 was approved for Grove City, Grove City would enter  
18 into a contract with the electric supplier and  
19 residents would have an option to receive generation  
20 service from a supplier other than Columbus Southern;  
21 is that correct?

22          A.    I guess would I ask you to clarify. Are  
23 you referring to opt in or opt out?

24          Q.    It could be either, correct.

25          A.    Yes, we are aware in the future options

1       may exist, yes.

2               Q.     And under either of those options Grove  
3     City's residents and small commercial customers would  
4     have the option to receive service under a supplier  
5     other than Columbus Southern.

6               A.     In the future, yes.

7               Q.     And Grove City is considering  
8     governmental aggregation because it believes  
9     governmental aggregation could provide benefits to  
10    its residents, is that fair to say?

11              A.     Have not made that determination yet. So  
12    it's not fair to say. Grove City is considering it  
13    because it's part of due diligence in local  
14    government to look at the options in front of us.

15              Q.     But it would also be fair to say that  
16    Grove City wouldn't consider governmental aggregation  
17    if it was not beneficial to customers.

18              A.     No, I don't think that one can do a fair  
19    analysis if you've already drawn a conclusion. So  
20    I've not drawn a conclusion as to what I would  
21    recommend is in the public interest, but I know it's  
22    something that should be examined.

23              Q.     And do you have an understanding that  
24    governmental aggregation could provide a savings  
25    opportunity for Grove City residents and small

1 commercial customers?

2 A. Yes. As long as the record is clear that  
3 the word is "could." Yes, I understand it could. I  
4 would draw comparisons and caution that many local  
5 government officials will refer to gas aggregation in  
6 some cases it worked out and some cases it hasn't.  
7 So I think what you find most government officials in  
8 the Ohio are going to look before they leap to do  
9 other analysis and will do our best to not draw  
10 conclusions and then try to make the solution fit the  
11 shoe but will rather analytical and our answer will  
12 be in due time and our answer will be done by the  
13 elected officials, not people like me.

14 Q. Do you have any understanding about the  
15 impact of the stipulation on governmental  
16 aggregation?

17 A. Yes, I do. From the standpoint of once  
18 again on the layman's side more transparency in the  
19 rates, more predicabilities as we look at doing our  
20 analysis going forward, and ability to better predict  
21 what AEP's rates will be at such-and-such a year  
22 helps us do our analysis.

23 Q. It helps Grove City do its analysis?

24 A. Yes. And helps customers.

25 Q. Do you have any understanding of whether



1 the stipulation would allow other suppliers to  
2 provide more favorable options for Grove City  
3 customers?

4 A. I do not have a specific understanding of  
5 the details, but as -- my understanding is this; we  
6 are making important steps towards a more open retail  
7 competitive marketplace and so from that broader lay  
8 perspective, irrespective of the exact details how we  
9 get there, my conclusion is we're moving in the right  
10 direction and that through the efforts of the parties  
11 around the table and PUCO filtering out all the  
12 different input, we will be in a position to better  
13 analyze as citizens, as businesses, and communities,  
14 at the end of this process I believe we'll be able to  
15 better analyze what the best rate options are for us  
16 going forward.

17 Q. So based on that answer what you're  
18 saying, it would help -- the transparency rates might  
19 help Grove City analyze the option but you have no  
20 understanding as to whether or not it would allow  
21 retail suppliers to provide more favorable options;  
22 is that fair?

23 A. My understanding is limited, as I said in  
24 my testimony, to the fact that we are moving in that  
25 direction. And the details as to how we get there I

1       won't speculate.

2               Q.     And I believe you testified earlier that  
3       it's your belief that while the process is moving in  
4       that direction, it can't happen overnight. Is that  
5       what you said earlier?

6               A.     Yes.

7               Q.     And what's the basis for your belief that  
8       it can't happen overnight?

9               A.     The infrastructure just speaking from a  
10      City perspective, I will make an analogy over to  
11      the -- our counterparts in the electric world. When  
12      you have infrastructure both in the physical world  
13      and in the building and all of the backroom support  
14      world, there's a great amount of unintended side  
15      effects when intended actions are taken. Louis  
16      Monfort was famous for saying the unintended side  
17      effects for urban renewal are greater than the  
18      intended affects, and we all saw that as people who  
19      thought they had great ideas for how to build cities,  
20      tore them up and found out that they had destroyed  
21      neighborhoods, not made them better.

22                    When you're dealing with large  
23      infrastructure like electric companies and cities,  
24      and cities, of course, are -- electric infrastructure  
25      is part of the backbone of cities. You deal from an

1 understanding that you act -- you may plan  
2 aggressively but you act conservatively because there  
3 will be unintended side effects. And so I'm very  
4 comfortable with the idea that we make progress  
5 towards an open retail marketplace but that we don't  
6 experience the leap-before-you-look aggregation  
7 experiences that occurred say with gas.

8 Q. And, Mr. Honsey, you have testified you  
9 don't have any understanding of the RPM capacity  
10 price charges that are included in the stipulation.

11 A. I don't pretend to have any merit test.

12 Q. So you don't have any understanding as to  
13 whether or not the Commission could deny that  
14 increase of capacity price as part of this process.

15 A. I don't.

16 Q. And Grove City did not complete any  
17 investigation as to whether that capacity price  
18 charge would serve as a cap on shopping.

19 A. I am not going to represent to what  
20 extent our attorneys did investigations as they  
21 advised me. That would be up to them to represent  
22 that.

23 Q. You're the witness here today on behalf  
24 of Grove City and can you -- have you ever seen any  
25 such analysis or investigation as to whether or not

1 the 255 --

2 A. No, I have not.

3 Q. Let me make sure I get my question out.

4 As the witness here today for Grove City,  
5 you have not seen any investigation as to whether the  
6 \$255-megawatt per day capacity charge will serve as a  
7 cap on shopping.

8 A. I have not.

9 Q. And Grove City did not commission any  
10 independent expert analysis comparing the residential  
11 rates in the original ESP application to the  
12 residential rates resulting from the stipulation;  
13 isn't that correct?

14 A. I think I'm going to say no but I want  
15 you to repeat the question again. I apologize for  
16 taking so much time this morning.

17 Q. Grove City did not commission an  
18 independent expert analysis comparing the residential  
19 rates in the original ESP application to the  
20 residential rates resulting from the stipulation.

21 A. That's correct.

22 Q. Are the residential rates proposed in the  
23 stipulation better than the current residential  
24 rates?

25 A. I cannot say for a fact.

1           Q.    Is that something you would have wanted  
2   to know before signing the stipulation?

3           A.    Not necessarily, not from my point of  
4   view. My point of view is that we had in front of us  
5   higher rates and we saw the rates lowered. And that  
6   was the basis upon which I made my decision to sign  
7   the stipulation.

8           Q.    And isn't it true that the only documents  
9   that Grove City received that reflect that the  
10   stipulation provides better rates for residential  
11   customers was information provided by AEP after the  
12   stipulation was signed? Correct?

13          A.    I believe I said in my testimony that I  
14   received my information from the attorneys and I  
15   wouldn't conjecture as to where that information came  
16   from.

17                MS. McBRIDE: Your Honor, may I approach  
18   the witness?

19                EXAMINER TAUBER: You may.

20          Q.    Mr. Honsey, I'm going to hand to you  
21   what's been titled "City of Grove City's Responses to  
22   the Office of the Ohio Consumers' Counsel." And I  
23   ask you to turn to page 9 of that document.

24          A.    Have page numbers.

25          Q.    Yes, it helps. I'm just going to read

1     interrogatory No. 13 and ask whether or not I've  
2     ready that correctly.

3             "Please identify all documents that were  
4     shown to or given to Grove City to show the  
5     stipulation will result in better rates for Grove  
6     City's residential consumers."

7             Supplemented response: "Objection, see  
8     general objection. Grove City further objects in  
9     that this interrogatory seeks information that is  
10    exempt from discovery under the trial preparation  
11    doctrine and/or the joint defense agreement between  
12    the signatory parties notwithstanding the foregoing,  
13    Grove City has affixed a privilege law to the  
14    responses describing documentation given to Grove  
15    City that are not discoverable."

16            And if you turn to what would be page 17,  
17    which actually doesn't have a number but comes after  
18    16, you'll see a chart that identifies one row,  
19    September 9, 2011, e-mail from AEP to Grove City; is  
20    that correct?

21            A.    That's correct.

22            Q.    You mentioned I believe in response to  
23    Ms. Grady's questions a chart that you had reviewed  
24    regarding residential rates.

25            A.    Yes.

1           Q.    Do you have that chart with you here  
2 today?

3           A.    I do not.

4           Q.    Do you know who prepared that chart?

5           A.    I do not.

6           Q.    And when did you receive the chart the  
7 first time?

8           A.    Earlier this week. I did not receive it,  
9 I simply reviewed it from legal counsel. It was in  
10 their possession.

11          Q.    Earlier this week. As a result, that is  
12 not a chart that you saw before you signed the  
13 stipulation; is that correct?

14          A.    Let's look at the date on the  
15 stipulation.

16          Q.    The stipulation was signed on  
17 September 7th.

18          A.    That's correct.

19          Q.    Are you familiar with Appendix C to the  
20 stipulation?

21          A.    I don't know what you're referring to.  
22 No.

23          Q.    So is it fair to say that you did not see  
24 Appendix C before you signed the stipulation?

25          A.    I don't recall.

1           Q.    You don't recall whether you received  
2 Appendix C before the stipulation was signed?

3           A.    Could you define what Appendix C is?

4           Q.    Are you familiar with the stipulation  
5 itself? It's a multi--page document?

6           A.    Yes.

7           Q.    And at the back are attached I think  
8 three appendices, A, B, and C.

9           A.    Okay. I have it in front of me.

10          Q.    And it's true, is it not, that you did  
11 not receive Appendix C before you signed the  
12 stipulation?

13               MR. HAQUE: Objection, your Honor,  
14 Mr. Honsey did not sign the stipulation. The  
15 stipulation was signed by legal counsel for Grove  
16 City, so inherent in the question is inaccurate.

17               MS. McBRIDE: I'll rephrase the question.

18               EXAMINER TAUBER: Thank you.

19          Q.    Did you see Appendix C before the  
20 stipulation was signed on behalf of the Grove City?

21          A.    I actually don't recall when I reviewed  
22 this particular package.

23          Q.    You don't recall whether you reviewed the  
24 stipulation before the stipulation was signed on  
25 behalf of Grove City?



1           A.    Yeah, I can't recall the timeframe.

2           MS. McBRIDE:   Your Honors, may I approach  
3 the witness again?

4           EXAMINER TAUBER:   You may.

5           Q.    Mr. Honsey, I'm handing you what's  
6 entitled the City of Grove City's responses to the  
7 Industrial Energy Users of Ohio Fourth Set of  
8 Interrogatories.

9                   And if you turn to page 4 of that  
10 document, Mr. Honsey, the request 4-5 states "admit  
11 that you did not view Appendix C of the stipulation  
12 prior to September 7, 2011."

13                   Response:   "Admit."

14                   Did I read that correctly?

15           A.    You did.

16           Q.    And then you also -- AEP also did not  
17 inform Grove City that the set-aside allotment for  
18 RPM price capacity was already met by any customer  
19 class before the stipulation was signed on behalf of  
20 Grove City; is that correct?

21           A.    Let me make sure I don't get caught up in  
22 terms.

23                   But if you mean Grove City as opposed to  
24 Grove City counsel, that would be correct.

25           MS. McBRIDE:   I have no further

1 questions.

2 EXAMINER TAUBER: Thank you.

3 IEU?

4 MR. OLIKER: No questions, your Honor.

5 EXAMINER TAUBER: Any other parties for  
6 questions on cross-examination?

7 Mr. Haque, do you have redirect?

8 MR. HAQUE: Just a moment.

9 EXAMINER SEE: Mr. Haque? Mr. Miller?  
10 We'll take a five-minute recess so you  
11 can confer before redirect.

12 EXAMINER TAUBER: Let's go off the  
13 record.

14 (Recess taken.)

15 EXAMINER TAUBER: Let's go back on the  
16 record.

17 Mr. Haque, redirect?

18 MR. HAQUE: Yes, your Honor, just a few  
19 questions.

20 - - -

21 REDIRECT EXAMINATION

22 By Mr. Haque:

23 Q. Mr. Honsey, in response to a question  
24 from Ms. McBride, you said that the City of Grove  
25 City was considering governmental aggregation. What

1 did you mean by that?

2 A. I mean that staff has entertained the  
3 initiative from the sales folks at FirstEnergy to  
4 come and speak with us, give us their thoughts  
5 regarding aggregation. There's no official  
6 consideration at this point by the City Council in  
7 the matter.

8 Q. So City Council has not been apprised by  
9 staff as to whether or not staff recommends  
10 aggregation.

11 A. That is correct. We're at the stage of  
12 due diligence and hearing people out and as time goes  
13 on, we will probably engage experts to advise us.

14 Q. Mr. Honsey, could you please turn to your  
15 testimony very briefly? It's the second full page of  
16 testimony which I believe you have numbered as page  
17 3. And could you please read lines 15 through 20,  
18 please?

19 A. Question: "Will the recommendations made  
20 in the Stipulation result in better rates for your  
21 residential customers?"

22 Answer: "As it has been explained to me,  
23 yes, the recommendations made in the Stipulation  
24 should result in better rates for our residential  
25 customers than those rates initially proposed in the

1 SSO. The generation rates agreed to by the Companies  
2 are lower than those rates proposed in their SSO  
3 application."

4 Q. Okay. And, Mr. Honsey, we've already  
5 talked about this, but I just want to clarify. You  
6 did not partake in any of the settlement negotiations  
7 or any of the stipulation-related negotiation  
8 yourself, did you?

9 A. I did not.

10 Q. So all of your information is based on  
11 information obtained from your legal counsel who did  
12 participate in those settlement negotiations.

13 A. Yes.

14 Q. And your legal counsel kept you apprised  
15 of what was happening in this case on a consistent  
16 basis?

17 A. Yes.

18 Q. As far as specific numbers go,  
19 Ms. McBride referenced a chart that was provided to  
20 Grove City by AEP. You did not see specific numbers  
21 prior to submitting your direct testimony; is that  
22 correct?

