

1 BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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

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9 PROCEEDINGS

10 before Ms. Greta See and Ms. Sarah Parrot, Attorney
11 Examiners, and Commissioner Andre Porter, at the
12 Public Utilities Commission of Ohio, 180 East Broad
13 Street, Room 11-A, Columbus, Ohio, called at 9:00
14 a.m. on Friday, April 20, 2012.

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16 VOLUME IV

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IGS Exhibit		Identified	Admitted
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101 - Direct Testimony of			
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1 Friday Morning Session,

2 April 20, 2012.

3 - - -

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

5 Scheduled to continue this morning is
6 Case No. 10-2929. At this time I'd like to take
7 brief appearances of the parties, need only state
8 your name.

9 Let's start with company.

10 MR. NOURSE: Thank you, your Honor.
11 Steven T. Nourse, Daniel R. Conway, Matthew J.
12 Satterwhite, Christen M. Moore.

13 MR. PETRICOFF: Yes, your Honor, on
14 behalf of Direct Energy, Exelon Generation,
15 Constellation NewEnergy, and the Retail Energy Supply
16 Association, M. Howard Petricoff and Lija
17 Kaleps-Clark.

18 MR. HAYDEN: Good morning, your Honors.
19 On behalf of FES -- I'm sorry. On behalf of FES,
20 Mark Hayden, Jim Lang, and David Kutik.

21 MR. ROYER: Thank you, your Honor. Barth
22 Royer, Dominion Retail.

23 MS. KINGERY: Thank you, your Honor. On
24 behalf of Duke Energy Retail, Amy B. Spiller and
25 Jeanne W. Kingery.

1 MR. DARR: On behalf of IEU-Ohio, Frank
2 Darr and Sam Randazzo.

3 MS. KYLER: On behalf of Ohio Energy
4 Group, Jody Kyler.

5 MR. YURICK: On behalf of the Kroger
6 Company, Mark Yurick.

7 MR. WHITT: On behalf of Interstate Gas
8 Supply, Mark Whitt, Andrew Campbell, and Melissa
9 Thompson.

10 MS. KERN: On behalf of the Office of the
11 Ohio Consumers' Counsel, Kyle Kern and Melissa Yost.

12 MR. BEELER: Ohio Attorney General Mike
13 DeWine, on behalf of the staff, John Jones and Steve
14 Beeler.

15 EXAMINER SEE: I think there were some
16 issues some of the parties wanted to raise on the
17 record.

18 Mr. Petricoff?

19 MR. PETRICOFF: Thank you, your Honor.
20 On behalf of Exelon Generation and Constellation
21 NewEnergy, at this point we would want to indicate
22 for the record and ask this be considered a formal
23 notice under OAC 4901-1-15(A) that we will seek an
24 interlocutory appeal in part for the -- or possibly
25 in whole for yesterday's entry on the motion to

1 compel and that we intend to have our appeal filed by
2 Monday or Tuesday.

3 MR. NOURSE: Your Honor, could I inquire
4 if Mr. Petricoff's clients are filing an
5 interlocutory appeal in part, does that suggest
6 they're going to be handing over information in
7 partial compliance with the order?

8 MR. PETRICOFF: Yes. At this moment I
9 can say that the clients are going through the order
10 to see if there are items in there that we think can
11 be turned over without violating the basic premise.

12 The basic premise for us is turning over
13 what we consider to be the most confidential material
14 for our headroom models, contracts, those kinds of
15 things. But items like, for example, the admissions,
16 some of those we'll be able to answer.

17 MR. NOURSE: So no documents are
18 forthcoming, or still reviewing.

19 MR. PETRICOFF: Still reviewing.

20 MR. NOURSE: Are you going to make that
21 determination today?

22 MR. PETRICOFF: Hopefully, yes.

23 EXAMINER SEE: Mr. Hayden?

24 MR. HAYDEN: Yes, your Honor. FES, as
25 indicated yesterday, will also be filing an

1 interlocutory appeal related to the Bench's ruling
2 yesterday on the motions to compel. We intend to
3 file that not today, sometime next week.

4 In addition to that I've spoken to
5 counsel for AEP, indicated that we will be providing
6 responses to the relevant interrogatories that were
7 the basis for the motion to compel. We will be
8 providing that information today. We will be
9 providing with respect to set 1 of that discovery
10 set, most of those responses will be provided
11 including the documents, customer contracts, and so
12 forth will be provided to the company later today.

13 We will be providing responses to all of
14 set 2, and with respect to sets 3 and 4, we will also
15 be providing much of that information.

16 The contracts that are being provided
17 will be redacted and the information that is being
18 redacted is customer-specific information as well as
19 highly confidential proprietary trade secret
20 information from those documents which include the
21 name of the customer and the pricing, the applicable
22 pricing in the contract.

23 We will also be executing a protective
24 agreement with the company later today as well.

25 MR. NOURSE: And, your Honor, I would

1 just state that I appreciate the fact that
2 FirstEnergy is reviewing the documents and planning
3 to provide as much as possible today. That will help
4 determine whether -- when we can go forward with
5 cross-examination of their witnesses and, however, I
6 would note that the notion of filing the
7 interlocutory appeal "sometime next week" is rather
8 wide open and would note that I was under the
9 impression they were planning to file it today. We
10 were going to work over the weekend and file our
11 response Monday to try to get that on the Commission
12 agenda next week so we can keep this hearing moving.
13 So doesn't look like that scenario is in play at all.

14 So I would just note that this process
15 sounds like will be a substantial delay in going
16 forward and trying to go -- trying to get a
17 Commission decision by May 31, which is the current
18 expiration date of the interim relief that the
19 Commission granted pending the merit decision, if you
20 will, of this case.

21 MR. HAYDEN: Your Honor, I would also
22 note for the record that FES was willing to put their
23 witnesses on today as well as next week pursuant to
24 the original scheduled witness list, and if
25 scheduling is a concern, then the company,

1 Mr. Nourse, can withdraw the request.

2 MR. NOURSE: Well, your Honor, you know,
3 unless Mr. Hayden's offering to bring his witnesses
4 in twice, I don't think he is going to agree to that,
5 that doesn't make sense to go forward with part of
6 our questions and wait for discovery and then go with
7 the additional part of our questions.

8 EXAMINER SEE: Thank you all.

9 Then let's get started with our first
10 witness for today.

11 Mr. Whitt?

12 MR. WHITT: Your Honor, Interstate Gas
13 Supply would call Mr. Raymond Hamman.

14 May I approach?

15 EXAMINER SEE: Yes, Mr. Whitt.

16 (Witness sworn.)

17 EXAMINER SEE: Thank you. Please have a
18 seat and check to make sure your mic is on.

19 Proceed, Mr. Whitt.

20 - - -

1 RAYMOND HAMMAN

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

4 DIRECT EXAMINATION

5 By Mr. Whitt:

6 Q. Mr. Hamman, would you please introduce
7 yourself to the Commission.

8 A. Yes. My name is Ray Hamman. I am the
9 Chief Supply and Risk Officer.

10 EXAMINER SEE: Sir, you're going to need
11 to speak into the microphone.

12 Q. Mr. Hamman, do you have in front of you a
13 document that has been marked for identification as
14 IGS Exhibit 1?

15 A. Yes, I do.

16 Q. And is this document the direct testimony
17 you filed in this proceeding?

18 A. Yes.

19 Q. Do you have any changes or corrections to
20 your testimony?

21 A. Yes. I have a change I would like to
22 make on page 2. I'd like to strike lines 4 and 5.

23 Q. Any other changes?

24 A. No.

25 Q. Subject to that correction, if I were to

1 ask you the same questions that appear in IGS
2 Exhibit 1 today, would your answers be the same?

3 A. Yes.

4 MR. WHITT: Thank you.

5 The witness is available for cross.

6 EXAMINER SEE: And Exhibit IGS Exhibit 1
7 is so marked.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 EXAMINER SEE: And, Mr. Whitt, we are
10 starting with Exhibits 100 so that there's not any
11 confusion with the previous portion of this
12 proceeding, so that will be marked as IGS
13 Exhibit 101.

14 MR. WHITT: Thank you, your Honor. And
15 I'm not sure if we're moving for exhibits prior to
16 cross.

17 EXAMINER SEE: We'll take the issue up
18 again at the end of this witness's testimony.

19 MR. WHITT: Very well. Thank you.

20 EXAMINER SEE: Who is going to be doing
21 the cross-examination of Mr. Hamman?

22 MR. NOURSE: I was going to request to go
23 last, your Honor. I don't know if there are any
24 other questions.

25 EXAMINER SEE: Ms. Kaleps-Clark?

1 MS. KALEPS-CLARK: No questions, your
2 Honor.

3 EXAMINER SEE: Mr. Royer?

4 MR. ROYER: No questions.

5 EXAMINER SEE: Mr. Hayden?

6 MR. HAYDEN: No questions.

7 EXAMINER SEE: Ms. Kingery?

8 MS. KINGERY: No questions.

9 EXAMINER SEE: Mr. Darr?

10 MR. DARR: No, thank you, your Honor.

11 EXAMINER SEE: Ms. Kyler.

12 MS. KYLER: Ms. Kyler. No questions.

13 EXAMINER SEE: Sorry about that.

14 Mr. Yurick?

15 MR. YURICK: No questions, your Honor,
16 thank you.

17 EXAMINER SEE: Ms. Kern?

18 MS. KERN: No questions, your Honor.

19 EXAMINER SEE: Mr. Beeler?

20 MR. BEELER: No questions, your Honor.

21 EXAMINER SEE: Okay, Mr. Nourse. Now
22 it's your turn.

23 MR. NOURSE: Thank you, your Honor.

24 - - -

25

CROSS-EXAMINATION

By Mr. Nourse:

Q. Good morning, Mr. Hamman.

A. Morning.

Q. Have you testified before the PUCO at any time in the past?

A. No, I have not.

Q. Have you testified in any other regulatory proceedings?

A. No, I have not.

Q. You picked a good case to start out.

Let me first ask you about the reliability assurance agreement, RAA. Are you familiar with what I'm referring to when I say that?

A. In concept, yes, I'm familiar with that. I'm not familiar with specific RAA that would be AEP Ohio's RAA, I'm not familiar with that.

Q. When did you first learn about the RAA?

A. In reading and through our readings and learnings through the PJM system, being an LSE ourselves, we're familiar with the education process, therefore, the RAA as it relates to FRR.

Q. And FRR was another acronym. We can get to that. That's fixed resource requirement; is that correct?

1 A. That's correct.

2 Q. And that is part of the RAA; is that your
3 understanding?

4 A. If you were going to become an FRR, then,
5 yes, you would need an RAA.

6 Q. Okay. Now, when did IGS enter the CRES
7 marketplace in Ohio?

8 A. We were certified late 2011.

9 Q. So within the last year.

10 A. Yes.

11 Q. Okay. And you were aware, were you not,
12 of the pending dispute about AEP's -- how capacity
13 can be charged at that time?

14 A. Not at the time we entered the CRES.

15 Q. When did you learn about the dispute?

16 A. It would have been soon after before in
17 the December timeframe. After January. When we
18 entered the market, the ESP I was approved and was
19 going.

20 Q. So it was after December, 2011?

21 A. Yes, it would have been after 2011.

22 Q. Now, do you know when the RAA language
23 was -- first became effective?

24 A. Not the exact date.

25 Q. Now, you mentioned the FRR. Could you

1 explain your understanding of the FRR option?

2 A. Yes. The FRR option, AEP Ohio requested
3 to become an FRR to be a PJM. In that situation they
4 do not bid their capacity into the PJM auction
5 process. Their assets are dedicated to their service
6 territory. That's the extent I know.

7 Q. So they're "dedicated," I want to explore
8 what that means to you. Would you agree that they,
9 AEP Ohio, provides its capacity resources
10 specifically to match up with the retail load that it
11 serves that's in its service territory; is that
12 accurate?

13 A. Yes.

14 Q. And you can only sell capacity once,
15 right?

16 A. Yes.

17 Q. You can't sell it into the RPM and bypass
18 the RPM dedicated customers, correct?

19 A. Yes. Unless there's excess capacity.
20 Then you could go into the RPM.

21 Q. So there is an allowance for that under
22 the FRR defined by certain specific brand, correct?

23 A. Yes. That's my understanding.

24 Q. Now, with respect to pricing under the
25 FRR, what's your understanding of what the FRR as

1 part of the RAA provides about pricing?

2 A. I would have to say I'm not totally clear
3 on that. That's up to interpretation. It's a legal
4 question.

5 Q. Okay, and I'm just -- none of my
6 questions are intending to ask you legal opinions,
7 Mr. Hamman, but do you have an understanding about
8 the pricing that is provided for or addressed in the
9 FRR?

10 A. I know to date the pricing from the FRR
11 has been at the RPM auction price.

12 Q. And do you have an understanding of AEP's
13 2010 filing at the Federal Energy Regulatory
14 Commission --

15 A. No, I do not.

16 Q. -- in connection with this issue? You're
17 not familiar with that?

18 A. No, I'm not familiar with that.

19 Q. Is it your understanding that as part of
20 this proceeding before the PUCO that there is a
21 requirement of some kind that the pricing be based on
22 RPM?

23 A. Repeat that question, please.

24 Q. Is it your understanding that as part of
25 this proceeding before the Public Utilities

1 Commission of Ohio that the capacity pricing is
2 required to be based on RPM?

3 A. No. The purpose of my testimony was to
4 state that the proper way to price that capacity
5 would be through a market-based venue such as the RPM
6 auction.

7 Q. Okay. So in your mind in your
8 understanding the debate in this case is about what's
9 the best thing to do in Ohio for pricing of AEP
10 Ohio's capacity, do you agree?

11 A. I would say yes, in that we're having a
12 discussion what is the proper way to price that for
13 both customers and CRES providers and competition.

14 Q. Okay, but just to clarify, when you say
15 "proper," you're saying the best way in your opinion
16 or in --

17 A. As stated in my testimony, yes.

18 Q. Now, do you believe that the financial
19 harm to AEP Ohio providing RPM-priced capacity is
20 something that should be considered?

21 MR. WHITT: I'll object to that question,
22 your Honor.

23 EXAMINER SEE: On what grounds,
24 Mr. Whitt?

25 MR. WHITT: That it is asking the witness

1 to opine on a matter that is ultimately within the
2 Commission's discretion to determine.

3 MR. NOURSE: Your Honor, I merely asked
4 him if it's something that should be considered.
5 He's agreed that we're debating what's the best thing
6 to do in this case.

7 EXAMINER SEE: And --

8 MR. WHITT: I would further object to the
9 lack of any foundation that would assume such a
10 financial harm.

11 MR. NOURSE: I didn't hear that,
12 Mr. Whitt.

13 MR. WHITT: I object to the lack of
14 foundation in the question. That assumes there would
15 be financial harm.

16 MR. NOURSE: My question didn't assume
17 that, your Honor. I said is that a fact that can be
18 considered.

19 EXAMINER SEE: The objection is
20 overruled. The witness can answer the question to
21 the extent that he knows.

22 A. I have not studied AEP's financial
23 situation in regards to capacity. As my testimony
24 states, there is a market for capacity in PJM's
25 territory and that mechanism is an auction and that's

1 the RPM pricing. My testimony states that that would
2 be the proper way to value that capacity.

3 Q. (By Mr. Nourse) And I understand that,
4 Mr. Hamman. I didn't ask you if you studied
5 financial harm, even if you had an opinion on whether
6 there is harm. I'm simply asking you whether if
7 there is financial harm it's discussed or
8 demonstrated in this case, is that something that
9 should be considered in our debate about what the
10 best thing to do would be?

11 A. I assume we have to do what's best for
12 all parties involved, and AEP would be one of those
13 parties that would be considered.

14 Q. Okay, thank you. And I think you may
15 have already suggested an answer to this question,
16 let me be clear though.

17 If the -- if the Commission determines
18 that a cost-based rate is an approach that should be
19 undertaken or implemented, do you have an opinion on
20 what the appropriate cost-based rate would be for AEP
21 Ohio capacity?

22 A. No, I do not.

23 Q. Now, are you aware -- let me refer to
24 your testimony. If you look at page 2 there, in line
25 18, 17 and 18, you're stating that LSEs and PJM may

1 meet the capacity requirements in one of several
2 ways. Do you see that?

3 A. Yes.

4 Q. Can you indicate to me what the several
5 ways you're referring to are?

6 A. The capacity can be acquired via the RPM
7 mechanism through PJM. In this case inside of the
8 AEP territory it would be coming directly -- I guess
9 indirectly from AEP Ohio itself. Prior to the FRR
10 being approved, LSEs and PJM could have chosen to
11 self-supply which means they could have acquired that
12 capacity from a third party.

13 Q. So those are the two ways you're aware
14 of?

15 A. Those are the two that I'm aware of.

16 Q. Is there also an option for -- let me ask
17 you this: If your second option of self-supply was
18 undertaken by a CRES provider, does that mean that
19 they would have to own capacity or could they enter
20 into a bilateral contract to provide support for that
21 self-supply?

22 A. Yes, if you were a CRES who also owned
23 generation, you could use your own generation to
24 satisfy the requirement or you could go to a third
25 party who is either a generator themselves or would

1 represent a generator, a middleman so to speak.

2 Q. And would you agree that the -- such a
3 bilateral contract, the pricing that would be
4 involved with such a bilateral contract is also an
5 indication of a market price for capacity?

6 A. I think what you're asking -- I think as
7 buyer and seller, that capacity, you would use
8 market-based price as the indication of the value for
9 that capacity.

10 Q. So the pricing in that contract would be
11 an indication of the true market price of capacity,
12 would you agree?

13 A. As long as the -- that particular pricing
14 was negotiated at arm's length based on the current
15 market at the time the contract was negotiated and
16 executed, yes.

17 Q. And such a contract might be for a period
18 of time that's longer than three years, could it not?

19 A. Yes.

20 Q. So it could be a long-term contract.

21 A. Yes.

22 Q. On page 3 of your testimony, lines 13 and
23 14, you indicate a vast majority of CRES providers
24 purchased capacity through RPM. Do you see that?

25 A. Yes.

1 Q. Okay. Are you just excluding FRR; is
2 that what you had in mind when you say vast majority
3 versus total?

4 A. Yes. I was referring to CRES suppliers
5 in the PJM territory, yes, that are not FRR themself.

6 Q. Now, at the bottom of page 3, and
7 carrying over to the top of page 4, you state that
8 the RPM allows AEP to receive a price of capacity
9 that AEP would have otherwise received for capacity
10 had AEP not elected to be an FRR entity, do you see
11 that?