23 A. That is correct.

24 Q. Okay, so you saw the specific numbers  
25 earlier this week.

1           A.     That is correct.

2           Q.     But your testimony states that the  
3     generation rates agreed to by the companies are lower  
4     than those rates proposed in their SSO application,  
5     it does not mention specific numbers, correct?

6           A.     That is correct.

7           MR. HAQUE:   Thank you, Mr. Honsey.

8           EXAMINER TAUBER:   Any questions on  
9     recross, Mr. Smalz?

10          MR. SMALZ:   No, your Honor.

11          EXAMINER TAUBER:   Ms. Grady?

12          MS. GRADY:   No, your Honor.

13          EXAMINER TAUBER:   Ms. McBride?

14          MS. McBRIDE:   No, your Honor.

15          EXAMINER TAUBER:   Mr. Honsey, you may be  
16     excused, thank you.

17          MS. GRADY:   Your Honor, at this time I  
18     would renew my motion to strike portions of  
19     Mr. Honsey's testimony earlier referenced.

20          MR. OLIKER:   We would join, your Honor.

21          EXAMINER SEE:   As previously stated on  
22     the record, your motion to strike is denied.   The  
23     Commission will take the testimony of Mr. Honsey for  
24     what we find it to be worth.

25          MR. HAQUE:   Your Honor, at this time we

1 would like to renew our motion to have Grove City  
2 Exhibit No. GC 1 admitted into the record.

3 EXAMINER SEE: Are there any further  
4 objections to the admission of Grove City Exhibit 1?

5 Hearing none, Grove City Exhibit 1 is  
6 admitted into the record.

7 (EXHIBIT ADMITTED INTO EVIDENCE.)

8 EXAMINER TAUBER: I believe  
9 Ms. Ringenbach is next.

10 MR. PETRICOFF: Thank you, your Honor.  
11 Your Honor, on behalf of the Retail Energy Supply  
12 Association we'd like to call Teresa L. Ringenbach to  
13 the stand.

14 (Witness sworn.)

15 MR. PETRICOFF: Earlier I gave the court  
16 reporter a copy of a document that's marked -- that  
17 is entitled Direct Testimony of Teresa L. Ringenbach  
18 in Support of the September 7, 2011, Stipulation. I  
19 would like to have that marked RESA Exhibit No. 1.

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

21 MR. PETRICOFF: Thank you, your Honor.

22 - - -  
23  
24  
25

1                   TERESA L. RINGENBACH

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

4                   DIRECT EXAMINATION

5       By Mr. Petricoff:

6               Q.     Could you please state your name and  
7       business address for the record?

8               A.     My name is Teresa Ringenbach, and my  
9       business address is 9605 El Camino Lane, Plain City,  
10      Ohio, 43064.

11              Q.     Ms. Ringenbach, on whose behalf do you  
12      appear today?

13              A.     The Retail Energy Supply Association,  
14      RESA.

15              Q.     And do you have with you a copy of the  
16      document we just had marked RESA Exhibit No. 1?

17              A.     Yes.

18              Q.     Is that your direct prepared testimony?

19              A.     Yes.

20              Q.     Was this prepared under your direction?

21              A.     Yes.

22              Q.     Are there any changes or amendments you'd  
23      like to make to that testimony?

24              A.     No.

25              Q.     If I were to ask you today the questions

1     that appear in that document, would your answers be  
2     the same?

3             A.     Yes.

4             MR. PETRICOFF:   Your Honors, the witness  
5     is available for cross-examination.

6             EXAMINER TAUBER:   Mr. Smalz?

7             MR. SMALZ:   Your Honor, I have no  
8     questions of this witness.

9             EXAMINER TAUBER:   OCC?

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

11                             - - -

12                             CROSS-EXAMINATION

13     By Mr. Etter:

14            Q.     Good morning, Ms. Ringenbach.   Just a few  
15     questions for you this morning.

16                    You state on pages 4 and 5 of your  
17     testimony that in your original testimony that was  
18     filed you had laid out five key policy and tariff  
19     issues that were raised in regards to the  
20     application.

21            A.     Yes.

22            Q.     And that the failure of those five --  
23     failure of the application to adequately address  
24     those five policy and tariff issues was the basis for  
25     RESA's urging the Commission to reject the



1 application; is that right?

2 A. That's right.

3 Q. And what are those five issues?

4 A. The first was there are a series of  
5 nonbypassable generation-related riders.

6 The second was that there was no  
7 competitively bid wholesale solicitation for standard  
8 service offer generation rates.

9 Third was they had proposed a FRR  
10 capacity charge versus a PJM RPM rate.

11 Fourth was rider GRR which would be an  
12 unavoidable generation-related rider for a new power  
13 plant.

14 And the fifth was there were a number of  
15 what we called competitive barriers in the way that  
16 AEP ran their -- what I would call their choice  
17 program in terms of how we received data and how  
18 customers were able to switch.

19 Q. And in your original testimony you had a  
20 section on rate design. Where did that section fit  
21 into those five policy issues?

22 A. The rate design itself would have fallen  
23 into the competitive barriers just based on the way  
24 that they were shifting the prices around. It was  
25 targeted at the groups of customers that were

1 actually already switching.

2 Q. And you weren't very pleased with the  
3 rate design as it was set forth in the original  
4 application; is that right?

5 A. That's correct.

6 Q. And you're aware, I presume, that they  
7 use -- that AEP used the same methodology for rate  
8 design in the stipulation as in the original  
9 application?

10 You noted in your original testimony that  
11 the aggregation generation rates will be increasing  
12 and that the increase is not shared equally; is that  
13 right?

14 A. Yes.

15 Q. Is that the same case with the rate  
16 design for the stipulation as well?

17 A. There's portions of the stipulation where  
18 there are. The MTR rider is avoidable for GS1, GS2  
19 schools that switch. There is -- sorry, I take that  
20 back. For all schools that switch FTR is avoidable.  
21 Then GS1, GS2 schools that switch and GS customers  
22 switch after September 7 get a credit up to  
23 \$10 million. So there was things that were put in  
24 there to help mitigate some of the generation.

25 Q. And how about for residential customers?

1 I think in your original testimony you pointed out  
2 that some rates such as the GS2 and GS3 rates were  
3 seeing fairly large reductions while residential  
4 customers' rates were going up 7 percent.

5 MR. PETRICOFF: Your Honor, I'd like to  
6 object. Her testimony that was filed in July is not  
7 being offered in this hearing. Certainly can ask the  
8 question about her views on rates, but I don't think  
9 it's fair to quote from testimony that's not in this  
10 hearing.

11 MR. ETTER: Your Honor, she opened the  
12 door for her examination of that testimony by  
13 referring to it in this testimony, so I believe we  
14 have a -- should have an opportunity to do so.

15 EXAMINER TAUBER: It appears the witness  
16 did open up the door so, Mr. Petricoff, your  
17 objection is overruled at this time.

18 MR. ETTER: Thank you, your Honor.

19 Q. (By Mr. Etter) So to repeat my question,  
20 there were some rates that were going down quite a  
21 bit in the original rate design and there were other  
22 rates such as residential rates that were seeing fair  
23 increases; is that correct? Fairly large increases.

24 A. In general?

25 Q. Yes.

1           A.    I'm going to say yes.  I didn't do an  
2           analysis specific to residential when we were going  
3           through the rate.

4                   EXAMINER SEE:  Ms. Ringenbach, I need you  
5           to speak in the mic.  In the end of your response  
6           you're trailing off.  Thank you.

7           Q.    And you found that the rate decreases  
8           were primarily geared toward customer classes that  
9           had already seen a lot of shopping or fair amount of  
10          shopping while the increases were geared toward those  
11          classes that were not shopping; is that correct?

12          A.    Yes.  The classes of customers that we're  
13          seeing uptick in shopping, yes.

14          Q.    And that was without regard to the cost  
15          of service to the class of customers; is that right?  
16          Those -- the rate design did not take into account  
17          any kind of cost of service to the customers?

18          A.    That was the way that we saw it, yes.

19          Q.    Now, in your original testimony you  
20          opined on the effect of Senate Bill 221, whether  
21          Senate Bill 221 would have allowed for such a type of  
22          rate increase; is that right?  Or a rate design,  
23          excuse me.

24          A.    Yes.  Is there a specific section?

25          Q.    Well, do you have your original testimony

1 in front of you that was filed in July?

2 A. I do.

3 Q. I'm referring specifically to page 16,  
4 lines 8 through 11.

5 A. Okay. Yes.

6 Q. And you state that -- that you do not  
7 believe that Senate Bill 221 allows an electric  
8 utility to raise its rates without regard to cost of  
9 lower customers for the express purpose of reducing  
10 costs to another class of customers simply because  
11 those customers can buy generation for less in the  
12 open market; is that right?

13 A. That's right.

14 Q. And do you still believe that way?

15 A. Yes.

16 Q. And later on that same page referring to  
17 lines 16 through 20, you stated that in your opinion  
18 Senate Bill 221 does not permit ESP rates to be  
19 reversed starting with the prices per class or  
20 service rate that would clear the market and then  
21 setting the rates per class or service rate that  
22 would maximize the sales or sales revenues for the  
23 standard service.

24 Do you still believe that?

25 A. Yes.

1           Q.    Now, one other thing, referring in your  
2 testimony that you filed on September 13th, you  
3 discuss on pages 10 and 11 the \$10 switching fee.

4           A.    Yes.

5           Q.    And you've stated there on page 11, lines  
6 3 and 4, that AEP Ohio has agreed to discuss reducing  
7 the \$10 switching fee?

8           A.    Yes.

9           Q.    The stipulation itself though does not  
10 reduce or eliminate the switching fee; is that  
11 correct?

12          A.    The stipulation basically says you will  
13 discuss the \$10 switching fee.

14               MR. ETTER:  That's all the questions I  
15 have.  Thank you.

16               EXAMINER TAUBER:  Thank you.

17               Mr. Kutik?

18               MR. KUTIK:  Thank you, your Honor.

19                               - - -

20                               CROSS-EXAMINATION

21   By Mr. Kutik:

22               Q.    Good morning.

23               A.    Morning.

24               Q.    You are not an officer of RESA, are you?

25               A.    No.

1           Q.    And you are not on the board of RESA,  
2 correct?

3           A.    My company is the board member and then  
4 my boss is Chris Calliher and he has the voting  
5 rights which he just proxies to a different --

6           Q.    But my question is you are not a board  
7 member.

8           A.    No.

9           Q.    Mr. Fein from Constellation, he's an  
10 officer, correct?

11          A.    Yes.

12          Q.    And he's in charge of Ohio electric  
13 affairs for RESA, correct?

14          A.    He is the president of RESA and the Ohio  
15 electric chair for RESA.

16          Q.    Thank you. And you're not an employee of  
17 RESA; you're an employee of Direct Energy, correct?

18          A.    Correct.

19          Q.    Now, you believe, do you not, that AEP  
20 has been attempting to discourage shopping in Ohio,  
21 or AEP Ohio, correct?

22          A.    Yes.

23          Q.    And, in fact, you are aware and have  
24 talked publicly or cited publicly comments by the  
25 chairman and CEO of AEP to the effect that he did not

1     like to see customers switching.

2             A.     Yes.

3             Q.     And you believe that that statement by  
4     the chairman and CEO of AEP is a statement of  
5     corporate policy, correct?

6             A.     Yes.

7             Q.     And you also have discussed publicly and  
8     have citied the statement that he made that rate  
9     designs that were filed with the application for the  
10    ESP would cause a real drop in the number of  
11    customers shopping.

12            A.     Yes.

13            Q.     And you also took that as a statement of  
14    company policy.

15            A.     Yes.

16            Q.     Now, with regard to AEP Ohio's capacity  
17    charges to CRES providers, you believe that those  
18    should be RPM based.

19            A.     Yes.

20            Q.     And you do not believe that AEP is  
21    entitled -- or absent the stipulation to charge CRES  
22    providers a capacity price of \$355 per megawatt day,  
23    correct?

24            A.     To charge CRES providers?

25            Q.     Yes.



1           A.    I do not believe that, right.

2           Q.    You believe that in AEP Ohio's first ESP,  
3   AEP Ohio made certain assurances about the prices it  
4   would charge for capacity to CRES providers, correct?

5           A.    I stated that in my testimony, yes.

6           Q.    And you believe that, correct?

7           A.    When I went back and looked at where we  
8   pulled it all from, the assurances for the RPM were  
9   based on that particular ESP-1 plan.  So I want to  
10   clarify that because my attorney and I had  
11   discussions about this and my understanding that that  
12   original testimony was not going to be part of this,  
13   otherwise I probably would have taken that out had  
14   this been part of the record.

15          Q.    So initially you filed testimony in this  
16   case which said that AEP Ohio had made assurances in  
17   ESP -- in the first ESP about RPM pricing and now you  
18   don't believe that to be true.

19          A.    The way it was even in my testimony was  
20   that the assurances would extend beyond ESP-1.  When  
21   I went back and looked, the assurances that we  
22   reference from Craig Baker would have been ESP-1  
23   assurances for RPM in that case alone.

24                EXAMINER SEE:  Let me get some  
25   clarification.  You guys keep saying "ESP-1."  Can

1     you guys make a reference to what ESP you're talking  
2     about?

3             MR. KUTIK:  Yes, your Honor.  The ESP  
4     that sprang from Case 08-0917.

5             MR. PETRICOFF:  Your Honor, I was going  
6     to agree the moniker ESP-1 is used for 08-917, the  
7     SSO, and that is the understanding we have as well.

8             Q.     (By Mr. Kutik) And that's how you took  
9     my --

10            A.     Yes.

11            EXAMINER SEE:  Go ahead.

12            MR. KUTIK:  Thank you.

13            Q.     So, again, just so we be can clear, the  
14     statement that you made -- you made a statement  
15     earlier that there were assurances that AEP Ohio made  
16     about RPM pricing in the ESP-1 case --

17            A.     Yes.

18            Q.     -- correct?  And prior statements about  
19     those assurances you now believe are wrong, correct?

20            A.     Yes.  The statements that would extend  
21     them into this ESP, yes.

22            Q.     Now, it's correct, is it not, that as  
23     things currently stand, CRES providers cannot -- CRES  
24     providers who seek to serve customers within AEP Ohio  
25     could not buy capacity from anybody else other than

1 AEP Ohio until the delivery year beginning June 2015,  
2 correct?

3 A. Under the stipulation, yes.

4 Q. Well, not under the stipulation. As a  
5 matter of the reliability assurance agreement, PJM  
6 and the FRR plan that's been filed by AEP Ohio,  
7 correct?

8 A. Under the FRR but the pricing that exists  
9 today is RPM, not what they had proposed at FERC for  
10 FRR.

11 Q. But my question is with respect to their  
12 ability to, that is, CRES providers' ability to buy  
13 capacity from anyone other than AEP Ohio, they can  
14 not buy it until the delivery year beginning  
15 June 2015, correct?

16 A. Yes.

17 Q. Now, one of the things that you had  
18 observed with respect to a capacity price of \$355 is  
19 that if that price had went into effect, there would  
20 have been a significant price shock to shopping  
21 customers, correct?

22 A. Yes.

23 Q. And you also would think that an  
24 increased capacity cost of between 1-1/2 and 2-1/2  
25 times RPM would also cause problems for shopping

1 customers.

2 MR. PETRICOFF: Your Honor, if we're  
3 going to be getting quotes from the testimony, I  
4 think it's fair that we at least give the page  
5 numbers and line numbers to the witness.

6 MR. KUTIK: I'm not quoting the  
7 testimony.

8 Q. Can you answer my question, ma'am?

9 A. Yes. That increase would be significant.

10 Q. And increases in capacity costs charged  
11 to CRES providers would take savings away and deter  
12 CRES providers from offering service, correct?

13 A. It could affect headroom which would  
14 deter offers, yes.

15 Q. Now you've done no quantitative analysis  
16 of the affects of capacity prices on customers who  
17 had not already made the decision to shop or on the  
18 amount or types of offers that these customers could  
19 get, correct?

20 A. I have not done quantitative analysis,  
21 no.

22 Q. And you've done no study on the  
23 likelihood of CRES providers being able to offer  
24 competitive rates if they have to pay AEP Ohio  
25 \$255 per megawatt day, correct?

1           A.     Since our deposition I have had a number  
2     of internal discussions where we, my company, is  
3     actually making offers at the 255.

4           Q.     My question, ma'am, is do -- you have  
5     made no study.

6           A.     No study, no.

7           Q.     And you believe that the 255 price could  
8     limit or constrain shopping, correct?

9           A.     Yes, it could.

10          Q.     Because an increased capacity price would  
11     have the effect of reducing the amount of headroom  
12     that a CRES provider might be looking at in  
13     attempting to make a profitable offer to a customer,  
14     correct?

15          A.     Correct.

16          Q.     Now you're aware of Appendix C as part of  
17     the stipulation, correct?

18          A.     Yes.

19          Q.     And Appendix C deals with who can get RPM  
20     pricing and who might have to pay \$255 per megawatt  
21     day.

22          A.     Yes.

23          Q.     And you're aware, are you not, that  
24     that -- the rules set forth in there in that appendix  
25     is based -- are based upon a statute in Michigan,

1 correct?

2 A. Yes.

3 Q. And that statute or rather better stated,  
4 said they're based upon rules in Michigan, correct?

5 A. Well, I think both are correct.

6 Q. And the rules in Michigan are based upon  
7 a statute that limits shopping, correct?

8 A. Yes.

9 Q. And there's no similar statute in Ohio,  
10 is there?

11 A. No, there's not.

12 Q. Now Appendix C calls for the development  
13 of a detailed implementation plan, correct?

14 A. Yes.

15 Q. And a detailed implementation plan was,  
16 in fact, filed, correct?

17 A. Yes.

18 Q. And you saw that before it was filed, did  
19 you not?

20 A. Yes.

21 Q. Now, would it be fair to say that with  
22 respect to that detailed implementation plan that  
23 there's no contemplated process for having the  
24 Commission actually review or approve that plan?

25 A. That's correct.

1           Q.    Now, that appendix and the detailed  
2   implementation plan refers to a queue of customers,  
3   correct?

4           A.    Yes.

5           Q.    And that queue of customers sets the  
6   priority as to who gets the RPM-based capacity price.

7           A.    Yes.

8           Q.    But the queue as far as you know  
9   contemplated by the plan has not yet started,  
10   correct?

11          A.    The queue has not yet started, that's  
12   correct.

13          Q.    And you don't know when it will start.

14          A.    I believe there was a time that was set  
15   out.

16          Q.    In the detailed implementation plan?

17          A.    Yes. I thought it was two months from  
18   the order. Hold on a second.

19                So queue is part of the tracking system  
20   and the cap tracking system is fully operational  
21   within six calendar days of issuance of the order.

22          Q.    So the queue has not yet started.

23          A.    That's right.

24          Q.    Appendix C also talks about various  
25   groups of customers, correct?

1           A.    Yes.

2           Q.    There's a Group 1 and Group 2 customer?

3           A.    Yes.

4           Q.    And those customers have different rights  
5 with respect to their ability to retain a RPM price,  
6 correct?

7           A.    Yes.

8           Q.    Would it be fair to say that other than  
9 the date when they first took service, you could  
10 provide no basis to distinguish between Group 1  
11 customers and Group 2 customers, correct?

12          A.    Yes.

13          Q.    There's also another group, Group 3  
14 customers, that can get priority over some other  
15 customers by saying that they will be expanding load,  
16 correct?

17          A.    They can get -- they can't -- I guess  
18 what do you mean by priority? They can't jump ahead  
19 in the queue, but if they're already in the queue  
20 they have the ability to exceed beyond the cap, I  
21 think that they're expanding their facility, yes.

22          Q.    Couldn't a Group 4 or Group 5 customer  
23 become a Group 3 customer by saying they were  
24 expanding load?

25          A.    They can't move ahead in the queue. It



1 means they're already getting RPM and are expanding  
2 beyond what their allotment is.

3 Q. Would it be fair to say that you have a  
4 concern with respect to Group 3 customers and what  
5 those customers would be able to say to be able to  
6 get those -- that status because customers to get  
7 that status could game the system?

8 A. Group?

9 Q. 3.

10 A. Group 3 customers already have RPM.  
11 There's no room left for them to expand. They have  
12 to -- the discussion was they have to basically go to  
13 AEP and say we're expanding and get approved, what  
14 whatever that process is which is not laid out in  
15 this plan.

16 Q. So, again, the process for the providing  
17 the information to get Group 3 status is not in the  
18 plan, correct?

19 A. Right.

20 Q. And you don't know what -- that AEP would  
21 require to have a customer obtain Group 3 status,  
22 correct?

23 A. That's right.

24 Q. And you're concerned about that ambiguity  
25 or that lack of clarity because you're afraid that

1 customers could game the system, correct?

2 A. No. I'm not clear on what -- are you  
3 speaking in terms of maybe the affidavit?

4 Q. No. Let me have you turn to your  
5 deposition. Do you have it in front of you,  
6 Ms. Ringenbach?

7 A. Actually, no.

8 MR. PETRICOFF: Counsel, if you're going  
9 to have a reference, may I have the reference?

10 MR. KUTIK: I will.

11 May I approach, your Honor?

12 EXAMINER TAUBER: You may.

13 Q. Ms. Ringenbach, I'd like you to turn to  
14 page 73 of your deposition. I'd like to read you  
15 your testimony. I'd like you to tell me whether I've  
16 asked you these questions and you provided these  
17 answers in your deposition starting at line 14.

18 Question: "In Group 3 customers would be  
19 customers that would not be in group customers who  
20 sought to explain spare usage beyond 10 percent."

21 Answer: "Yes."

22 Question: "What information will that  
23 customer be required to provide to get into Group 3?"

24 Answer: "At this point that hasn't  
25 been -- that hasn't really been flushed out."

1                   Question: "Is it anything that AEP is  
2                   required to do with respect to confirming or auditing  
3                   any statement that would be made by any customer that  
4                   seeks to be part of Group 3?"

5                   Answer: "No. There isn't anything that  
6                   requires them to audit or do anything more to check  
7                   those customers out."

8                   Question: "Do you have a view as to what  
9                   AEP should do in that regard?"

10                  Answer: "I am speaking on behalf of me  
11                  and not RESA. And because I want to be very careful  
12                  that I'm not speaking on behalf of the members there,  
13                  I do think that if a customer wants to expand their  
14                  usage, they should have to go to AEP, basically show  
15                  that the expansion is happening within the RPM cap  
16                  years and not just simply be able to hold room in the  
17                  queue for something that they may do and may not --  
18                  and not something that they are doing. Does that  
19                  make sense?"

20                  Question: "Why do you feel that way?"

21                  Answer: "I don't want to see a customer  
22                  hold up the queue and prevent another customer from  
23                  actually being able to receive RPM price."

24                  Question: "How could that happen?"

25                  Answer: "Well, in this situation they

1     could basically say we are expanding. It's going to  
2     go, you know, the last 5 of what's left in RPM plus  
3     another 10 percent beyond that, right? And then that  
4     last what we're not going to do it until, you know,  
5     you may do it this year but we may not actually do it  
6     until like 2016, right? In that situation you have  
7     lost 5 percent or 15 percent depending on the next  
8     year, right? Of the queue that's just sitting around  
9     there unused because this customer may or may not do  
10    it within the final -- within the RPM limited years.  
11    Basically it's a way to game the system."

12                   That was your testimony, correct?

13           A.     Yes.

14           Q.     Thank you.

15                   MR. PETRICOFF: Your Honor, I move to  
16    strike the reading of the deposition when there  
17    wasn't any clarity that was provided for it. These  
18    questions could have been asked her directly.

19                   MR. KUTIK: Your Honor, I asked her if  
20    the lack of clarity with respect to the information  
21    was a way -- was a concern because customers might  
22    game the system. She said no. Or she didn't give me  
23    an affirmative answer one way or the other. That's  
24    why I read her the testimony which, of course, ended  
25    with the line because that's the way the system could

1 be gamed.

2 EXAMINER TAUBER: Mr. Petricoff, your  
3 motion to strike is granted. There was no clarity to  
4 where that was going in the testimony.

5 Please continue, Mr. Kutik.

6 MR. KUTIK: Your Honor, if I could be  
7 heard.

8 EXAMINER TAUBER: The motion to strike  
9 has been granted. Please continue, Mr. Kutik.

10 Q. (By Mr. Kutik) Isn't it true, ma'am, that  
11 you believe that the system could be gamed by the  
12 lack of clarity with respect to what information  
13 would have to be provided?

14 A. Yes. They could hold up a portion of the  
15 RPM based on something that they filed but never go  
16 through with.

17 Q. Thank you. Now, you were also critical  
18 of the fact that the initial proposal had rider MTR,  
19 correct?

20 A. Yes.

21 Q. And you believe that rider MTR had the  
22 effect at least -- as initially proposed, had the  
23 effect of distorting price signals being sent to the  
24 retail customer for generation that they purchased.

25 A. Yes.

1           Q.    And you also believed that there was no  
2    reason why a customer that is shopping and buying  
3    their full generation requirement in the open market  
4    should be paying a generation -- paying transition  
5    fee to customers who are buying generation from AEP  
6    at rates that AEP feared were too high.

7           A.    Yes.

8           Q.    Rider MTR is still in the stipulation,  
9    correct?

10          A.    Yes.

11          Q.    And you also believed that a specific  
12    flaw with the plan -- a flaw with the rider MTR was  
13    that it was proposed to be nonbypassable, correct?

14          A.    Yes.

15          Q.    And it's still in this stipulation  
16    proposed to be nonbypassable, correct?

17          A.    Other than for the --

18          Q.    Other than for schools.

19          A.    Yes.

20          Q.    Now, the stipulation also has some other  
21    generated -- generation-related nonbypassable riders,  
22    correct?

23          A.    Yes.

24          Q.    The pool termination and modification  
25    rider is nonbypassable.

1           A.    Yes.

2           Q.    And that is generation related.

3           A.    Yes.

4           Q.    And you believe that how that rider would  
5 work is that if there was -- if AEP had costs  
6 relating to the termination or modification of their  
7 pool agreement, and the costs were, let's say,  
8 \$50 plus \$50 million plus 1, that AEP Ohio would only  
9 be able to recover the overage over 50 million,  
10 correct?

11          A.    I believe that it goes to the Commission  
12 and the Commission could provide the clarity on what  
13 they intend. It didn't have the ability to go back  
14 for all, the Commission could say you only get  
15 whatever is above that.

16          Q.    Well, isn't it true that you believe  
17 though that the way the rider worked is that it would  
18 only get the overage, that they're only entitled to  
19 get the overage over 50 million?

20          A.    Yes.

21          Q.    Another rider in the stipulation is rider  
22 GRR.

23          A.    Yes.

24          Q.    That's nonbypassable.

25          A.    Yes.

1 Q. That's non -- that is generation related.

2 A. Yes.

3 Q. And with respect to the need for a  
4 generation-related rider in an ESP, it is your  
5 impression, is it not, that AEP currently and in  
6 their foreseeable future will be long on capacity?

7 A. Yes.

8 Q. And you reject the whole idea that Ohio  
9 should be looked at as an importer or exporter of  
10 generation, correct?

11 A. Yes.

12 Q. And the reason you do that, you reject  
13 that notion is because there's a PJM that's looking  
14 at reliability on a regional basis, correct?

15 A. Yes.

16 Q. Now you're aware that there are two  
17 plants whose costs could potentially be recovered  
18 through rider GRR, correct?

19 A. Yes.

20 Q. One of those is the Turning Point  
21 Facility and the other is the MR6 or Muskingum River  
22 6 facility.

23 A. Yes.

24 Q. And you're not aware of any evidence that  
25 either of those is necessary to meet the resource



1 planning needs of AEP Ohio, correct?

2 A. Correct.

3 Q. And you're not aware of any evidence that  
4 either has been or will be competitively bid.

5 A. I'm not aware of any evidence, that's  
6 correct.

7 Q. And in your view, it would be  
8 inappropriate for AEP Ohio to attempt to recover  
9 closing costs of another facility, MR5, as part of  
10 the costs to build or recover costs from MR6 plant,  
11 correct?

12 A. Yes.

13 Q. I think as you said to Mr. Etter, that  
14 you were critical of -- one of the things you were  
15 critical about with respect to the proposal was that  
16 they were barriers to competition in the initial ESP,  
17 correct?