12 A. Yes.

13 Q. So you're saying that if AEP had not
14 opted out of RPM, the RPM pricing would provide a
15 price for something it hadn't elected to do? Do I
16 understand that correctly?

17 A. What I'm saying there is AEP had -- if
18 they had not become an FRR, they would be either
19 doing bilateral agreements or bidding their capacity
20 into the RPM auction.

21 Q. Let's continue on page 4 of your
22 testimony, and in lines 8 and following you state, as
23 I understand it, that AEP's not incurring the actual
24 cost by dedicating generation as capacity resource.
25 Now, you're referring there to the FRR option,

1 correct?

2 A. Yes.

3 Q. And as I understand it, you're suggesting
4 that AEP's not incurring any actual costs. You go on
5 to say in line 9 "...it is simply forgoing
6 revenue...." Can you explain that to me?

7 A. AEP's Ohio's forgoing the revenue that it
8 would receive through the RPM auction.

9 Q. And we talked about this earlier, you can
10 only sell capacity once and there are multiple
11 options so isn't this an incomplete thought here?
12 What are they doing besides forgoing revenue?

13 A. This statement is simply to tell you that
14 they chose to be an FRR and make their capacity
15 available outside of AEP's territory through the RPM
16 auction mechanism.

17 Q. But you're stating in this same sentence
18 in lines 8 and 9 that AEP's not incurring the actual
19 cost, they're simply forgoing revenue. Isn't it true
20 that AEP is dedicating that capacity and collecting
21 retail revenue for under the FRR? You agreed to that
22 earlier, didn't you?

23 A. Could you clarify what you mean by
24 "retail revenue"?

25 Q. You're stating that the AEP is simply

1 forgoing revenue and clarified that you're referring
2 to RPM revenue. And I'm asking you about your
3 understanding about how it really works in the FRR.
4 Is AEP just giving away its capacity to the FRR?

5 A. No, it's not.

6 Q. What is it doing?

7 A. It's electing not to make the capacity
8 available through the RPM process and dedicating that
9 generation directly to its own service territory.

10 Q. Okay, and what did you mean by AEP's not
11 incurring any actual costs?

12 A. By -- by dedicating resources to its own
13 territory or by making those resources available
14 through the RPM auction, there are no additional
15 costs being incurred by AEP. It's simply a mechanism
16 for clearing market and pricing that capacity.

17 Q. There's no additional costs but didn't
18 AEP invest and purchase or bill the capacity that it
19 owns?

20 A. That would be my understanding.

21 Q. And there's certainly a cost to that,
22 isn't there, sir?

23 A. Yes. I'm sure there's a cost for that.

24 Q. Thank you.

25 Do you know what level of capacity

1 generating pricing is included in AEP Ohio's retail
2 rates for non-shopping customers?

3 A. I do not.

4 Q. Would you agree that -- assume with me
5 that those retail rates for non-shopping customers
6 include a comparable level to the proposed \$355 per
7 megawatt day price here, and if that's the case,
8 would you agree that supports the charging CRES
9 provides the cost-based capacity charge?

10 A. No, I would not.

11 Q. So you under this assumption, under this
12 hypothetical since you said you didn't look at the
13 costs and the rates, we assume that's true, retail
14 rates collect the equivalent amount of \$355 per
15 megawatt day for non-shopping customers, it's your
16 recommendation that CRES providers be given capacity
17 at a price that's much lower than that. Is that your
18 testimony?

19 A. My testimony is that CRES suppliers
20 should be able to purchase that capacity at
21 market-based rates, which there's a mechanism for
22 valuing that market for that capacity, that value.
23 And then ultimately that would be transferred to
24 customers that the CRES is setting supply and
25 generation to.

1 Q. So CRES customers that are served by CRES
2 would get a better deal than customers served by a
3 utility in their rates.

4 A. Yes. If the company continues to charge
5 a 355-megawatt day price for capacity to their system
6 supply, yes, if that's the case, yes.

7 Q. And would it be better if the company AEP
8 just provided their capacity free to CRES providers
9 for free, would that promote competition?

10 A. That is not my suggestion.

11 Q. Okay. But you haven't looked at the
12 cost, correct?

13 A. No, that's not part of my testimony nor
14 did I do that analysis.

15 Q. Okay. And you haven't looked at the
16 retail rates and what's collected in the retail
17 rates?

18 A. I've not done any studies specifically to
19 what is the energy piece, what is the capacity piece
20 of those rates. I do know what the price to compare
21 would be for us as a CRES, how our costs would
22 compare to that price to compare of the company.

23 MR. NOURSE: That's all I have, thank
24 you, Mr. Hamman.

25 THE WITNESS: Thank you.

1 MR. WHITT: May I have one moment?

2 EXAMINER SEE: Yes.

3 Mr. Whitt, hold on just a second.

4 Commissioner Porter has some questions for the
5 witness.

6 - - -

7 EXAMINATION

8 By Commissioner Porter:

9 Q. Mr. Hamman, thank you for appearing
10 today. Can you hear me?

11 A. Yes, I can, thank you.

12 Q. This will be follow-up questions or
13 questions just to help me better understand your
14 testimony.

15 So just want to be clear, it's your
16 understanding that a CRES supplier cannot currently
17 within the AEP service territory self-supply
18 capacity?

19 A. That is correct. We would have had to
20 have done that prior to AEP Ohio becoming an FRR, and
21 at that time IGS Energy itself was not a CRES. We
22 did not become a CRES until late in 2011.

23 Q. So what would be the first date, what's
24 your understanding of the first date at which IGS
25 could self-supply?

1 A. That would happen in 2015, sir.

2 Q. I'm sorry, June 1?

3 A. June of 1 of 2015 which lines up with the
4 auction year, so to speak, of PJM.

5 Q. Take me back. You said IGS became
6 certified as a CRES supplier on what date?

7 A. I don't know the exact date, sir, but it
8 was late 2011.

9 Q. Okay. And so what expectation -- did IGS
10 have an expectation that capacity within the AEP
11 service territory would be at RPM or what
12 expectations would you have for capacity at what
13 price?

14 A. We expected the RPM pricing so until the
15 time we had become a certified CRES, the CRESs were
16 getting pricing that was tied to the RPM auction. It
17 was our understanding stipulated ESP I was approved
18 and going to go into effect and we were going on to
19 focus directly on residential customers.

20 At that time there was still room in the
21 21 percent example for that residential bucket.
22 There had not been enough switching yet to fulfill
23 that RPM-priced capacity. We specifically were
24 focusing on residential customers and/or were under
25 the understanding that as long as we were signing

1 those up with the net 21 percent bucket, they would
2 have access to the RPM price.

3 Q. Let me just make sure that we're clear.
4 So when IGS is making a pricing offer to a customer,
5 what is your expectation regarding the level of
6 capacity payment that either IGS would need to pay on
7 behalf of that customer and possibly pass through
8 that customer depending upon the timeframe of this
9 pricing offer to the customer, what are you building
10 into your rates with regard to capacity?

11 A. We were building in the RPM price.

12 Q. With no expectation that it would change.
13 Did you ever imagine that it would be -- I'm not
14 asking you to speculate on this. I want you to tell
15 me if you win the bidding of your rates if you
16 understood that it was a possibility that the rules
17 in -- it was a possibility that the capacity would be
18 priced any other way.

19 A. When our original contract was written,
20 we only thought that was a possibility if the
21 customer did not qualify to be part of that first
22 21 percent in year 1. Our contracts are specific,
23 were specifically written to say if you were not in
24 the queue to receive the RPM-based pricing, IGS would
25 have the right to terminate the agreement. We did

1 not have the right to reprice. We do not have the
2 right to reprice the agreement. We would have to
3 have a second agreement with the customer.

4 Q. Help me to understand to avoid this issue
5 going forward, at what point would IGS or -- at what
6 point would IGS make a decision to self-supply if
7 we're looking at that June 1, 2015, timeframe looking
8 at the business and understanding that there are
9 questions regarding capacity, at what point would a
10 CRES supplier like IGS make a decision to
11 self-supply?

12 A. It's my understanding we won't be able to
13 make that -- we would not be able to make that
14 selection until after -- the earliest we would be --
15 would be in I believe May of 2012 would be the
16 auction for June 1 of 2015.

17 Q. So it is a possibility rather than
18 leaving the market, you would make a decision to
19 self-supply to continue to make competitive offers
20 rather than simply leaving the market.

21 A. I've not been a part of that analysis
22 that's been done by IGS, but I'm sure that we would
23 consider the self-supply option going forward.

24 Q. I want to follow up on one of
25 Mr. Nourse's questions. On page 4 in your testimony,

1 I think this is question 8, looks like at line 9, you
2 discuss the costs of AEP. You say AEP -- this is at
3 line 7 to 12, "AEP, however, is not incurring any
4 actual costs by dedicating it's electric generation
5 as a capacity resource." Do you see that line?

6 A. Yes.

7 Q. And I think in response to Mr. Nourse's
8 question did you agree that there were costs for the
9 capacity?

10 A. I agreed that at some point in time AEP
11 would have invested to build those generation assets.
12 But that is not what I'm speaking to here. What I'm
13 speaking to here is there are flow costs for them to
14 dedicate that generation to the marketplace so that
15 it can be consumed. If they let those units sit
16 idle, they would be forgoing the revenue.

17 Q. So if AEP is an FRR entity and they're
18 required to dedicate the resource, they're required
19 to make the resource available, is there any costs
20 connected to making that resource available? Does it
21 cost anything if you have a power plant?

22 I'm sorry to interrupt, but I just want
23 to make sure my question's clear. Does it cost
24 anything to ensure that if you're going to say that a
25 power plant will be available to provide capacity,

1 does it cost anything to ensure -- is there any costs
2 connected to ensure that that capacity is actually
3 there when it's called upon?

4 A. Yes, and it's my understanding that that
5 is exactly what the capacity payment is for, so that
6 that capacity is available when needed.

7 Q. In your testimony you also mentioned
8 ERCOT. I'm going to find it, give me a second.

9 EXAMINER SEE: Page 2.

10 Q. Page 2? Yes, on page 2 with question 4,
11 looks like at line 15, ERCOT is the Texas wholly
12 interstate RTO or ISO; is that your understanding?

13 A. Yes, that's correct.

14 Q. And I believe that you mention here there
15 are no capacity obligations within ERCOT.

16 A. No, there are not.

17 Q. Explain to me is there a capacity
18 requirement? Is there a requirement within ERCOT to
19 ensure the capacity is made available?

20 A. There's not. The ERCOTing in conjunction
21 with the PUCT ensures they have an adequate reserve
22 margin. But those generators are not compensated
23 through a capacity mechanism.

24 Q. Is there any component of a rate that
25 those generators within ERCOT receive within any of

1 the rates that they receive or payments that they
2 receive, is there any component of those rates that
3 would cover the making of those resources available?

4 A. Not to my knowledge. Their model is a
5 scarcity pricing model where they have a higher -- a
6 cap rate on realtime pricing that is significantly
7 higher than, say, PJM. I think the generators make
8 decisions whether to build in that territory based on
9 that scarcity pricing and when their capacity may be
10 called upon throughout the year.

11 Q. So those prices that are paid by
12 consumers as a part of scarcity pricing model, are
13 they generally higher or lower than what you see as a
14 combined payment for capacity and energy within the
15 PJM territory if you had a resource that was similar?

16 A. Not sure I understand your question. If
17 you looked at a retail price, the average fixed price
18 being paid by a residential consumer in ERCOT is
19 slightly -- would be higher than the AEP territory
20 serves.

21 COMMISSIONER PORTER: That's all I have,
22 your Honors, thank you.

23 Thank you, Mr. Hamman.

24 THE WITNESS: Thank you.

25 EXAMINER SEE: Any redirect, Mr. Whitt?

1 MR. WHITT: I do have a brief redirect,
2 your Honor.

3 - - -

4 REDIRECT EXAMINATION

5 By Mr. Whitt:

6 Q. Mr. Hamman, you were asked questions
7 about your understanding of whether AEP had dedicated
8 its capacity to its service area, and specifically
9 whether that capacity was being used to serve
10 customers within the AEP service territory. Do you
11 recall that line of questioning?

12 A. Yes.

13 Q. Can AEP also make off-system sales with
14 that capacity?

15 A. Yes, they can.

16 Q. You were also asked a series of questions
17 by Mr. Nourse as well as Commissioner Porter about
18 whether AEP incurs a cost to make its capacity
19 available, and I think you agreed that there is a
20 cost associated with those resources; is that
21 correct?

22 A. Yes.

23 Q. Does -- do AEP's costs change depending
24 on whether it bids its capacity or becomes an FRR?

25 A. Not to my knowledge.

1 Q. Mr. Hamman, are you suggesting that a
2 CRES supplier's capacity costs should be any
3 different than the capacity costs that are embedded
4 in rates that AEP charges to non-shopping customers?

5 A. No, I am not suggesting that at all.

6 Q. What is your recommendation with respect
7 to both shopping and non-shopping customers? Are you
8 suggesting that capacity ought to be priced
9 differently?

10 A. No, I'm not suggesting that. I'm
11 suggesting that that capacity should be priced at the
12 market. There's a market-pricing mechanism and that
13 is the value of that capacity. Therefore, that is
14 what revenue should be generated from that capacity.

15 Q. And that would hold for both shopping and
16 non-shopping customers?

17 A. Yes.

18 Q. And Mr. Nourse also asked you a question
19 about -- it was a hypothetical that included a
20 capacity charge of \$355 per megawatt day. Do you
21 recall that question?

22 A. Yes.

23 Q. Now, to the extent AEP non-shopping
24 customers were paying rates in which capacity was
25 \$355 per megawatt day, and the market price was

1 lower, what effect would that have on the customers?

2 A. Not sure I understand that question.

3 Q. Well, what's the -- what does IGS
4 currently pay for capacity costs?

5 A. Currently we will be paying the RPM
6 pricing.

7 Q. And what is that, approximately?

8 A. Right now, that is approximately \$110 a
9 megawatt day.

10 Q. Now, assume we had a system in place
11 where capacity charges were \$355 as opposed to the
12 market price. How does that affect customers?

13 A. Going forward that would have a drastic
14 impact on the competitive -- competitive market. The
15 pricing would have to take that higher cost into
16 effect and we would pass through to the rates that
17 customers would be shown in the market.

18 Q. Now, if AEP chose to bid its capacity to
19 the market, would you expect that to have any effect
20 on the cost of AEP's capacity, in other words, AEP's
21 costs?

22 MR. NOURSE: Your Honor, I object. I
23 think this line of questioning goes beyond
24 cross-examination in this case.

25 EXAMINER SEE: The objection is

1 sustained.

2 Q. Mr. Hamman, what happens in a situation
3 where AEP is getting a market price for capacity in
4 excess of its costs of that capacity?

5 MR. NOURSE: Your Honor, I object.
6 There's no relationship to cross here. He's just
7 asking him a series of questions.

8 MR. WHITT: Related to capacity.

9 EXAMINER SEE: That objection is also
10 sustained.

11 MR. WHITT: I have no further questions.

12 EXAMINER SEE: Any recross, Ms. Kern?

13 MS. KERN: No, thank you, your Honor.

14 EXAMINER SEE: Mr. Yurick?

15 MR. YURICK: No, thank you, your Honor.

16 EXAMINER SEE: Ms. McAlister?

17 MS. McALISTER: No.

18 EXAMINER SEE: Ms. Kyler?

19 MS. KYLER: No, your Honor.

20 EXAMINER SEE: Mr. Darr?

21 MR. DARR: No, your Honor.

22 EXAMINER SEE: Ms. Kingery?

23 MS. KINGERY: No, your Honor.

24 EXAMINER SEE: Mr. Hayden?

25 MR. HAYDEN: No, your Honor.

1 EXAMINER SEE: Mr. Royer?

2 MR. ROYER: No questions.

3 EXAMINER SEE: Ms. Kaleps-Clark?

4 MS. KALEPS-CLARK: No questions.

5 EXAMINER SEE: Mr. Jones or Mr. Beeler?

6 MR. BEELER: No questions.

7 EXAMINER SEE: Mr. Nourse?

8 MR. NOURSE: Just a couple, your Honor.

9 - - -

10 RECROSS-EXAMINATION

11 By Mr. Nourse:

12 Q. Mr. Hamman, I think all of the
13 questioners have asked you about this statement that
14 you made on page 4 in line 8 about the claim that AEP
15 is not incurring any actual costs.

16 Are you just saying -- let me try to
17 summarize what you've been saying in response to
18 these questions, that there is no additional cost for
19 AEP to provide a capacity rate that's below its
20 actual cost?

21 A. No. What I'm saying is that there are no
22 additional costs that other generators in PJM are not
23 incurring and those generators are willing to bid
24 their capacity in the RPM and receive the revenue
25 that is based on that pricing that is set in the

1 auction.

2 Q. But, Mr. Hamman, I thought you agreed
3 very early in our discussion that the FRR option was
4 an option to avoid the RPM auction and to avoid the
5 research price.

6 A. Yes, I did agree to that.

7 Q. Okay, thank you. Let me just clarify,
8 your counsel asked you on redirect about the current
9 RPM price, and you made reference to the \$110, do you
10 recall that?

11 A. Yes.

12 Q. Is that the actual price that you get
13 billed from PJM for capacity currently?

14 A. There would be some other charges that
15 would take that cost up a little bit.

16 Q. Do you know what the actual price is?

17 A. I don't have that calculation, but it
18 would include line loss, ancillaries, things like
19 that.

20 Q. Do you have any idea what the final price
21 is you get billed for?

22 A. No.

23 MR. NOURSE: Thank you, that's all I
24 have, your Honor.

25 - - -

EXAMINATION

By Examiner See:

Q. One clarifying question, Mr. Hamman. In your -- during the course of your cross-examination you referred to an ESP I stipulation, correct?

A. Yes.

Q. Are you referring to the stipulation that was filed in September of 2011?

A. Yes, I am.

Q. In the 11-346 proceeding?

A. I'm not familiar with that proceeding.

Q. You're talking about AEP Ohio's pending standard service office proceeding?

A. It's my understanding that that stipulation was approved and was called -- it was -- I don't know the proper legal language, but after several customers complained about the rising rates that --

Q. So you are referring to the stipulation that was filed September 7, 2011, correct?

A. Yes, I am.

Q. Thank you.

EXAMINER SEE: Thank you, Mr. Hamman.