18 A. Yes.

19 Q. And what I mean is the initially proposed  
20 ESP in this case, correct?

21 A. Yes.

22 Q. One of those barriers that you identify  
23 is the 12 months stay requirement, correct?

24 A. Yes.

25 Q. And would it be fair to say that the

1 stipulation would not eliminate that requirement  
2 until 2015?

3 A. Yes.

4 Q. Another barrier that you identified was  
5 the \$10 switching fee.

6 A. Yes.

7 Q. And Mr. Etter asked you but I don't  
8 believe you gave him an answer, isn't it true that  
9 this stipulation does not eliminate that fee?

10 A. It doesn't.

11 Q. You also identified the lack of a  
12 purchase of receivable program like Duke's or Ohio's  
13 gas utilities as another barrier to competition that  
14 was present in the initially proposed ESP.

15 A. Yes.

16 Q. And there still isn't such a program  
17 being developed as part or as being required by the  
18 stipulation, correct?

19 A. Correct.

20 Q. You're aware, are you not, that Ohio  
21 state policies or one of Ohio state policies is to  
22 promote governmental aggregation, correct?

23 A. Yes.

24 Q. And Direct Energy has no contracts that  
25 you're aware of with any municipality within AEP for

1 electric service where the municipality is acting as  
2 a governmental aggregator, correct?

3 MR. PETRICOFF: Your Honor, I object.  
4 What Direct Energy contracts for or not for have  
5 nothing to do with this hearing. And, therefore, the  
6 question should be struck.

7 MR. KUTIK: The reason why it's relevant,  
8 your Honor, is that we believe that the stipulation  
9 has provisions in it that are antithetical to  
10 governmental aggregation. The fact --

11 EXAMINER TAUBER: I'll allow the  
12 question.

13 MR. KUTIK: Thank you.

14 A. Can you just ask the question?

15 Q. Sure. Isn't it true that Direct Energy  
16 has no contracts that you're aware of with  
17 municipality -- with any municipality within AEP Ohio  
18 for electric service where the municipality is acting  
19 as a governmental aggregator?

20 A. That's correct.

21 Q. And you don't know that any member of  
22 RESA has such a contract.

23 A. I don't know of any RESA member that has  
24 such.

25 Q. You would agree, however, and you would

1 view a contract between a CRES provider and a  
2 municipal -- municipality for a governmental  
3 aggregation as a contract made between a municipality  
4 and the CRES provider on behalf of customers,  
5 correct?

6 MR. PETRICOFF: Your Honor, I would  
7 object. That calls for a legal conclusion and  
8 Ms. Ringenbach is not an attorney.

9 MR. KUTIK: As someone who deals in the  
10 area, your Honor, I think she can give her  
11 understanding.

12 EXAMINER TAUBER: Ms. Ringenbach, if you  
13 can just give your understanding and the Commission  
14 will note the fact that you're not an attorney.

15 A. Okay. So the way the programs that I  
16 have run in the past and the way that it was  
17 interpreted was that the municipality and the CRES  
18 provider negotiate a rate but the ultimate contract  
19 so they're not actually -- the municipality isn't on  
20 the line for any unused power, right, they just  
21 negotiate the rate and their contract is that we  
22 negotiated this rate and we're going to run this  
23 program through the city.

24 However, the ultimate contract and in the  
25 programs that I ran, just that view, was between the

1 customer and the CRES provider when the customer  
2 chose not to opt out.

3 Q. Isn't it true that your view is that a  
4 contract between a CRES provider and a governmental  
5 entity acting as a governmental aggregator is a  
6 contract on behalf of the customer?

7 A. The prices -- yes.

8 Q. Now, I want you to assume for me that  
9 there are municipalities within AEP that are  
10 currently considering ordinances to become municipal  
11 aggregators on this November's ballot.

12 A. Okay.

13 Q. And you're aware of the process that  
14 needs to take place to go from an ordinance that gets  
15 passed to customers actually receiving service under  
16 a CRES agreement, correct?

17 A. Yes.

18 Q. Under a government aggregation agreement,  
19 correct?

20 A. Yes.

21 Q. And would it be fair to say that if these  
22 ordinances that are under consideration -- that might  
23 be under consideration on this November's ballot were  
24 passed, that the earliest that the customers would  
25 receive service under such arrangements would be

1 after January 1, 2012?

2 A. Yes.

3 Q. And for such customers receiving service  
4 under a CRES contract or agreement or arrangement, as  
5 you understand Appendix C, those customers would be  
6 in Group 5, correct?

7 A. Yes.

8 MR. KUTIK: May I have one moment, your  
9 Honor?

10 EXAMINER TAUBER: You may.

11 MR. KUTIK: I have no further questions.

12 EXAMINER TAUBER: Thank you.

13 Mr. Darr?

14 MR. DARR: Thank you, your Honor.

15 CROSS-EXAMINATION

16 By Mr. Darr:

17 Q. Is it correct that you did not make any  
18 independent calculations as to any component that  
19 would be a part of the ESP-MRO comparison?

20 A. I'm sorry, I'm having a hard time hearing  
21 you.

22 Q. I apologize.

23 Is it correct that you have not made any  
24 independent calculations as to any component of the  
25 whole MRO-ESP comparison?

1           A.     That's correct.

2           Q.     Is it also correct that it is your  
3     opinion that there's no need for an MTR or market  
4     transition rider because customers -- if customers  
5     have access to market rates via Choice programs?

6           A.     Yes.

7           Q.     And it is also your opinion that the  
8     effect of the MTR is to distort price signals?

9           A.     In my original testimony, yes.

10          Q.     Is that still the case?

11          A.     Yes.

12          Q.     And would it be fair to say that you  
13     don't have sufficient information at this time to say  
14     what would be the form of review of the DIR or  
15     distribution investment rider investments?

16          A.     I've not done anything with the DIR.

17                 MR. DARR:   Based on what I've heard so  
18     far today, that's all I have.   Thank you.

19                 EXAMINER TAUBER:   Ms. Hand?

20                 MS. HAND:   None, your Honor.

21                 EXAMINER TAUBER:   Any other parties that  
22     I missed?

23                 Mr. Petricoff, do you have questions on  
24     redirect?

25                 MR. PETRICOFF:   Your Honor, may I have a

1 minute or two?

2 EXAMINER TAUBER: We'll take a  
3 five-minute recess and reconvene at 11:30. Go off  
4 the record.

5 (Recess taken.)

6 EXAMINER TAUBER: Let's go back on the  
7 record.

8 Mr. Petricoff, redirect?

9 MR. PETRICOFF: Yes, your Honor, I just  
10 have a couple of redirect questions.

11 - - -

12 REDIRECT EXAMINATION

13 By Mr. Petricoff:

14 Q. Ms. Ringenbach, Mr. Kutik asked you who  
15 the officers were and the officials were of RESA.  
16 Have you held an official position with RESA before?

17 A. I was previously the Ohio electric chair.  
18 I'm currently the Ohio gas chair. I was the Ohio  
19 Michigan chair -- Michigan gas chair, the Illinois  
20 gas chair. I've held a number of positions.

21 Q. And how did you come to be the witness  
22 for RESA in this proceeding?

23 A. They picked me.

24 Q. Thank you. When you say they picked you,  
25 who are the "they"?



1           A.     The founding members.

2           MR. PETRICOFF:  Thank you.  No further  
3 questions, your Honor.

4           EXAMINER TAUBER:  Mr. Etter, recross?

5           MR. ETTER:  No.

6           MR. KUTIK:  None, your Honor.

7           EXAMINER TAUBER:  Mr. Darr?

8           MR. DARR:  No, thank you.

9           EXAMINER TAUBER:  You may be excused,  
10 Ms. Ringenbach, thank you.

11           MR. PETRICOFF:  Your Honor, at this time  
12 we would like to move the admission of RESA Exhibit  
13 No. 1 into evidence.

14           EXAMINER TAUBER:  Any objections?

15           MR. DARR:  No objection.

16           EXAMINER TAUBER:  Hearing none, RESA  
17 Exhibit 1 shall be admitted into the record.

18           (EXHIBIT ADMITTED INTO EVIDENCE.)

19           EXAMINER TAUBER:  At this time let's go  
20 off the record.

21           (Off the record.)

22           EXAMINER TAUBER:  Let's go back on the  
23 record.  At this time we'll take a lunch recess and  
24 reconvene at 12:30.  Let's go off the record.

25           (At 11:33 a.m., a lunch recess taken.)

1 Friday Afternoon Session,  
2 October 7, 2011.

3 - - -

4 EXAMINER TAUBER: Let's go on the record.  
5 Before we call the witness this  
6 afternoon, Mr. Oliker, I understand we have a couple  
7 of matters to take care of, IEU motions.

8 MR. OLIKER: Your Honor, I would move IEU  
9 Exhibit 2 and IEU Exhibit 4, which were previously  
10 distributed, into the record. These are truncated  
11 versions of the testimony that was referred to  
12 yesterday in the cross of Stephen Baron.

13 EXAMINER TAUBER: Are there any  
14 objections?

15 MR. KUTIK: Just for the record can we  
16 know or have the record reflect which document is  
17 which exhibit?

18 MR. OLIKER: Have the record reflect IEU  
19 Exhibit 2 is the testimony of Stephen J. Baron in  
20 Case No. 10-2586-EL-SSO, and IEU-Ohio Exhibit 4 is  
21 the testimony of Stephen J. Baron in Case No.  
22 09-0177-E-GI in front of the Public Service  
23 Commission of West Virginia.

24 EXAMINER TAUBER: Thank you, Mr. Oliker.  
25 Are there any objections to IEU Exhibit 2

1 and IEU Exhibit 4, the truncated version?

2 MR. CONWAY: No, your Honor.

3 EXAMINER TAUBER: Hearing none, IEU  
4 Exhibit 2 and IEU Exhibit 4 shall be admitted into  
5 the record at this time.

6 (EXHIBITS ADMITTED INTO EVIDENCE.)

7 EXAMINER TAUBER: And I think you also  
8 had some procedural issues, some of the witnesses?

9 EXAMINER SEE: Yes. Before we started I  
10 wanted to know if there was cross-examination for  
11 Jones. I believe the only party to indicate there  
12 was cross-examination was OCC.

13 MS. GRADY: Correct.

14 EXAMINER SEE: That's correct?

15 And for Claytor, OCC has  
16 cross-examination for Claytor?

17 MS. GRADY: I'm not so certain about  
18 that, but.

19 EXAMINER SEE: Okay.

20 MS. HAND: Ormet does, although if we end  
21 up being the only party, we may be able to work out a  
22 stipulation with their counsel.

23 EXAMINER SEE: Okay. By my notes I think  
24 IEU also indicated they had some cross-examination  
25 for Claytor.

1 MR. DARR: We do, yes, ma'am.

2 EXAMINER SEE: And the Bench is aware  
3 that there is one more outstanding motion, the motion  
4 to consolidate and include Case No. 11-5333 as a part  
5 of the stipulation case proceedings and that ruling  
6 will be addressed after Columbus Day, most likely  
7 when we return on Tuesday.

8 EXAMINER TAUBER: At this time we will  
9 have Ms. Thomas.

10 MR. CONWAY: Thank you, your Honor. At  
11 this time AEP Ohio calls Ms. Laura Thomas.

12 At this time, your Honors, the companies  
13 have called Ms. Thomas. The testimony which she is  
14 presenting will be the original testimony -- the  
15 testimony from -- that was filed on September 13 with  
16 two -- September 13 as revised as a result of the  
17 remand order to reflect the companies' view of the  
18 remand order.

19 Those revisions are also incorporated  
20 into her testimony. And then in addition in response  
21 to the Bench's directive that the companies present  
22 information that would reflect the removal of the  
23 full POLR, the company has used -- the order requires  
24 the incremental POLR be removed, but at the Bench's  
25 direction, they have presented information through

1 several witnesses, including Ms. Thomas, the impacts  
2 on those witnesses' testimonies that would result  
3 from the removal of full POLR, and Ms. Thomas'  
4 testimony also addresses that -- that point. And so  
5 with that explanation, at this time I would mark as  
6 AEP Ohio Exhibit 5 Ms. Thomas' testimony.

7 (EXHIBIT MARKED FOR IDENTIFICATION.)

8 - - -

9 LAURA J. THOMAS

10 being first duly sworn, as prescribed by law, was  
11 examined and testified as follows:

12 DIRECT EXAMINATION

13 By Mr. Conway:

14 Q. Ms. Thomas, do you have your composite  
15 testimony? May I refer to it as your composite  
16 testimony?

17 A. Yes, I do.

18 MR. CONWAY: Okay. If there is anyone  
19 else who does not have a copy of the composite  
20 testimony, I have several extra copies.

21 MR. KUTIK: And just so we can be clear,  
22 counsel, this is what was circulated I think late on  
23 the day on October 5?

24 MR. NOURSE: Yes.

25 MR. CONWAY: Yes.

1 MR. KUTIK: Thank you.

2 Q. (By Mr. Conway) Ms. Thomas, could you --

3 MR. PETRICOFF: This is the line.

4 Q. (By Mr. Conway) Ms. Thomas, could you  
5 state your full name for the record.

6 A. My name is Laura J. Thomas.

7 Q. Ms. Thomas, by whom are you employed and  
8 what is your position?

9 A. I'm employed by the American Electric  
10 Power Service Corporation as the managing director of  
11 regulatory projects and compliance.

12 Q. Ms. Thomas, did you prepare what I  
13 previously described as your composite testimony  
14 which has been marked as AEP Ohio Exhibit No. 5?

15 A. Yes, that is my testimony.

16 Q. Okay. And, Ms. Thomas, do you have  
17 any -- besides the revisions to reflect the  
18 incremental and the full POLR effects, do you have  
19 any additional modifications or corrections to make  
20 to your testimony?

21 A. Yes, I do.

22 Q. Could you please describe those for us.

23 A. For completeness perhaps in the Q and A  
24 that begins on the bottom of page 15, I should have  
25 included the pool modification rider and the day's

1 end recovery rider or the PIRR, but those have no  
2 affect on the analysis or other information that's  
3 presented in my testimony.

4 The pool modification rider is similar to  
5 the GRR in that it is a placeholder rider with no  
6 charges and if there are future charges, those would  
7 be subject to a separate Commission proceeding and  
8 the PIRR is modified by the stipulation that creates  
9 a benefit under the ESP and that benefit is discussed  
10 in the testimony of Company Witness Allen.