THE WITNESS: Thank you.

MR. WHITT: Your Honor, I would like to

1 move for the admission of IGS Exhibit 101.

2 EXAMINER SEE: Are there any objections
3 to the admission of IGS Exhibit 101?

4 MR. NOURSE: No, your Honor.

5 EXAMINER SEE: Hearing none, IGS
6 Exhibit 101 is admitted into the record.

7 (EXHIBIT ADMITTED INTO EVIDENCE.)

8 EXAMINER SEE: Let's go off the record
9 for a minute.

10 (Recess taken.)

11 EXAMINER SEE: Let's go back on the
12 record.

13 Ms. Ringenbach.

14 (Witness sworn.)

15 EXAMINER SEE: Thank you. Have a seat.

16 Mr. Petricoff.

17 MR. PETRICOFF: Thank you, your Honor.
18 May I approach?

19 EXAMINER SEE: Yes.

20 MR. PETRICOFF: At this time we would
21 like to have marked as RESA Exhibit 101 the direct
22 testimony of Teresa L. Ringenbach and would also like
23 to have marked as Exhibit 101-A an errata sheet
24 listing some corrections to that testimony.

25 EXAMINER SEE: Both exhibits are so

1 marked.

2 (EXHIBITS MARKED FOR IDENTIFICATION.)

3 - - -

4 TERESA L. RINGENBACH

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

7 DIRECT EXAMINATION

8 By Mr. Petricoff:

9 Q. Would you please state your name and
10 business address for the record.

11 A. My name is Teresa Ringenbach. Business
12 address is 9605 El Camino Lane, Plain City, Ohio,
13 43064.

14 Q. And do you have with you a copy of what
15 has just been marked as RESA Exhibit 101 and RESA
16 Exhibit 101-A?

17 A. Yes.

18 Q. And is that your direct prepared
19 testimony?

20 A. Yes, it is.

21 Q. Do you have any corrections or changes
22 that you'd like to make to that testimony?

23 A. Yes. I have two. Can you hear me? Page
24 10, line 17, the date is not correct. The second
25 word should be -- instead of "January," it should be

1 "February 23, 2012."

2 And then on page 12, line 6, where it
3 says "base residual auction," it should be replaced
4 with "reliability pricing model."

5 Q. And the acronym stays the same, RPM?

6 A. Yes.

7 Q. With those changes if I were to ask you
8 the same questions today, would your answers be the
9 same?

10 A. The only difference is when I talk about
11 the structure for getting notice if your customer was
12 receiving RPM or receiving the 255 two days ago, AEP
13 implemented a confirmation process that is more
14 automated, so that process has changed a little bit.

15 Q. Let's go back and review that for a
16 second. So between the time that your testimony was
17 filed and today, there has been a change in the
18 events as described in your testimony?

19 A. Yes.

20 Q. And, once again, could you tell us
21 exactly what that change was?

22 A. So previously you would submit an
23 affidavit for your customer over AEP's website and
24 then you would have to wait to get some sort of email
25 back informing you that your customer was in the

1 queue and whether they received RPM or the 255 or
2 some other price.

3 Now there is a confirmation process
4 that's a little bit more automated where you submit
5 it through this other system and then you immediately
6 get back a confirmation if your customer's in or not.
7 And then it has different tabs that tell you not
8 necessarily where your customer is in the queue but
9 which customers are under RPM, which are not, which
10 are pending.

11 Q. And when did that take place, that
12 change?

13 A. Day before yesterday.

14 MR. PETRICOFF: Your Honor, at this time
15 the witness is available for cross-examination.

16 EXAMINER SEE: Before we move through to
17 Ms. Ringenbach's cross-examination, I note there is
18 an outstanding motion to strike made by AEP Ohio.
19 RESA has filed a response to that. The Bench's
20 ruling, we are granting the motion to strike,
21 therefore, question and answer 15 starting on page
22 10, and carrying over to page 11 shall be stricken
23 from Ms. Ringenbach's testimony.

24 With that, let's start with
25 cross-examination.

1 Ms. Kyle? Sorry. Ms. Kern.

2 MS. KERN: No questions, your Honor.

3 EXAMINER SEE: Mr. Campbell?

4 MR. CAMPBELL: No questions.

5 EXAMINER SEE: Mr. Yurick?

6 MR. YURICK: No questions.

7 EXAMINER SEE: Ms. McAlister.

8 MS. McALISTER: No questions.

9 EXAMINER SEE: Ms. Kyle?

10 MS. KYLER: Kyler, no questions.

11 EXAMINER SEE: Mr. Darr?

12 MR. DARR: No questions, your Honor.

13 EXAMINER SEE: Ms. Kingery?

14 MS. KINGERY: No questions, your Honor.

15 EXAMINER SEE: Mr. Hayden?

16 MR. HAYDEN: No questions.

17 EXAMINER SEE: Mr. Royer?

18 MR. ROYER: No questions.

19 EXAMINER SEE: Mr. Nourse.

20 MR. NOURSE: Thank you, your Honor.

21 - - -

22 CROSS-EXAMINATION

23 By Mr. Nourse:

24 Q. Good morning, Ms. Ringenbach. Let me
25 start on page 5 of your testimony.

1 You explain in answer 10 that RESA --
2 RESA's perspective is that competitive energy markets
3 deliver more efficient customer-oriented outcome as
4 compared to regulated utility structure. Do you see
5 that?

6 A. Yes.

7 Q. So this may be an obvious question, but
8 can you help us understand why RESA opposes a
9 regulatory structure?

10 A. RESA is a group of competitive retail
11 electric suppliers, and when it comes to competition,
12 the ability to be more nimble in how you price your
13 customers, a utility traditionally has to go through
14 RESA, you have to have a tariff that is approved by
15 the Commission whereas a retail supplier can
16 basically go out and price customers one by one, they
17 can do marketing, you can change your prices a little
18 bit -- a lot faster than a traditionally regulated
19 market can you can respond to a customer's wants.

20 Q. Now, in this case we're not really -- let
21 me back up and say is it your understanding that in
22 this proceeding we're addressing retail rate matters?

23 A. Yes.

24 Q. In what sense?

25 A. From the sense that you're determining

1 the price that CRES provides for their capacity.

2 Q. And that's --

3 EXAMINER SEE: Excuse me, excuse me.

4 Sometimes the Bench has to strain to hear both
5 counsel and the witness, so if you could both use the
6 mic, I'd appreciate it.

7 MR. NOURSE: Certainly, your Honor.

8 Q. And do you recall the question I was
9 asking you, what sense are we addressing the retail
10 prices in this case?

11 A. Yes. This is the price set CRES
12 customers pay for their capacity for their -- it's
13 addressing the price that CRES customers pay CRES for
14 their capacity.

15 Q. And that payment, Ms. Ringenbach, that
16 CRES providers pay for capacity, is that a wholesale
17 or retail charge?

18 A. It's a wholesale charge.

19 Q. Okay, so your point about retail pricing
20 is that there may be some indirect impact on the
21 retail pricing; is that what you're saying?

22 A. It is in the sense that we pass it
23 through our customers as part of our price and that
24 customers today are paying two different prices
25 depending where your customer falls under RPM or 255,

1 that's going to affect their price in CRES.

2 Q. So okay. Well, you say you pass it
3 through. Does that mean that there's a tracking
4 mechanism in your contracts that -- so that anytime
5 the wholesale charge changes that the retail
6 contracts will track that, is that what you mean by
7 that?

8 A. It's different for each customer. So if
9 you're a small commercial customer, back in the fall
10 you signed up with us, depending on where the queue
11 pricing was, your fixed price would have included RPM
12 and then after a certain point, your fixed price
13 would have been based on 255. For bigger industrial
14 and commercial customers, there's provisions in their
15 contracts should they ask for it that would be a
16 capacity passthrough.

17 Q. Are you talking about passing through
18 increases for the CRES to charge or decreases or
19 both?

20 A. It's either. It's whatever the capacity
21 charge that comes through to us would be passed
22 through exactly at that level to the customer.

23 Q. So it's your testimony that the retail
24 price offerings CRES providers track on a one-for-one
25 basis, the capacity charge changes in the wholesale

1 pricing?

2 A. For the bigger customers that have that
3 provision in their contract, yes.

4 Q. And do they track that relative to the
5 markup or a profit margin as well?

6 A. I don't know how other suppliers do it.
7 Ours -- AEP is the exception to this, but in PJM when
8 we have a capacity pass-through option on our
9 contracts for those bigger customers, it tracks the
10 RPM.

11 Q. That's for large industrial customers?

12 A. It's for the bigger customers. The more
13 savvy customers. When you go to a small commercial
14 customer like someone with a shop up the street, you
15 typically give them something that's a little more
16 easier to understand which is a fixed price option.

17 Q. So large commercial and large industrial
18 customers?

19 A. I would say medium, to large industrials,
20 medium commercial to large industrial.

21 Q. Let me get back and revisit for a moment
22 your first topic about RESA's perspective on
23 regulated structures. Is it your understanding that
24 on the utility's retail charges for non-shopping
25 customers that those are required to be market based

1 in Ohio?