11 Q. And does the PIRR benefit, does it affect  
12 your price comparison analysis?

13 A. No, it doesn't because the -- the effects  
14 are taken into account in Mr. Allen's testimony.

15 Q. Do you have any other modifications or  
16 corrections to your -- your direct testimony, the  
17 composite testimony, that's been marked as AEP Ohio  
18 Exhibit No. 5?

19 A. Not that I'm aware of.

20 Q. Ms. Thomas, if I were to ask you the  
21 questions contained in AEP Ohio Exhibit 5, your  
22 composite testimony revised and modified as you have  
23 described, would your answers today be the same as  
24 they appear in that document and as further modified  
25 by you today?

1           A.    Yes, they would.

2           MR. CONWAY:  Your Honor, at this time I  
3 would offer AEP Ohio Exhibit 5 into the record, and  
4 Ms. Thomas is available for examination.

5           EXAMINER TAUBER:  Okay.  We'll start  
6 cross-examination for Ms. Thomas with FES.

7           Mr. Kutik.

8           MR. KUTIK:  Thank you, your Honor.

9                               - - -

10                           CROSS-EXAMINATION

11       By Mr. Kutik:

12           Q.    Ms. Thomas, it would be correct to say  
13 that you first began or became involved in this case  
14 in late 2010, correct?

15           A.    That is correct.

16           Q.    And the application and your initial  
17 testimony was filed in January of 2011, correct?

18           A.    That's correct.

19           Q.    And in AEP Ohio's first ESP, Mr. Baker  
20 presented the companies' comparison of ESP and MRO  
21 prices, correct?

22           A.    That's correct.

23           Q.    And in doing that exercise in this case,  
24 you did not receive any help from Mr. Baker, correct?

25           A.    That's correct.



1           Q.    And you didn't discuss your testimony  
2 with Mr. Baker, and he did not discuss his testimony  
3 with you, correct?

4           A.    That's correct.

5           Q.    And in the first ESP case, you had no  
6 role in helping Mr. Baker prepare his testimony,  
7 correct?

8           A.    That's correct.

9           Q.    And would it be fair to say that you  
10 believe that the methodology that Mr. Baker used was  
11 a reasonable methodology based upon what people knew  
12 at the time?

13          A.    I believe it would be fair to say that  
14 that was based on what people knew at the time, yes.

15          Q.    Now, in coming up with your comparison,  
16 the comparison that we are talking about is shown on  
17 your Exhibit LJT-2, correct?

18          A.    Yes, LJT-2 is a comparison of MRO price  
19 test which is a portion of the comparison to look at  
20 in the aggregate MRO versus ESP.

21          Q.    Right. Your job was to compare the ESP  
22 price with the MRO price, correct?

23          A.    That's correct.

24          Q.    And that's what's shown in LJT-2,  
25 correct?

1           A.    Yes.

2           Q.    And as part of the MRO price, there are  
3 two components, one, you call the generation service  
4 price, and the other you call the competitive  
5 benchmark price, correct?

6           A.    Yes. Those are the two elements that go  
7 into the MRO price.

8           Q.    Let me talk to you a little bit about the  
9 competitive benchmark price. Now, there is a group  
10 within AEP that does, in fact, participate in  
11 competitive bidding processes for POLR or SSO load,  
12 correct?

13          A.    Yes.

14          Q.    And that group is the commercial  
15 operations group.

16          A.    The commercial operations group has  
17 participated in competitive bidding processes on  
18 behalf of the AEP operating companies.

19          Q.    And currently that group does not report  
20 to you.

21          A.    That is correct.

22          Q.    And you're currently not a member of that  
23 group.

24          A.    Yeah. Currently I am not a member of the  
25 commercial operations group. I had worked there

1 previously in my career.

2 Q. Right. So in your previous work in the  
3 commercial operations group, you did not as far as  
4 you know participate in any competitive bidding  
5 processes that that group might have been in while  
6 you were working there, correct?

7 A. No, I did not participate in any  
8 competitive bidding.

9 Q. And, in fact, you have not participated  
10 in any of AEP's efforts to participate in competitive  
11 bidding processes, correct?

12 A. That's right. I haven't personally  
13 participated in those competitive bid developments.

14 Q. Now, at some point in your career you  
15 became aware that AEP had, in fact, participated in  
16 the FirstEnergy Ohio utility competitive bidding  
17 processes, correct?

18 A. Yes.

19 Q. And you became aware that AEP was  
20 successful in bidding on some of the tranches  
21 available in that process, correct?

22 A. That's correct.

23 Q. And you did not consider that effort and  
24 the price that was successfully bid when compiling  
25 your competitive benchmark price in this case,

1 correct?

2 A. That's right. I did not consider the  
3 FirstEnergy competitive bid auction because there are  
4 many reasons why it would not be comparable to or  
5 applicable to AEP Ohio.

6 Q. Well, in fact, you've done no study to  
7 compare prices in FE versus prices in AEP Ohio,  
8 correct?

9 A. I have not done a -- that type of a study  
10 but I have looked at each of the components of the  
11 competitive benchmark and there are reasons why --  
12 why the majority of those components would not be the  
13 same in either -- in AEP Ohio as they were for  
14 FirstEnergy.

15 Q. Well, I suspect it's true you didn't do  
16 any quantitative analysis as to what the differences  
17 in the components would be between a FirstEnergy  
18 price and a price in AEP?

19 A. I have not done that for each and every  
20 component. A number of those components there really  
21 is no way to do a full quantitative but there are  
22 definitively reasons some of those would be  
23 qualitative. I do have quantitative information for  
24 some of those competitive benchmark elements.

25 Q. But did you not do a complete

1 quantitative analysis, correct?

2 A. I did not do a total price analysis where  
3 each element could be quantified. The information is  
4 not publicly available to do each and every  
5 component.

6 Q. In your testimony in discussing the MRO  
7 price, and I will direct you to page 3 of your  
8 testimony, line 19, is the --

9 MR. CONWAY: I'm sorry, counsel.

10 MR. KUTIK: Page 3, line 19, I'm sorry.

11 Q. Are you there?

12 A. Yes.

13 Q. You say that the expected prices that  
14 would otherwise occur under an MRO are determined by  
15 a weighting of adjusted -- I can't read my writing --  
16 prior ESP prices and competitive market price,  
17 correct?

18 A. Yes, that's the statement in my  
19 testimony.

20 Q. And later on on page 4 at line 5 you say  
21 a "Competitive Benchmark price is based on market  
22 data," correct?

23 A. Yes. I believe that's how I fully  
24 describe the -- each of the elements of the  
25 competitive bid price further in my testimony.

1           Q.    And later on at line 11 on page 4 you say  
2    "A Competitive Benchmark price is determined using  
3    the components that would be expected in pricing  
4    retail generation supply in the competitive market."

5           A.    That is the statement that's made. I  
6    guess there is one caveat in that that I do address  
7    in my testimony on page 9 which addresses the  
8    capacity component which says that it is the capacity  
9    cost that a supplier, either a CRES provider or a  
10   winning bidder in an auction, would incur to serve a  
11   cus -- retail customers in AEP Ohio's territory and,  
12   therefore, it is based on that -- the applicable  
13   capacity cost because AEP is an FRR entity at this  
14   time that this is based upon the charges from a --  
15   that would be in effect for -- between AEP Ohio and a  
16   CRES provider.

17          Q.    So you would agree with me that the  
18   capacity price that you used to come up with your  
19   competitive benchmark price is not wholly a  
20   competitive market price?

21          A.    As I explain on page 9, yes, it is not  
22   wholly a market price. The stipulation calls for  
23   a -- basically a weighting of \$255 per megawatt day  
24   with the RPM price and, therefore, that weighting is  
25   what is reflected ultimately in the MRO price.

1 MR. KUTIK: Can we go off the record for  
2 a moment, your Honor?

3 EXAMINER TAUBER: You may. Let's go off  
4 the record.

5 (Discussion off the record.)

6 EXAMINER TAUBER: Let's go back on the  
7 record.

8 Mr. Kutik.

9 MR. KUTIK: Thank you, your Honor.

10 Q. (By Mr. Kutik) Would it be fair to say  
11 then that the capacity numbers that you used in your  
12 competitive benchmark price were based upon a  
13 weighting of the -- of the capacity costs of \$255 per  
14 megawatt day and the capacity costs at RPM price  
15 based upon the RPM set-asides figures in the  
16 stipulation?

17 A. Yes. My test does reflect that weighting  
18 of those two elements, the \$255-megawatt day cost as  
19 well as the RPM and the weightings are based upon the  
20 amount of the RPM set-aside.

21 Q. Would it be fair to say that you don't  
22 know anything in the stipulation that says what the  
23 capacity prices would be if the ESP was not  
24 implemented?

25 MR. CONWAY: Could I have that question

1 reread, please?

2 (Record read.)

3 A. There is nothing in the stipulation that  
4 addresses what would happen if -- if the stipulation  
5 is not approved. The stipulation does include a  
6 resolution of Case No. 10-2929 which would address  
7 the capacity price that CRES providers would pay to  
8 AEP Ohio for use of its capacity.

9 Q. Well, isn't it true that the ESP would  
10 have to be put into effect for those capacity prices  
11 to be used?

12 A. The stipulation would need to be approved  
13 which then is the basis for implementing the ESP as  
14 well as resolution of the other cases.

15 Q. So, again, the ESP would have to be put  
16 into effect, correct?

17 A. Yes, the ESP would have to go into effect  
18 which would have to follow approval of this  
19 stipulation which includes resolution of Case No.  
20 10-2929 which resolves the capacity price that CRES  
21 providers would pay to AEP Ohio.

22 Q. Now, as we mentioned, the competitive  
23 benchmark price that you use is basically a weighting  
24 of two competitive benchmark prices, one using a  
25 price at 255 capacity and one using a price at RPM,



1 correct?

2 A. Yes. Mechanically that's how that was  
3 done. I could have developed a single price that  
4 reflected that weighting. But it was simpler  
5 mechanically, particularly because those weightings  
6 change each year, to do it as a weighting of the two  
7 prices rather than create a single price for each  
8 year that reflects a weighting.

9 Q. And you also did a calculation of the  
10 competitive benchmark price with a capacity at \$355  
11 per megawatt day, correct?

12 A. Yes. My testimony has a Q and A to that.  
13 That was done for comparison to -- just to my  
14 original testimony just for that single purpose  
15 there.

16 Q. And it would also be fair to say you did  
17 not provide in your testimony the results of what the  
18 MRO price would be if you used a competitive  
19 benchmark price with a capacity at RPM only?

20 A. That's correct.

21 Q. And you did such a calculation, did you  
22 not?

23 A. I -- at one point in time I had plugged  
24 in the RPM prices. You know, I just briefly looked  
25 at the result and did not save that analysis, just

1       briefly looked at the result.

2               Q.     And you did this before the order in the  
3       remand case came out, correct?

4               A.     Yes, that's correct.

5               Q.     And what your result showed is that if  
6       you used RPM capacity prices in your competitive  
7       benchmark price, that the ESP-MRO comparison would be  
8       about zero, correct?

9               A.     Yeah. It was a very small negative  
10       amount, essentially -- essentially zero. For just  
11       this element of the MRO test that would still have to  
12       be taken no matter what the outcome of the price  
13       test, you would still have to take that in  
14       conjunction with Mr. Allen's testimony and Mr.  
15       Hamrock's testimony in order to get a view in the  
16       aggregate.

17              Q.     And in terms of how we should read  
18       Exhibit LJT-2, would it be fair to say a positive  
19       number at the bottom on the line "ESP Price Benefit"  
20       would mean that the ESP price is cheaper than the MRO  
21       price?

22              A.     Yes, a positive amount would reflect just  
23       these elements. Again, there are some things that do  
24       affect a customer's total price that are reflected in  
25       Mr. Allen's testimony, so I would add it with that

1 caveat that I can't just look at this in isolation.

2 Q. Right. So if it's a negative number, at  
3 least with respect to what you are comparing, the MRO  
4 price would be cheaper than the ESP price, correct?

5 A. Yes. It would show just the difference  
6 in those two prices for that period of time, again,  
7 showing a piece of the aggregation comparison.

8 Q. Now, your LJT-2 exhibit on AEP Exhibit 5  
9 shows the result of using a POLR charge that  
10 exists -- that existed prior to the current ESP,  
11 correct?

12 A. Yes.

13 Q. It reflects that reduced POLR charge.  
14 And that POLR charge is approximately what, \$1.11?

15 A. Yes, \$1.11, \$1.12.

16 Q. And this was done as a result of the  
17 October 3 order in the remand case using that figure,  
18 that \$1.11?

19 A. That's correct.

20 Q. And did you read the remand order?

21 A. Yes, I did.

22 Q. And was it your conclusion that the  
23 proper price to use for this comparison would be the  
24 \$1.11 charge?

25 A. I used the \$1.11 charge based on my own

1 reading as well as advice of counsel.

2 Q. Now, did you -- well, back up.

3 So you came to the conclusion on your own  
4 but with advice of counsel that the proper POLR  
5 charge to use as a result of the remand order was the  
6 \$1.11 charge, not a zero charge, correct?

7 A. That's correct.

8 Q. Now, did you read the Commission's press  
9 release as a result of the October 3 remand order?

10 A. I did.

11 Q. Did you come to a conclusion -- or would  
12 it be fair to say that a fair reading of that press  
13 release would be that at least somebody at the  
14 Commission thought that the POLR charge that would go  
15 forward would be zero?

16 MR. CONWAY: Objection. The Commission  
17 doesn't speak through its press releases as a legal  
18 matter. It speaks through its orders. The press  
19 release is not part of the -- cannot be part of the  
20 record of this proceeding. So I object to the line  
21 of questioning which assumes that it can be.

22 MR. KUTIK: I am inquiring into her  
23 investigation into how she did her calculations and  
24 why she did her calculations.

25 EXAMINER SEE: And I'll allow it. The

1 objection is overruled.

2 THE WITNESS: Could you repeat the  
3 question, please?

4 (Record read.)

5 A. While I read the press release, the basis  
6 for doing the test was based on the order. That's  
7 typically -- we refer to the order as -- as the  
8 explanation. I read the press release. That's all I  
9 did.