2 A. The utility's total retail meaning
3 competitive retail electric?

4 Q. No, for non-shopping customers the SSO,
5 standard service offer, pricing for utility, is that
6 required to be market based in Ohio?

7 A. The utility has two options; they could
8 go market based markets rate option or they can do an
9 electric security plan which may not need to be
10 market based but they could also within an ESP make
11 the market base.

12 Q. So there is allowance for regulated
13 structure within the SSO pricing environment, would
14 you agree with that?

15 A. Under an ESP, yes.

16 Q. And the utility has to consent to the
17 ESP; is that your understanding?

18 A. Yes.

19 Q. And is it RESA's perspective then that
20 any regulated pricing structure that's within an ESP
21 and consented to by the utility would still be
22 objectionable to RESA?

23 A. Can I have the question again?

24 Q. I'm trying to understand your basic
25 perspective as you're discussing this in answer 10

1 that as I understand it, you're saying RESA always
2 opposes a regulated utility structure; is that
3 accurate or am I mistaken?

4 A. RESA's view is default prices should
5 market based.

6 Q. Okay. Do you think that just because
7 you're talking about this in your testimony and you
8 just mentioned it, I want to explore this a little
9 bit further.

10 Do you think the MRO option that you
11 referenced is preferable to an ESP?

12 A. Yes.

13 Q. And does that suggest that RESA would
14 always oppose an ESP?

15 A. RESA has opposed provisions of the ESP
16 that are market based.

17 Q. Let's move on to the reliability
18 assurance agreement, the RAA. Do you know what I'm
19 referring to when I mention the RAA?

20 A. I'm generally knowledgeable about it, but
21 I couldn't tell what specifically is inside of it.

22 Q. And is it your understanding that under
23 the RAA there's an option that's referred to as the
24 fixed resource requirements option or the FRR?

25 A. Yes.

1 Q. And what is your understanding of the FRR
2 option in general?

3 A. In general rather than bidding the
4 capacity into the RPM, AEP and certain utilities have
5 the ability to, through this other settlement at
6 FERC, turn them into an FRR, meaning that their
7 capacity is dedicated to the customers within their
8 service territory.

9 Q. Would you -- we just talked about the MRO
10 versus the ESP on the retail side in Ohio. Would you
11 say it's a fair comparison to say that the FRR is an
12 opt out from the RPM market in the context of the RAA
13 in a similar fashion?

14 A. I would agree that the FRR is basically
15 opted out of the RPM auction.

16 Q. Now, when were you first aware -- let me
17 back up. Well, with respect to the FRR, when were
18 you first aware that AEP was an FRR entity and had an
19 understanding of what that meant?

20 A. I want to say it was fall of 2009 or
21 sometime in 2010 when AEP made a filing at FERC to
22 change their capacity price for CRES providers I
23 think to 355 or 310 at that time.

24 Q. Now, under the FRR, what are the pricing
25 options to your understanding?

1 A. Under the FRR it's my understanding that
2 there can be a state compensation mechanism which is
3 set by the state or FERC can determine the cost based
4 on proven costs by the utilities.

5 Q. Are those the only two options?

6 A. That I know of.

7 Q. Okay, and is RPM pricing an option for
8 the FRR?

9 A. It is if it becomes the state
10 compensation mechanism.

11 Q. And that's the only time it's an option?

12 A. I think so.

13 Q. So would you agree that the state
14 compensation mechanism you referred to under the FRR
15 could be based on something other than the RPM
16 pricing?

17 A. Yes.

18 Q. If the Commission determines in this case
19 that a cost-based rate is permitted or required or
20 something they want to do for whatever reason, do you
21 have a basis to challenge the proposed \$355 per
22 megawatt day rate that AEP is pursuing?

23 A. My testimony focusing on balancing
24 customers across the state and the AEP which is if
25 you're a non-shopper you should pay the same capacity

1 price as shoppers and balancing the fact that
2 customers across the rest of the state pay RPM and to
3 the extent that there's anything unlevel when all
4 customers pay RPM, AEP should receive a separate
5 rider for that. So it doesn't focus on whether or
6 not 355 is proper price or not.

7 Q. And would you -- you were here during
8 Mr. Hamman's testimony a few minutes ago. Would you
9 agree, which I think Mr. Hamman stated was we're here
10 about a policy debate and what's the best thing to do
11 for Ohio in this particular situation?

12 A. I would agree with that.

13 Q. And do you agree that as a consideration
14 in having that debate that the financial impact on
15 AEP Ohio is a valid consideration?

16 A. I agree that there shouldn't be rates
17 that are confiscatory.

18 Q. I'll say it one more time. What's your
19 understanding of the term confiscatory?

20 A. That basically AEP's incurring charges
21 they aren't being reimbursed for.

22 Q. Now let me just follow up one more. So
23 later in your testimony toward the back you would
24 refer to that situation I believe and say if that's
25 the Commission's determination and concern, that one

1 good option would be to establish a retail charge,
2 essentially a make whole retail charge, that it would
3 help remedy that situation; is that accurate?

4 A. Yes. We recommend a more bypassable
5 charge to ensure that CRES provider customers aren't
6 subsidizing non-CRES customers and vise-versa.

7 Q. Now under the FRR, there's this
8 self-supply option -- let me back up. Start over.

9 Under the RAA there's a self-supply or
10 FRR option that we've been discussing, correct?

11 A. Yes.

12 Q. And is that self-supply option limited to
13 utilities?

14 A. No.

15 Q. Okay. CRES suppliers operating in Ohio
16 can also avail themselves of the FRR option; is that
17 correct?

18 A. There's limits on the timing that they
19 could choose to do that but, yes, they could.

20 Q. To your knowledge has any Ohio CRES
21 provider ever pursued the self-supply option?

22 A. Not that I know of.

23 Q. Did -- and more specifically, did any
24 Ohio CRES supplier participate in the 2011 auction,
25 the base residual auction in spring of 2011 as a

1 self-supply -- in other words, did they opt out for
2 purposes of that auction?

3 A. I don't know.

4 Q. I think I just was trying to clarify and
5 didn't ask a very good question there. What I was
6 asking was in the spring of 2011, which would have
7 been the base residual auction for the period that
8 would be '14-'15 planning year, correct? Are you
9 with me so far?

10 A. Yes.

11 Q. Did any Ohio CRES provider opt out of
12 that RPM auction and become a self-supply as part of
13 that?

14 A. Actually I don't know.

15 Q. What about for this year, even though
16 there's an auction next month, is it your
17 understanding that parties would have had to indicate
18 by now if they were going to self-supply?

19 A. Yeah, it's generally three years prior in
20 March. So subtract three years from 2012, go to
21 March, that's when they would have had to have made
22 their decision.

23 Q. So we're sitting here in April, so
24 parties if there were any CRES suppliers that wanted
25 to self-supply starting in '15-'16 planning year,

1 they would have already made that election to opt out
2 of the RPM auction, correct?

3 A. Correct.

4 Q. And to your knowledge has any Ohio CRES
5 supplier opted out?

6 A. I don't know.

7 Q. Let me ask you a little bit about market
8 pricing. I know it's your opinion that the RPM
9 auction clearing price is a market price, correct?

10 A. Yes.

11 Q. And is it also fair to say that parties
12 that enter into bilateral contracts for capacity --
13 first of all, you would agree that does occur in the
14 context of the RPM?

15 A. Yes.

16 Q. And parties that do that, the pricing in
17 those bilateral contracts would be another indication
18 of true market price for capacity, do you agree?

19 A. Yes.

20 Q. And some of those contracts may be
21 long-term contracts; is that fair?

22 A. Yes.

23 Q. So parties in those contracts may agree
24 to a rate that's different from the current RPM or
25 even past RPM rates in order to have other benefits

1 in the contract such as stability and pricing; is
2 that accurate?

3 A. They could. I don't know what their
4 reasons would be, but, yes.

5 Q. All right. Now, you mention in your
6 testimony several times, and there's -- page 7 I
7 think there's multiple references and other places,
8 but that transparency is an important factor in
9 capacity pricing, right?

10 A. Yes.

11 Q. Now, setting aside the fact that you
12 disagree with the -- you don't agree with the
13 \$355 rate, would you agree that that proposed formula
14 rate that AEP Ohio is advancing here is a transparent
15 rate?

16 A. I don't think it's transparent in the
17 sense that in Ohio by the rule unless you're a
18 residential customer, you don't get a price to
19 compare. So it falls on the CRES to determine that.
20 In that situation when my customer comes to me and
21 says what am I paying for capacity to AEP, I can't
22 tell them. There's no transparency on the AEP tariff
23 on what that customer's paying for capacity.

24 Q. Okay, well, I think that's a -- okay,
25 that's a related issue in your mind so we'll get to

1 that. I guess what I'm asking is relative to just
2 the issue of transparency, first of all let's define
3 what you mean by "transparency."

4 A. It's a clear comparison between what the
5 customer's going to leave for capacity and what they
6 might pay someplace else for capacity. So there's
7 different ways to look at it. Right. There's RPM
8 which they might have multiple facilities around the
9 state, right, they're going to pay RPM and Duke,
10 FirstEnergy, DP&L, and come to AEP and have to
11 explain to them why the capacity rate is different in
12 AEP and someplace else.

13 And I may possibly use that formula if I
14 could actually explain it to them, right? And you
15 also have within AEP a situation where customers are
16 coming back and saying, well, I'm paying you 255 or
17 146 for capacity, is that the same capacity price
18 that I'm paying AEP or am I paying AEP something
19 different for capacity, to which I don't know.

20 Q. Okay. That's fair. Let's break that
21 down. So the first point about its different from
22 other utilities' service territories, that could be a
23 reality. You agree the Commission could set a price
24 here that's different than RPM, right?

25 A. Yes.

1 Q. Let's just assume that's the case. It
2 would be different so you'll be able to understand it
3 and explain that's your key concern with
4 transparency, right?

5 A. Across the state, yes.

6 Q. So the first step is to understand what
7 the price is and if it's a dollar per megawatt hour
8 price, regardless of the level of that price, that
9 will be transparent if it's established, correct?

10 A. Yes.

11 Q. And isn't the RPM price based on the
12 dollar per megawatt day?

13 A. It is.

14 Q. So that's really not an issue in our
15 discussion about transparency, right, the fact that
16 it's a dollar per megawatt day, correct?

17 A. No.

18 Q. Why not?

19 A. Oh, yes.

20 Q. Sorry?

21 A. Yes, correct.

22 Q. Okay. So, then it goes back to your --
23 to the final issue comparing the AEP's existing
24 retail rate structure and levels to your competitive
25 offer, right? That's where you get caught up in

1 transparency?

2 A. (Witness nods head.)

3 Q. So are you nodding your head?

4 A. Oh, yes.

5 Q. Thank you. So is it your hope that we
6 would restructure AEP's retail rates as part of this
7 proceeding?

8 A. My testimony is that AEP should create
9 RPM that's a price and to the extent they don't want
10 to do that for their other customers, meaning break
11 out capacity, then they could create a rider to make
12 sure there's no subsidy going one way or the other.

13 If AEP would like to break out capacity
14 from their rates so there is a transparent
15 apples-to-apples comparison and we can fully see if
16 our customers are paying more for capacity than AEP
17 customers, I think RESA would be supportive of that.

18 Q. Okay, but can we all agree that -- can
19 you and I agree that we're not planning to do that in
20 this case as far as this case?

21 A. We have not admitted anything saying we
22 would do that.

23 Q. And have any of the Commission orders or
24 scheduling matters raised any indication that we're
25 going to consider restructuring SSO rates in this

1 proceeding?

2 A. No, I haven't seen it yet.

3 Q. So as between the RPM-based rate and the
4 company's \$355 per megawatt day rate, is there an
5 issue of transparency?

6 A. There is in the sense that I don't know
7 if that 355 I'm subsidizing on customers.

8 Q. Do you know if the \$146 per megawatt day
9 you're subsidizing?

10 A. I know at that 146-megawatt day I'm
11 paying on market-based price.

12 Q. Isn't that a different issue than
13 transparency?

14 A. The issue we were discussing whether or
15 not I'm subsidizing AEP customers. I've not seen
16 anything in any of the documents that show what AEP
17 customers paid for capacity.

18 Q. Okay. Well, is that the transparency
19 issue that you're concerned about?

20 A. That's the biggest issue.

21 Q. Let me just verify, I haven't seen you at
22 the hearing this week. You haven't been sitting in
23 on the hearings?

24 A. No.

25 Q. Correct?

1 A. Correct.

2 Q. Good for you.

3 Have you reviewed transcripts, the daily
4 transcripts and testimony so far?

5 A. I have not.

6 Q. Well, let me ask you to except for
7 purposes of these questions and assumption that if
8 there is evidence in this proceeding that
9 demonstrates that AEP's SSO rates are collecting a
10 level of capacity costs that are roughly equal or
11 equivalent to the \$355 per megawatt day price, would
12 you agree that that is a basis for supporting \$355
13 megawatt price being proposed.

14 MR. PETRICOFF: Your Honor, I want to
15 object to the form of the question. Counsel can
16 certainly ask her a hypothetical, but I think it's
17 improper to ask her a question to assume that this is
18 a fact in the case.

19 MR. DARR: Join the objection, your
20 Honor.

21 MR. NOURSE: Your Honor, I asked her to
22 assume that it's been demonstrated. We don't have to
23 limit it to the record.

24 Q. But let's say the Commission understands
25 that, it's been demonstrated, the Commission's

1 satisfied that the SSO rates are collecting a level
2 of capacity cost that are comparable, that are
3 roughly equivalent to the \$355-megawatt day rate,
4 isn't that a basis to support approving the
5 \$355-megawatt day rate in this case?

6 MR. PETRICOFF: Your Honor, once again I
7 just renew the objection. It's certainly fair to ask
8 the question assuming the 355 is in the record but
9 it's improper to ask her since she said that she
10 didn't have an opinion on the 355 whether or not it
11 was established in this case for a fair rate.

12 MR. NOURSE: I think I have asked her to
13 assume it and not to agree with it. I've already
14 demonstrated she hasn't been around or read the
15 record so she's not aware of what other evidence is
16 even in the case, and she's the one that's raising
17 this transparency issue that we've defined very
18 specifically as to her concerns so I think it's a
19 fair question.

20 EXAMINER SEE: The objection is
21 overruled.

22 Ms. Ringenbach, you can answer the
23 question.

24 A. If there's -- just want to make sure I'm
25 answering the question you're asking. Basically

1 you're saying there's something that showed that each
2 customer whether they're served by the utility or by
3 a supplier, each customer is paying the same capacity
4 price regardless, right? And you are saying that
5 that price would be 355.

6 Q. Well, no, that's not what I'm asking.
7 I'm asking you to assume that if the Commission
8 determines that the SSO rates are collecting capacity
9 costs roughly equivalent to a level of \$355 per
10 megawatt day, does that finding or assumption support
11 the company's proposal for wholesale charge in this
12 case of \$355 per megawatt day for CRES suppliers?

13 MR. DARR: Objection, requires
14 speculation on the company's proposal.

15 EXAMINER SEE: Mr. Darr, you're going to
16 have to speak up and not look down.

17 MR. DARR: My apologies, your Honor.
18 Another objection, the same form problem is apparent
19 in this version of the question that was in the prior
20 question. I think Mr. Petricoff may agree on that.
21 Additionally requires speculation about things in the
22 company's proposal which are not in the record and,
23 therefore, improper hypothetical.

24 MR. NOURSE: Your Honor, regardless of
25 whether Mr. Petricoff agrees, you already ruled this

1 is an appropriate question and didn't answer my
2 question so we can go back and read the one before
3 that that was proper and have her answer it. That's
4 fine with me.

5 EXAMINER SEE: The objection is
6 overruled.

7 Did you need the question reread or
8 restated?

9 THE WITNESS: I think I understand the
10 question.

11 If the point is roughly equivalent
12 compared to 355 versus actually paid 355, then no,
13 it's not transparent and it's not equal.

14 Q. (By Mr. Nourse) What's not equal then?

15 A. If you're saying a roughly equivalent
16 across all SSOs for AEP versus an exact 355 by
17 customer for CRES, at some point I don't know what
18 you mean by "roughly equivalent." I don't know if
19 roughly equivalent is higher or lower than 255 or for
20 an SSO customer. I don't know who -- there's still
21 potentially some group of customers who switches or
22 do not switch subsidizing the other.

23 Q. So is that a matter of rate design then
24 rather than the appropriate level of capacity cost
25 being collected by the company?

1 A. Yes, and that's what my testimony talks
2 to. We talk about having a separate rider to ensure
3 that AEP properly recovers all of your costs without
4 one group deciding another.

5 Q. So if the SSO rate is showing to be
6 collecting the level of charges in the aggregate of
7 \$355 a megawatt day, then you would agree there it's
8 appropriate to charge a capacity charge to CRES
9 providers that in the aggregate would produce \$355 a
10 megawatt day.

11 A. If they match to ensure that there's no
12 subsidy, yes.

13 Q. Now, on page 7 of your testimony, you
14 refer to the company's -- I believe you're referring
15 to the company's proposal at line 4 is a black box,
16 you see that?

17 A. Yes.

18 Q. Now, what makes you say our proposal is a
19 black box?

20 A. Wait, the black box refers to the
21 company's capacity charges to the customers, not
22 necessarily on a proposal.

23 Q. So that's what you're referring to the
24 SSO --

25 A. Right.

1 Q. And that relates back to the discussion
2 we just had.

3 A. Yes.

4 Q. Continuing on page 7, in line 10 you talk
5 about market -- for energy market prices dropping far
6 enough so that AEP Ohio customers can realize
7 significant cost savings through competitive supply.
8 You see that?

9 A. Yes.

10 Q. So this -- let me break this down a
11 little bit. So you're saying, first of all, the
12 combination of lower RPM pricing -- or excuse me,
13 lower RPM auction clearing prices and dropping energy
14 prices trend lower and lower energy prices. That has
15 enabled -- that has enabled or spurred competition in
16 AEP Ohio's retail or service territory; is that
17 accurate?

18 A. The increased competition we've seen in
19 the past two years, yes.

20 Q. So that's what really triggered I'll say
21 a wave of competition in AEP Ohio's service
22 territory, is that what you're saying here?