10 Q. That's not my question, whether you read  
11 it. I asked you whether it was a fair reading of the  
12 press release that someone at the Commission believed  
13 that the POLR charge going forward should be zero.

14 A. I can't speak to that. I don't know who  
15 prepares the press releases, what is the basis -- you  
16 know, how that information, those numbers are  
17 determined. I don't know that so I can't -- I can't  
18 agree to your statement as to that's what that  
19 represents.

20 Q. All right. So your view would be reading  
21 the press release, you wouldn't -- someone would not  
22 come to the conclusion that the Commission in that  
23 press release at least was saying that the POLR  
24 charge going forward would be zero; is that your  
25 testimony?

1 MR. CONWAY: Excuse me, could I have the  
2 question -- the last question reread?

3 (Record read.)

4 MR. CONWAY: Your Honor, I would object  
5 again. What someone -- some unidentified person  
6 might think the press release was intended to convey  
7 is not something that this witness should be expected  
8 to either -- either provide or agree with Mr. Kutik  
9 about what it might be. She's already tried to  
10 explain her view of it, and I think it's repetitive  
11 at this point.

12 MR. KUTIK: Your Honor, if I can get an  
13 answer to this question, I will connect it up in the  
14 next question.

15 MR. CONWAY: I think he has already  
16 gotten an answer to it.

17 EXAMINER SEE: The objection is  
18 sustained.

19 Q. (By Mr. Kutik) Well, Ms. Thomas, after  
20 reading the press release and after reading the  
21 remand order, did it occur to you at all to do a  
22 calculation of your competitive benchmark price using  
23 a POLR charge of zero?

24 A. I did a calculation of the POLR charge at  
25 zero at the direction of the attorney examiners and

1       that's what is provided in my testimony in Exhibit 3.

2               Q.     Prior to the time you were directed to  
3       make the calculation with the POLR of zero, did it  
4       occur to you to do that?

5               MR. CONWAY:  Objection; relevance.

6               EXAMINER SEE:  Objection sustained.

7               Q.     Did you do a calculation prior to being  
8       ordered to do so after the remand order and before  
9       the -- before being ordered to do so --

10              MR. CONWAY:  Same objection, your Honor.

11              MR. KUTIK:  Let me finish my question.  
12     Let me start again.

13              Q.     Did it occur to you -- let me strike  
14     that.

15                     Did you do a calculation with a POLR  
16     charge of zero between the time you received the  
17     remand order and the time you were ordered to do that  
18     by the -- by the attorney examiner?

19              MR. CONWAY:  Same objection, your Honor,  
20     which I think you've already ruled upon.

21              MR. KUTIK:  It's not the same question.

22              MR. CONWAY:  Distinction, if there is  
23     one, without any difference.

24              EXAMINER SEE:  The objection is  
25     sustained.

1           Q.    If you did a calculation with a POLR  
2 charge of zero, would it have appeared in your  
3 workpapers?

4           MR. CONWAY:  Now, the objection is the  
5 form of the question.  Are we talking about the  
6 workpapers that relate to LJT-3 or some other version  
7 of the workpapers?  So I object to the question  
8 because of the form.  It's vague.

9           EXAMINER SEE:  Could you rephrase your  
10 question, Mr. Kutik?

11          Q.    Prior to being ordered by the Commission  
12 or by the attorney examiners to do a calculation of  
13 your MRO test with a POLR charge of zero, if you had  
14 done such a calculation, would it have appeared in  
15 your workpapers?

16          MR. CONWAY:  Same objection, your Honor.  
17 He's plowing the same ground over and over again.

18          EXAMINER SEE:  Can you be more specific,  
19 Mr. Kutik?

20          MR. KUTIK:  I'm not sure that I can, your  
21 Honor.  I am asking about the workpapers that  
22 Ms. Thomas generated in the calculations which she  
23 did before the company was ordered to do the  
24 calculations with a zero POLR charge.

25                I am asking about if she -- if she had



1 done those calculations, would they have been in  
2 those workpapers?

3 MR. CONWAY: And, your Honor, we supplied  
4 all of the workpapers, so he already has the  
5 workpapers.

6 MR. KUTIK: Well, that's not true because  
7 the witness has already said that she made a  
8 calculation -- that she made a calculation in one  
9 way, but she didn't retain it.

10 MR. CONWAY: That was a different line of  
11 questions.

12 MR. KUTIK: My point is just because you  
13 make a calculation doesn't mean it shows up in your  
14 workpapers and that's the point of the question. I  
15 am trying to figure out whether she did a calculation  
16 with zero and whether it's in her workpapers.

17 MR. CONWAY: Well, then he -- I'm sorry.

18 EXAMINER SEE: The objection is  
19 sustained.

20 MR. KUTIK: Just so I can be clear, your  
21 Honor, and I am not arguing, I am seeking  
22 clarification, is it your -- is it your ruling that  
23 whether workpapers reflect all the scenarios  
24 considered by the witness is irrelevant?

25 EXAMINER SEE: What I am ruling on is

1     whether or not it's relevant when it was included.  
2     It's my understanding and based on the representation  
3     of counsel that the -- you have received -- everyone  
4     has received the workpapers for the companies'  
5     interpretation of the remand order as well as the  
6     Bench's direction to remove all POLR charges from  
7     Ms. Thomas' testimony and a couple of the other  
8     witnesses.

9             MR. CONWAY: That's correct.

10            MR. KUTIK: Well, your Honor, may I ask  
11     this question: Does her workpapers reflect -- or do  
12     her workpapers reflect all of the calculations that  
13     she did? May I ask that question, your Honor?

14            EXAMINER SEE: Are you asking it now, or  
15     are you asking permission to ask?

16            MR. KUTIK: Well, I am asking permission  
17     to ask because I'm just trying to understand the  
18     ruling and where I am allowed to go.

19            EXAMINER SEE: You can ask that question.

20            MR. CONWAY: Your Honor, I would -- we  
21     have provided all the workpapers and all the  
22     calculations that underlie the testimony, both  
23     original, the first revised incremental POLR, as well  
24     as the full removal of the POLR, and now, he is  
25     asking for essentially to do additional discovery and

1       it's improper.

2                   It's also if there were -- if there are  
3       another analyses she or other people did, they would  
4       be work product. They were -- they are not part of  
5       the testimony here.

6                   MR. KUTIK: I don't believe that a "yes"  
7       or "no" answer to that question elicits work product.

8                   MR. CONWAY: It doesn't lead anywhere.

9                   EXAMINER SEE: Thank you, both.

10                  Q.     (By Mr. Kutik) Ms. Thomas, is it the case  
11       that all of your workpapers reflect all of the  
12       calculations that you did?

13                  A.     My workpapers include everything that was  
14       done for the purposes of the testimony.

15                  Q.     That's not my question. My question is  
16       do your workpapers reflect all of the calculations  
17       that you did?

18                  A.     I guess I would need some clarification.  
19       That's a very broad question about any workpapers  
20       that I might have done at any point in time.

21                  Q.     I am talking about this case.

22                  MR. CONWAY: And I think we are talking  
23       about her testimony, your Honor. He ought to be  
24       talking about her testimony.

25                  EXAMINER SEE: Yes, yes, we are. If we

1 are going -- Ms. Kutik, if you are going to focus on  
2 what's in her workpapers, I need you to focus on  
3 what's in her workpapers in relation to the  
4 calculations that she has done removing POLR and  
5 including the companies' interpretation of POLR.

6 MR. KUTIK: And, again, just so I can be  
7 clear, your Honor, is the question does your -- does  
8 your -- do your workpapers include all of the  
9 calculations that you've done for purposes of this  
10 case irrelevant?

11 EXAMINER SEE: For all -- for the entire  
12 purpose of this case?

13 MR. KUTIK: Yes.

14 EXAMINER SEE: It's beyond the scope of  
15 what she has in front of her for you to question her  
16 on.

17 MR. KUTIK: So it is irrelevant?

18 EXAMINER SEE: Yes. It's a very broad  
19 question.

20 MR. KUTIK: Thank you. Thank you.

21 Q. (By Mr. Kutik) Now, the -- your Exhibit  
22 LJT-3 reflects the calculation that you did at the  
23 direction of the attorney examiner, correct?

24 A. That's correct.

25 Q. And this shows the calculation with no

1 POLR charges included.

2 A. That's correct.

3 Q. And it shows a negative number, correct?

4 A. Yes. The result of this component of the  
5 test shows a negative number that needs to be viewed  
6 in -- would be viewed in conjunction with the  
7 testimony of Witnesses Allen and Hamrock that also  
8 address the issue of what the Attorney Examiner  
9 requested us to reflect in our testimony.

10 Q. Now, going back to LJT-2, the difference  
11 on a weighted average basis between the MRO price and  
12 the ESP price, at least what you were comparing, is  
13 15 cents, correct?

14 A. Yes. The result of LJT-2 shows 15 cents  
15 per megawatt hour.

16 Q. Now, based upon the previous calculation  
17 you did but didn't save where the RPM -- where you  
18 used only capacity prices at RPM prices, would it be  
19 safe to say that if we used the numbers that you have  
20 in LJT-2 but instead used a capacity price only of  
21 the RPM prices, that we would come up with a negative  
22 number?

23 A. Mathematically if you did that  
24 calculation, you would come up with a -- a negative  
25 number. However, it would not be doing that

1 calculation, that would not be appropriate to do.

2 This analysis is based on the  
3 stipulation, a change to look at only RPM capacity  
4 prices and this would then basically be a significant  
5 modification to the stipulation which states that the  
6 capacity pricing is a composite sum to that \$255 per  
7 megawatt day remaining RPM prices.

8 Q. But the purpose of my question is to give  
9 the Commission understanding of how different numbers  
10 affect your calculations. And if we did your  
11 calculations on LJT-2 using an RPM prices as proposed  
12 to the capacity prices in the stipulation, we would  
13 get a negative number, correct?

14 A. Yes. The mathematical result of that  
15 calculation would be a negative number, but it is not  
16 an appropriate analysis to do. You can obtain a  
17 mathematical result, but it is not an analysis that  
18 makes sense to do.

19 Q. Now, I think as you said in your direct  
20 testimony there are certain riders that are not part  
21 of your calculations in Exhibit LJT-2, correct?

22 A. Yes. There are riders that are not  
23 included in this portion of the analysis which  
24 reflects -- which would have to be combined with the  
25 other pieces again.

1           Q.    One of those riders is rider DIR,  
2 correct?

3           A.    That's correct.

4           Q.    And DIR is part of the ESP, is it not?

5           A.    Yes.  The DIR rider really is a  
6 distribution rider that basically is distribution  
7 rate increases, and distribution rate increases could  
8 occur under either an ESP or MRO.

9           Q.    Isn't it true a DIR would not be part of  
10 an MRO?

11          A.    While the DIR itself would not be part of  
12 an MRO, equivalent distribution rate cases can occur  
13 under an MRO and, therefore, you kind of have the  
14 equivalent thing on both sides.

15          Q.    But there isn't a rider called DIR in an  
16 MRO, is there?

17               MR. CONWAY:  Objection.  She has already  
18 answered the question.  She said that there wouldn't  
19 be a DIR in the MRO but there would be a distribution  
20 rate case so there could be one.  So she's agreed  
21 with him.  She's explained her answer and, now, we  
22 are repeating things.

23               EXAMINER SEE:  The objection is  
24 sustained.

25          Q.    Another part of the ESP is the pool

1 termination modification rider, correct?

2 A. That's correct.

3 Q. And I think, as you mentioned, that's not  
4 in your calculation either.

5 A. That's correct.

6 Q. And that's also part of the ESP, correct?

7 A. Yes. The pool modification rider is a  
8 placeholder rider and if there are any charges, those  
9 would be determined in a separate Commission  
10 proceeding at some time in the future per the  
11 stipulation.

12 Q. And you didn't attempt to come up with a  
13 value for the pool modification -- or termination  
14 rider, correct?

15 A. No, I did not. The pool modification  
16 rider is addressed by other company witnesses.

17 Q. Would it be fair to say that a pool  
18 termination modification rider would not be part of  
19 an MRO?

20 A. For the company to be in an MRO, the  
21 company would need to either terminate or modify the  
22 pool, and in the first combining years of an MRO  
23 because you are only auctioning off a portion of your  
24 load, you would still have a portion of your load  
25 that is served by -- under generation pricing and so



1 the effect of a pool modification rider could flow  
2 through to the generation pricing under an MRO.

3 Q. Isn't it true that an -- that a pool  
4 termination modification rider would not be part of  
5 an MRO?

6 A. While the rider itself would not be part  
7 of an MRO, the effects of a pool modification or  
8 termination, those effects would flow through the  
9 generation pricing that would apply to the -- that  
10 would be part of the weighting for the load that is  
11 not served under an auction.

12 Q. Another part of the ESP is the rider GRR,  
13 correct?

14 A. That's correct.

15 Q. And you have not included a value for  
16 that in your analysis in Exhibit LJT-2 or LJT-3,  
17 correct?

18 A. That's right. It is a placeholder.  
19 There are no costs in that rider. And if there are  
20 any costs at some point in the future per the  
21 stipulation, that would be subject to a separate  
22 Commission proceeding to determine what costs, if  
23 any, would go -- you know, would go into that rider.

24 Q. You did not determine a potential value  
25 for rider GRR, correct?

1           A.    No, I did not.

2           Q.    And you don't know whether there has been  
3 any -- any data provided by AEP regarding what the  
4 revenue requirements might be for any of the projects  
5 that might be included for recovery under rider GRR?

6           A.    I believe that there is some information  
7 as it relates to the Turning Point Project. But,  
8 again, there will be a separate -- per the  
9 stipulation there will be a separate Commission  
10 proceeding to determine what costs and the timing of  
11 those costs that might flow through the GRR.

12          Q.    So you made no determination about what  
13 the potential costs of rider GRR might be even though  
14 you knew there was a revenue requirement -- revenue  
15 requirement information available, correct?

16          A.    I did not determine a value for the GRR  
17 because it is zero until such time as the Commission  
18 may approve costs under the GRR in a separate  
19 proceeding at a future point in time.

20          Q.    Well, you said earlier that the pool  
21 termination modification might affect both sides the  
22 same way because there might be the effects of some  
23 generation, correct?

24          A.    Yes.

25          Q.    And so you are willing to engage that

1     there might be some effects in the future, correct?  
2     You are willing to make that speculation, are you  
3     not?

4                 MR. CONWAY: I'm sorry, can I have the  
5     question?

6                 Q.     Let me say it again. You are willing to  
7     speculate about the potential effects of the pool  
8     modification rider, correct?

9                 A.     I don't believe I was speculating about  
10    the potential effects. I believe that what I did was  
11    to state that there is no pool modification rider  
12    under an MRO and if there are any effects, and I  
13    don't think that's speculation, I think if there are  
14    any effects, there is a generation impact, I don't  
15    know what those effects might be.

16                I have -- you know, there is no number  
17    that I can associate with that just like with the  
18    GRR, I did not put a number with that because both  
19    our placeholders and are subject to separate  
20    Commission proceedings to determine what rates, if  
21    any, would go in there.

22                Q.     But it's your view that the pool  
23    modification rider effects would be the same whether  
24    it's an MRO or ESP, correct?

25                A.     I didn't say whether they would be

1 exactly the same.

2 Q. I didn't ask you if you said it. I asked  
3 you it's your view, correct?

4 A. My view is that there is no -- that the  
5 pool modification rider is an element of the ESP.  
6 Under an MRO there would be effects of the pool  
7 changes. I don't know the timing of when those pool  
8 changes might occur.

9 I don't know what value, if any, there  
10 might be that would flow through. All I can -- all I  
11 know is today both for the pool modification rider  
12 and the GRR that there are no costs to put in to this  
13 test and that both of those riders are subject to  
14 Commission -- separate Commission proceedings.

15 Q. That wasn't my question. We talked about  
16 a lot of stuff, but you didn't answer my question  
17 which is, is it your view that the value of the  
18 effect of the pool termination modification for an  
19 MRO would be the same as the value that would be put  
20 into a rider for pool termination modification? It  
21 is your view it's the same, correct?

22 A. As I just stated, I don't know whether it  
23 would be the same or not. What I know is that it is  
24 zero currently.

25 Q. So you are not -- so because you have

1 absolutely no idea what the value might be for rider  
2 GRR, you don't want to speculate as to what that  
3 value might be; is that your testimony?

4 A. My testimony is that I included in the  
5 price test a zero for -- for that rider and the other  
6 aspect of that rider, those are discussed by  
7 Witnesses Allen and Hamrock in terms of how that  
8 otherwise might be viewed as part of the ESP.

9 Q. But knowing that there was a revenue  
10 requirement that has been published with respect to  
11 the Turning Point Project that is potentially part of  
12 rider GRR, you made no calculation as to the effect  
13 of those potential costs through an MRO test,  
14 correct?

15 MR. CONWAY: Objection. It has been  
16 asked and answered several times, your Honor.

17 EXAMINER SEE: The objection is  
18 sustained.

19 Q. With respect to Exhibit LJT-2, if we add  
20 \$1 to the generation service price and we add \$1 to  
21 the ESP price, would it be correct to say that the  
22 ESP benefit would decrease by 10 cents in 2012, by 23  
23 cents in the period January, 2013, to May, 2014, and  
24 by 34 cents in the period June, 2014, to May, 2015?

25 A. Mathematically that would be the result.

1 I guess I don't know what that dollar would be for to  
2 say whether -- you know, depending on what that  
3 dollar is for, whether that's an appropriate  
4 comparison or not, but mathematically that would be  
5 the result.

6 Q. And continuing with the mathematics, if  
7 we added the dollar in that way and the benefit  
8 changed in that way, the overall comparison would be  
9 a negative number, correct?

10 MR. CONWAY: I'll object to the form of  
11 the question, your Honor. The overall -- I think he  
12 said the overall number would be a negative number.  
13 It's the word "overall," the form of the question is  
14 vague.

15 Q. The ESP price would be negative.

16 MR. CONWAY: I withdraw the objection.

17 Q. The ESP benefit would be negative.

18 MR. CONWAY: I withdraw the objection.

19 THE WITNESS: Can you repeat the  
20 question?

21 Q. Let me try it again.

22 A. Okay.

23 Q. If we added a dollar in the way we just  
24 talked about and the benefits changed in the way we  
25 just talked about, would it be fair to say that the

1       ESP benefit numbers on LJT-2 would be negative?

2               A.     Mathematically the end result would be  
3       negative.  Again, I would have to -- to, you know,  
4       put that in context and know what the dollars were  
5       for to know whether that was an appropriate  
6       comparison.

7               Q.     Now, in your MRO test -- price test on  
8       LJT-2 and LJT-3, you used a number in the fuel costs  
9       in the generation service price, correct?

10              A.     That's correct.

11              Q.     And it's the same number for each period  
12       that you were analyzing.

13              A.     Yes, it is the 2011 full fuel cost.

14              Q.     And would it be fair to say that you  
15       would not expect AEP's fuel cost number to stay the  
16       same from the period from January, 2012, through May  
17       of 2015?

18              A.     I would not expect it to be the same.  It  
19       will vary.

20              Q.     Now, you are aware, are you not, that the  
21       company has forecasts of its fuel costs and fuel cost  
22       revenues?

23              A.     I believe, as Mr. Allen stated yesterday,  
24       that the company has various forecasts of fuel and  
25       fuel revenues.  I guess the question is which is the

1 appropriate forecast to use.

2 Q. Right. And you've seen those numbers,  
3 correct?

4 A. I saw numbers that were done, I believe,  
5 for the original filing in this case. I have not  
6 seen fuel numbers that reflect the effects of the  
7 stipulation which I -- and I believe that those two  
8 sets of fuel numbers would be different.

9 MR. KUTIK: Your Honor, at this time I  
10 would like to approach the witness and this is the  
11 document I indicated off the record has been  
12 previously marked as restricted access, confidential,  
13 subject to protective agreement.

14 EXAMINER SEE: Okay.

15 MR. KUTIK: So my intent -- my intent is  
16 just to hand it to counsel -- or show it to counsel  
17 and to the Bench and to the witness, discuss it in  
18 open record up to the period we are talking about the  
19 substance, and then stop my examination.

20 EXAMINER SEE: Okay.

21 MR. KUTIK: May I approach?

22 EXAMINER SEE: Yes. Ms. Thomas --

23 MR. KUTIK: Your Honor, I would like to  
24 have marked as FES Exhibit 10 a document that had  
25 been previously identified as Thomas Deposition



1 Exhibit 3.

2 EXAMINER SEE: Okay.

3 (EXHIBIT MARKED FOR IDENTIFICATION.)

4 MR. KUTIK: Is that acceptable, your  
5 Honor?

6 EXAMINER SEE: I'm sorry, say that again.

7 MR. KUTIK: Is that acceptable?

8 EXAMINER SEE: Yes.

9 Q. (By Mr. Kutik) Ms. Thomas, are these the  
10 fuel cost numbers that you were talking about  
11 earlier?

12 A. I believe these are the ones that were  
13 done in conjunction with the companies' filing back  
14 in January.

15 MR. KUTIK: Your Honor, at this point the  
16 rest of my questions are about the substance of the  
17 document.

18 EXAMINER SEE: Confidential FES Exhibit  
19 10?

20 MR. KUTIK: Yes.

21 EXAMINER SEE: Before we close the record  
22 to certain members, are there any other parties that  
23 are intending to give cross-examination -- that are  
24 going to be crossing the witness on confidential  
25 documents?

1 MR. KUTIK: Your Honor, can I show  
2 Mr. Darr this document? I think he has access to it.

3 MR. NOURSE: Yeah.

4 MR. DARR: I am not planning on using it.  
5 I'm on the list.

6 MR. KUTIK: So I guess I'm the only one.

7 EXAMINER SEE: Since you are the only  
8 one, let's -- can we close -- can the company  
9 determine who has the right to continue to be in the  
10 room while there is cross-examination on --

11 MR. NOURSE: Yes, we can do that.

12 EXAMINER SEE: -- confidential FES  
13 Exhibit 10?

14 MR. NOURSE: If we are getting into the  
15 substance, let me do that, your Honor.

16 MR. KUTIK: Well, let me see if I can do  
17 this. If I can have a moment just to confer with  
18 counsel, I think I might be able to ask this question  
19 in a way we don't have to close the room.

20 EXAMINER SEE: Okay. We'll take 3  
21 minutes. Let's go off the record for a minute.

22 (Discussion off the record.)

23 EXAMINER SEE: Let's go back on the  
24 record.

25 Go ahead, Mr. Kutik.

1           Q.     (By Mr. Kutik) Ms. Thomas, would it be  
2     correct to say that if we look at the average rate  
3     numbers that appear on this document, that these  
4     average rates are greater than a dollar than the --  
5     from the figure that you used for fuel costs in your  
6     LJT-2 and 3?

7           A.     Yes, the numbers on this document are  
8     greater than a dollar, but I don't believe that they  
9     are applicable.

10           MR. KUTIK: I have no further questions.

11           EXAMINER SEE: Mr. Darr.

12           MR. DARR: Thank you, ma'am.

13           May I approach?

14           EXAMINER SEE: Yes.

15           MR. DARR: I am showing the witness IEU  
16     Exhibit 3 which was distributed yesterday.

17           MR. DARR: Ms. Thomas --

18           EXAMINER SEE: Hold on just a minute,  
19     Mr. Darr. The Bench doesn't have one because it was  
20     not admitted, Mr. Darr.

21           MR. DARR: I have extra copies.

22           Are we all set now?

23                     - - -

24

25

## CROSS-EXAMINATION

By Mr. Darr:

Q. Ms. Thomas, do you have in front of you what has been marked as IEU Exhibit 3?

A. Yes.

Q. And can you identify for us what IEU Exhibit 3 is.

A. IEU Exhibit 3 is a response to data request STIP-FES-RPD-20-001.

Q. And it's also part of a response to 003, I think if you take a look at page 2, correct?

A. Yes.

Q. Specifically in this request, you were asked what you had prepared a calculations or had a calculation for the 2015-2016 period of the ESP; is that correct?

A. Yes. This is basically documenting the mental analysis that has been done for AEP's '15-'16, just putting it down on paper.

MR. CONWAY: Excuse me, for my own purposes as well as the record in the future, when you say 2015 and 2016, you are referring to what period specifically?

MR. DARR: June, '15, to May, '16.

MR. CONWAY: Thank you.

1           Q.    And with that understanding is that what  
2   you understand is contained in this two-page  
3   document?

4           A.    Yes.

5           Q.    Now, with regard to LJT-2 and LJT-3, you  
6   did not include in your calculations any impacts of  
7   the MRO-ESP test for the period that we were just  
8   discussing, the 2015 to 2016 period, correct?

9           A.    That's right. The June, 2015, through  
10   May, 2016, was not included in Exhibits LJT-2 and  
11   LJT-3.

12          Q.    And that's because in your calculation  
13   you have -- you have reached the conclusion that the  
14   benefit is zero.

15          A.    I reached the conclusion that when you  
16   are at 100 percent auction for the load, then what  
17   you have is an expected bid price equal to the  
18   auction price which equals the MRO price which equals  
19   the ESP price.

20                So all of those elements are equal once  
21   you are in a 100 percent competitive bid auction for  
22   the load which is what the stipulation calls for  
23   during that period of June, '15 to May, '16.

24          Q.    So the answer to my question is, yes, the  
25   ESP price by your calculation is zero, correct?

1           A.    No.   The ESP price benefit is zero for  
2   this element because the competitive bid price and  
3   the price to customers is the same.

4           Q.    Let me rephrase the question then.

5                   Based on your analysis as contained in  
6   the second page of IEU Exhibit 3, you have assumed or  
7   calculated a -- you have calculated an ESP price  
8   benefit of zero, correct?

9           A.    Yes, it is zero because the competitive  
10   bid price -- the auction price is equal to what  
11   customers will be charged in that year.

12          Q.    Now, for the periods up to 2015 you used  
13   a blending, correct?

14          A.    That's correct.

15          Q.    And that blending as you understand it is  
16   the blending that's required by statute, correct, or  
17   implied by statute?

18          A.    Yes.   And that blending reflects a  
19   portion of generation that comes from companies'  
20   generation and a portion that comes through a  
21   competitive bid process.

22          Q.    And then you made an assumption that in  
23   the period 2015-2016 that we have been talking about  
24   that that blending process would be suspended by  
25   operation of the stipulation, correct?

1           A.    Well, it would make no sense to have a  
2    blending of prices when you no longer have a blending  
3    of generation.

4                    When you are in 100 percent auction, it  
5    would not make sense to have a blending that applied  
6    when, you know, 40 percent came from an auction and  
7    60 percent came from generation, that's the tie  
8    between the blending and the portion that comes from  
9    which source of generation in auction for the  
10   companies' generation.

11           Q.    So the answer to my question is, yes,  
12   correct?

13                   MR. CONWAY:  Objection.  He just talked  
14   over the last part of her answer.

15                   EXAMINER SEE:  Mr. Darr, please allow the  
16   question -- the witness to finish her response to the  
17   question.

18           Q.    Have you completed your answer, ma'am?

19           A.    At this point, yes.

20           Q.    So is the answer to my question "yes"?

21           A.    Would you repeat the question just so I'm  
22   clear?

23                   MR. DARR:  Can you read the question back  
24   to her, please.

25                   (Record read.)

1           A.    Yes.  The stipulation calls for an  
2    auction for 100 percent of the load beginning in June  
3    of 2015 and the percentage -- percentages that are  
4    assumed for that year are consistent with the portion  
5    that comes from an auction.

6           Q.    Now, with regard to your Exhibit LJT-2,  
7    in calculating the MRO bid price, you also assumed  
8    that the bidders would be faced with a capacity cost  
9    of 21 percent based on RPM and 79 percent based on  
10   the stipulation price; is that also correct?

11          A.    Yes.  The stipulation calls for a portion  
12   at RPM prices and a portion at \$255 a megawatt day.

13          Q.    So that, in effect, what you are assuming  
14   is that the stipulation prices would be available or  
15   would be -- the capacity pricing basis for those bid  
16   prices; is that correct as well?

17          MR. CONWAY:  I'm sorry, your Honor, could  
18   I have the question?

19          MR. DARR:  Let me rephrase that because I  
20   think I confused two things.  Let me try again.

21          EXAMINER SEE:  Okay.

22          Q.    Are you assuming that the stipulation  
23   prices for capacity would be in effect during that  
24   period?

25          MR. CONWAY:  I apologize, again,



1 Mr. Darr, what I didn't pick up is what that period  
2 is.

3 MR. DARR: The period that she outlines  
4 for the -- in this case. It would be 2012 through  
5 2015.

6 MR. CONWAY: Thank you.

7 A. If I understand your question for the  
8 period 2012 through May of 2015, the -- that  
9 combination of prices that are RPM and \$255 a  
10 megawatt that that applies to use of AEP's -- AEP  
11 Ohio's capacity by a bidder or a CRES provider but  
12 that applies in all those situations.

13 Q. So in the absence of an ESP, which is  
14 what the MRO calculation assumes, you have assumed  
15 nonetheless that the capacity prices contained in the  
16 stipulation would apply; is that correct?

17 A. Yes, I assumed that the capacity prices  
18 would apply because the stipulation resolves Case No.  
19 10-2929 which sets the price for the use of AEP Ohio  
20 capacity by other parties.

21 MR. DARR: Thank you. Nothing further.

22 Can I have just a moment, please?

23 EXAMINER SEE: Sure.

24 Q. Without getting into the values contained  
25 on confidential Exhibit 3.

1 MR. KUTIK: Actually it's Confidential  
2 Exhibit 10.

3 Q. FES Exhibit 10, without getting into  
4 those numbers.

5 A. Yes.

6 Q. Is it correct that you've performed a  
7 sensitivity analysis using those -- using that  
8 information?

9 A. I had performed a sensitivity analysis  
10 related to the testimony that I filed on I think it  
11 was September 13.

12 Q. And am I correct then that you for  
13 whatever reason chose not to use those numbers for  
14 purposes of your testimony here today, correct?

15 A. Well, upon further consideration of that,  
16 I think if you are going to forecast that element and  
17 include it -- include forecasted fuel, then you would  
18 also need to include things like the forecasted  
19 environmental and look at the composite effects of  
20 all of that on the test.

21 Q. And is it fair to say you've made with  
22 regard to this particular set of numbers no  
23 adjustment for any changes in environmental?

24 A. I have not -- my exhibit does not use  
25 forecasted fuel or forecasted environmental. I have

1 done -- I have looked at if I had done both of those,  
2 although I don't think it's necessary for the test,  
3 if you do that, then basically it -- the bottom line  
4 is it has no effect on the end result of the test if  
5 you include both forecasting of both those elements.

6 MR. DARR: Thank you, ma'am.

7 EXAMINER SEE: Ms. Grady.

8 - - -

9 CROSS-EXAMINATION

10 By Ms. Grady:

11 Q. Good afternoon, Ms. Thomas.

12 A. Good afternoon.

13 Q. I promise to keep it very brief.

14 MR. CONWAY: I thought you went first.

15 MR. KUTIK: No, actually she called me  
16 first.

17 EXAMINER SEE: No. I called Mr. Kutik  
18 first.

19 MS. GRADY: I have been sitting lying in  
20 wait.

21 MR. KUTIK: You do that well.

22 MR. DARR: May I, before you start, could  
23 we have just a couple of minutes, please?

24 EXAMINER SEE: For recess or you need to  
25 confer?

1 MR. CONWAY: You're done.

2 MR. DARR: I am not asking for any more  
3 time to question. I just need a brief recess if need  
4 be.

5 MR. CONWAY: Okay.

6 EXAMINER SEE: Well, yes. 4 minutes, is  
7 that okay, Ms. Grady, and then we will go to  
8 Ms. Grady and Mr. Smalz? So let's go off the record.

9 (Recess taken.)

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

12 Ms. Grady.

13 MS. GRADY: While the temptation is  
14 great, I will decline at this time to do any further  
15 cross-examination of Ms. Thomas.

16 EXAMINER SEE: Okay. Mr. Smalz.

17 - - -

18 CROSS-EXAMINATION

19 By Mr. Smalz:

20 Q. I just have one or two questions,  
21 Ms. Thomas. Turn to page 16 of your testimony.

22 EXAMINER SEE: Mr. Smalz, I need you to  
23 speak up, please.

24 MR. SMALZ: Okay.

25 EXAMINER SEE: Is that one working,

1 Mr. Smalz?

2 MR. SMALZ: I think so. Is it?

3 EXAMINER TAUBER: I'll trade with you.

4 Q. Yes. Ms. Thomas, I'm turning to page 16  
5 of your testimony, lines 7 through 10, where you  
6 discuss the alternative energy rider and state that  
7 it is "merely a separation of such costs out of the  
8 fuel adjustment clause. Therefore, there are no  
9 costs to be considered in addition to what is already  
10 reflected in the MRO Price Test."

11 Now, the alternative energy rider has a  
12 certain value reflected in your MRO price test.  
13 Could the value of the alternative energy rider  
14 change over the term of the ESP?

15 A. I guess I really don't know whether it  
16 would or not because there will be a proceeding that  
17 determines how the value is determined in that  
18 alternative energy rider, so since that's not been  
19 determined, I can't say whether, you know, a value  
20 will change or not.

21 Q. Okay. One other question, is the current  
22 gridSMART rider included in the MRO price?

23 A. The gridSMART rider is a distribution  
24 rider and I believe that it is not in the price test,  
25 and I believe that it is Mr. Hamrock who discusses

1 the impact of the gridSMART rider in his testimony.

2 Q. And would the same be true of the  
3 enhanced service reliability rider?

4 A. I believe so. I can't recall whether  
5 it's Mr. Allen or Mr. Hamrock.

6 MR. SMALZ: That's all I have,  
7 Ms. Thomas.

8 EXAMINER SEE: Redirect, Mr. Nourse? I'm  
9 sorry, Mr. Conway?

10 MR. CONWAY: That's all right. Can we  
11 just take about a minute or two and then come back?

12 EXAMINER SEE: Okay. Let's go off the  
13 record.

14 (Recess taken.)

15 EXAMINER SEE: Let's go back on the  
16 record.

17 Mr. Conway, redirect?

18 MR. CONWAY: Thank you, your Honor. Just  
19 a couple of questions.

20 - - -

21 REDIRECT EXAMINATION

22 By Mr. Conway:

23 Q. Ms. Thomas, do you recall a series of  
24 questions from Mr. Kutik regarding the fuel forecasts  
25 in FES Exhibit 10?

1           A.    Yes, I do.

2           Q.    And at the conclusion of the examination  
3           you indicated that you did not think, as I recall,  
4           that the -- the fuel forecasts reflected in that  
5           exhibit remains applicable.  Could you explain why it  
6           is not applicable?

7           A.    Yes.  Those fuel factors were developed  
8           in the companies' initial filing back in -- for the  
9           filing back in January, and they don't reflect the  
10          elements of the stipulation that would occur.  And  
11          typically as you have greater shopping, fuel factors  
12          will decrease because the -- you dispatch units from  
13          least variable cost to higher variable cost and if  
14          the company is serving less load, then the amount  
15          assignable to retail would be a lower fuel cost and  
16          that's why I don't believe those would be applicable.

17          Q.    And when you say "those," you referring  
18          to the values that were reflected in FES Exhibit 10?

19          A.    That's correct.

20          Q.    Okay.  Secondly, Ms. Thomas, also with  
21          regard to a line of questions from Mr. Kutik, he  
22          asked you regarding your review of -- whether you  
23          reviewed FE auction prices in the course of coming up  
24          with your competitive benchmark price values.  Do you  
25          recall that?

1           A.    Yes, I do.

2           Q.    And my recollection is that you indicated  
3   that you didn't think that the FE auction prices were  
4   a match for AEP Ohio and you had several reasons, I  
5   thought, you indicated that supported that  
6   conclusion.  What are those reasons?

7           A.    There are a number of reasons.  Let me  
8   give you a couple of examples.  First of all, the AEP  
9   Ohio is part of the AEP zone.  FirstEnergy operating  
10  companies are not part of the AEP zone.  They are in  
11  a different zone in PJM.

12                   And prices in the AEP zone for energy for  
13  the swap component are typically greater than they  
14  are in the zone that the FirstEnergy distribution  
15  utilities are in.

16                   Another example is that the FirstEnergy  
17  auction does not include the cost of meeting the  
18  alternative energy requirements and that element is  
19  included in what the company has put in its  
20  competitive benchmark where the supplier would be  
21  responsible for meeting those requirements.

22                   Another example is losses where in the  
23  FirstEnergy the auction prices apply to loss adjusted  
24  megawatt hours.  The prices that we show in the  
25  competitive benchmark actually get applied to a



1 customer's metered kilowatt hours and so you have a  
2 difference there.

3 There are a number of other differences  
4 related to, you know, the 10 different components.  
5 Those are just some examples.

6 Q. And, Ms. Thomas, when you referred to the  
7 losses that we show in your last answer, were you  
8 referring -- which company were you referring to?

9 A. If you look at Exhibit LJT-1, any of the  
10 pages in that, you will see the 10 elements of the  
11 competitive benchmark. One of those elements is  
12 losses and that loss component that is shown for AEP  
13 Ohio companies would not be applicable in the  
14 FirstEnergy because rather than reflecting losses in  
15 the price, they reflect losses in megawatt hours.

16 MR. CONWAY: Thank you, your Honor. I  
17 have no further questions.

18 EXAMINER SEE: I'm sorry, just a minute,  
19 Ms. Thomas.

20 EXAMINER TAUBER: Mr. Kutik, do you have  
21 any questions on recross?

22 MR. KUTIK: I do, your Honor.

23 - - -  
24  
25

## RECROSS-EXAMINATION

By Mr. Kutik:

Q. In trying to determine whether FirstEnergy prices and the prices from the FirstEnergy auctions would be appropriate, you made a review of the different factors that you thought would be different between FirstEnergy and AEP, correct?

A. Yes, I did.

Q. And one of the factors that would be different would be the point of delivery, correct?

A. That's correct.

Q. And you've done no quantitative analysis to determine what that difference would be, correct?

A. I did not do a quantitative analysis, but I believe that it is Mr. Schnitzer has an analysis in his testimony filed earlier this summer and I reviewed that analysis and I believe he quantified something in the magnitude of that it was a 3 -- \$3 a megawatt hour difference, higher for the AEP zone than for the FirstEnergy zone.

Q. Well, it was less than \$3, wasn't it?

A. I think it was approximately -- it may have been a little under, just in round numbers.

Q. But you didn't do that analysis, correct?

1           A.    No, I did not do that analysis.  I  
2   reviewed his analysis.

3           Q.    So you would rely on Mr. Schnitzer for  
4   that analysis, correct?

5           A.    I rely on my review of his data for that  
6   number.

7           Q.    So you are citing his data in support  
8   there is a difference, correct, a quantitative  
9   difference?

10          A.    Basically I am citing my review of his  
11   analysis.

12          Q.    Another difference that you believe might  
13   exist, locational energy price, correct?

14          A.    Yes.

15          Q.    All right.  And you did no analysis to  
16   determine what that quantitative difference might be,  
17   correct?

18          A.    I did not do that analysis, no.

19                MR. KUTIK:  I have no further questions.  
20   Thank you.

21                EXAMINER TAUBER:  Mr. Darr?

22                MR. DARR:  Just briefly, your Honor.

23                               - - -

24

25

## RECROSS-EXAMINATION

By Mr. Darr:

Q. In trying to compare apples to apples when you are looking at these various bid prices, you pointed out that the FES auction did not include a -- an alternative energy requirement, correct?

A. Yes.

Q. And if we wanted to do a fair apples-to-apples comparison, we would need to account for that AER, that alternative energy requirement in that comparison, correct?

A. That's correct.

MR. DARR: Nothing further, thank you.

EXAMINER TAUBER: Ms. Grady?

MS. GRADY: No, no questions, your Honor.

EXAMINER TAUBER: Mr. Smalz?

MR. SMALZ: No questions, your Honor.

EXAMINER TAUBER: Thank you, Ms. Thomas.

You may be excused.

EXAMINER SEE: Mr. Conway.

MR. CONWAY: At this time the AEP Ohio companies would move for the admission of Exhibit No. 5.

EXAMINER SEE: Are there any objections to AEP Ohio Exhibit 5?

1 MR. DARR: No, your Honor.

2 EXAMINER SEE: Hearing none, AEP Ohio  
3 Exhibit 5 is admitted into the record.

4 (EXHIBIT ADMITTED INTO EVIDENCE.)

5 MR. KUTIK: Your Honor, at this time FES  
6 moves for the admission of Exhibit No. 10.

7 EXAMINER SEE: Any objection to the  
8 admission of FES Exhibit 10 under seal?

9 MR. CONWAY: No, your Honor.

10 MR. DARR: IEU would move admission of  
11 IEU Exhibit 3.

12 EXAMINER SEE: Are there any objections  
13 to the admission of IEU Exhibit 3?

14 IEU Exhibit 3?

15 MR. CONWAY: No objection, your Honor.

16 EXAMINER SEE: With that FES --  
17 Confidential Exhibit FES 10 is admitted into the  
18 record, and IEU Exhibit 3 is admitted into the  
19 record.

20 (EXHIBITS ADMITTED INTO EVIDENCE.)

21 EXAMINER SEE: That concludes the  
22 witnesses we had scheduled for today. We will  
23 reconvene on Tuesday, October 11, in this hearing  
24 room at 10 a.m.

25 MR. KUTIK: May we go off the record?

1 EXAMINER SEE: Yes.

2 (Discussion off the record.)

3 EXAMINER SEE: Let's go back on the  
4 record for a quick minute. We will resume the  
5 hearing at 10 a.m. on Tuesday, October 11.

6 (Thereupon, the hearing was adjourned at  
7 2:18 p.m.)

8 - - -

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

## 1 CERTIFICATE

2 I do hereby certify that the foregoing is a  
3 true and correct transcript of the proceedings taken  
4 by me in this matter on Friday, October 7, 2011, and  
5 carefully compared with my original stenographic  
6 notes.

7  
8 Julieanna Hennebert, Registered  
Professional Reporter and RMR.

9  
10 Karen Sue Gibson, Registered  
11 Merit Reporter.

12 (KSG-5426)

13 - - -  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**10/21/2011 1:54:06 PM**

**in**

**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 10/07/11 - Vol IV electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.