23 A. Yes.

24 Q. Now, so have market prices continued to
25 drop in the last six months?

1 A. Generally I know that, so yes. But I
2 couldn't tell you if more recently they have dropped.

3 Q. Now, then you go on to say in 11 -- lines
4 11 and 12 that kind of -- I believe what you're
5 saying here is that this is what triggered AEP to
6 file its case at FERC in the end of 2010, right?

7 A. Yes.

8 Q. So you'd agree that prior to that time
9 AEP Ohio had experienced immaterial levels of
10 competition in its service territory?

11 A. Yes.

12 Q. Now, you go on right there in that same
13 answer, starting on line 13, to talk about the
14 suppliers applied these decisions to become an RPM
15 entity starting in mid-2015, right?

16 A. Yes.

17 Q. And that's -- let me just pause there for
18 a second. That is actually a very important issue
19 for RESA, is it not?

20 A. Yes, it is.

21 Q. And it has been something that RESA's
22 advocated let's say, for example, throughout the ESP
23 proceeding starting in 2011 --

24 A. Yes.

25 Q. -- for AEP, correct?

1 A. That's correct.

2 Q. And so it's your understanding then that
3 AEP has locked into that decision for June 1, 2015,
4 to be fully participating in the RPM market with all
5 its load in Ohio, correct?

6 A. My understanding, yes.

7 MR. DARR: Can I have a clarification
8 there, please? Just talking now about AEP Ohio?

9 MR. NOURSE: I said all of its load in
10 Ohio.

11 MR. DARR: Do you mean AEP Ohio, or do
12 you mean -- that's my question, your Honor.

13 MR. NOURSE: You want to have the
14 question reread and see if you have a clarification.

15 (Record read.)

16 MR. DARR: Again my question for
17 clarification, is that a reference to AEP Ohio or
18 some other entity?

19 MR. NOURSE: I think the answer's already
20 been given, your Honor. We can move on.

21 Q. (By Mr. Nourse) Ms. Ringenbach, what
22 level of price savings have retail customers received
23 in Ohio from CRES providers in general?

24 A. You asked me across the whole state?

25 Q. In AEP's service territory.

1 A. You know, I don't know. I know for
2 FirstEnergy's aggregation program since it's public
3 it's 6 percent. And I know this is probably public
4 and out there as we did market pieces on it, it's
5 probably 10 to 12 percent for small commercial
6 offers. But outside of that I don't know.

7 Q. 10 to 12 percent for small commercial
8 offers, is that part of AEP's territory?

9 A. That's AEP.

10 Q. Okay. And have you read Mr. Banks'
11 testimony in this case?

12 A. I did, yes.

13 Q. And you're aware of his statement on page
14 5, line 4, where he refers to a "conservative
15 estimate on a 4 percent average discount" provided by
16 CRES providers in FirstEnergy's territory?

17 A. I don't have his testimony in front of
18 me. I mean I don't know where he got his numbers.

19 Q. Well, I asked you if you read it and then
20 I asked you if you remembered that quoted passage.
21 Does that sound right to you?

22 A. I don't remember the...

23 Q. Let that stand as it is.

24 You've already answered my next question.

25 Let's talk about headroom,

1 Ms. Ringenbach. In the ESP proceeding you testified
2 that offers were being made at the \$255 per megawatt
3 day rate that applied to part of that proceeding,
4 correct?

5 A. Yes.

6 Q. And that statement still holds true
7 today, would it not?

8 A. Are suppliers out there making offers
9 today; is that your question?

10 Q. Yeah.

11 A. I believe they are.

12 Q. And, in fact, it's your understanding
13 that the second tier pricing that was part of the
14 stipulation, that part of it is still in effect
15 currently as we sit here today.

16 A. Second tier 255, yes.

17 Q. Let me first ask you. At the level of
18 \$355 per megawatt day do you believe today given all
19 the other circumstances and facts that are occurring
20 status quo, would CRES providers be making offers at
21 that level?

22 A. I can only speak -- well, CRES providers
23 overall? No, I don't think so.

24 Q. Okay, what do you mean by "overall"?
25 Would there be some offers made some customers in

1 your opinion or?

2 A. Yeah, I think when you look at there's
3 national accounts that are out there that the CRES
4 might be willing to serve them behind AEP even though
5 the financials aren't there because they might be
6 serving them in Michigan, Illinois, Massachusetts. I
7 mean there's different circumstances for each
8 customer.

9 Q. Okay, and I think we established earlier
10 even since the time of your testimony last fall about
11 the \$255 offers, energy prices have continued to
12 drop, correct?

13 A. Yes.

14 Q. And there are -- would you agree that
15 there are a number of factors separate and apart from
16 a capacity charge CRES providers pay that drive
17 whether offers can be made, competitive offers can be
18 made?

19 A. Yes.

20 Q. And so it's not just the one factor of
21 the capacity charge that would drive whether
22 competitive offers could be made.

23 A. There are multiple factors.

24 Q. Okay. So have you done a study of any
25 kind to determine under current circumstances what

1 the crossover point would be between 255 and
2 355 dollar per megawatt day where it's no longer
3 generally going to happen, CRES providers can make
4 competitive offers?

5 A. I haven't done a study, but I can tell
6 you for the small commercial customers that 255
7 direct, stop making offers. I would assume at 355
8 wouldn't be making offers either.

9 Q. And -- all right. Were you asked or was
10 RESA asked in discovery to provide information
11 supporting that conclusion?

12 A. I don't remember.

13 Q. You don't recall? You don't recall
14 reviewing any materials that were handed over to your
15 knowledge, do you?

16 A. I recall reviewing discovery. I don't
17 recall that particular discussion.

18 Q. You don't recall documents being handed
19 over to AEP, do you?

20 A. No.

21 Q. Do you believe that retail shopping
22 conveys benefits to customers beyond a price
23 reduction?

24 A. I do.

25 Q. What are they?

1 A. Beyond the fact that the customer might
2 save on their bill, they also are now engaged in the
3 price that they pay on their electric bill. It's no
4 longer this lottery or surprise every single month on
5 what they're going to pay.

6 You choose a supplier, you can lock in
7 your rate for a longer period of time, you can choose
8 in certain service territories time-of-use rates that
9 are good for nights and weekends, hourly pricing, you
10 can choose prices that are seasonal. Some states you
11 can actually fix your price, your total bill each
12 month with a CRES supplier. There's different
13 benefits. At the end of the day I think the biggest
14 benefit, the customer actually pays attention to
15 their energy use.

16 Q. And so why is it you're implying that
17 when it comes to non-shopping retail rates, SSO
18 rates, that I think you referred to it as a lottery
19 or surprise. What do you mean by that?

20 A. For a lot of customers before they learn
21 that they can switch, they just take their bill and
22 they pay it. They don't know what it's going to be.
23 It can be small industrial customers like at
24 technical conferences, right, one month you're
25 reading in the paper that AEP's rates are going to go

1 up a little bit but you're not paying attention to
2 it. Next thing you know your bill went from
3 \$2,000 to \$10,000.

4 When you have a retail supplier,
5 generally customers don't go through that because
6 your retail supplier is engaged with you, you're
7 talking about the changes that are coming.

8 I used to run a residential aggregation
9 program, used to send out newsletters, make sure they
10 are aware of things that that were coming.

11 It becomes less about the customer just
12 paying their bill when they get it and more about the
13 customer paying attention to how they use their
14 energy and what they can do to affect changes to
15 their bill.

16 Q. Now, so your scenario about what happened
17 with the ESP stipulation involved a major rate case
18 and lots of moving parts where rates change. That's
19 not something that happens to each for utility rates
20 either, is it?

21 A. In Ohio it happens every three years.

22 Q. So what we went through in the ESP
23 stipulation you've been through before in another
24 case?

25 A. I have.

1 Q. Well, are you saying that utility rates
2 don't include any time-of-day rates or any seasonal
3 differentiation?

4 A. I think that utility tariffs can offer
5 those, but they usually come in a one-size-fits-all
6 type of package.

7 Q. Are you saying that none of your
8 customers are ever upset or confused by rate
9 increases what you've passed through?

10 A. Upset or confused by rate increase?

11 Q. You cite the example of commercial
12 customers.

13 A. We have obligations on us to, we'll just
14 use residential small commercial as an example.
15 There's obligations on a supplier that when we renew
16 or change our prices, there's certain things we have
17 to do. Certain notices we have to send to that
18 particular customer. Not just insert in the bill.

19 It has to be a separate notice from the
20 supplier that goes out from, depending on your
21 termination fee, could be one notice or two notices
22 in a certain time period before the changes. It's
23 variable rate, we have to put a formula and
24 everything that can affect that rate. So all of that
25 goes out to our customers every time we change a

1 price.

2 Q. Are you saying you're more regulated than
3 a utility?

4 A. Sometimes we are.

5 Q. Okay, I'll take your word for it.

6 MR. PETRICOFF: Your Honor, we will
7 stipulate to that fact.

8 Q. Ms. Ringenbach, do you recall in your
9 testimony, tell me if I'm misstating this, I can
10 refresh your recollection, but in your ESP testimony
11 that you testified that it was reasonable for AEP
12 Ohio to have a transition period in order to get to
13 RPM pricing or to take care of the corporate
14 separation status and to address it's pool
15 termination, generation pool termination issues, to
16 come out the other end of that process as a fully
17 competitive SSO context and is that what you said in
18 that case?

19 A. I would have to look at it, but my
20 testimony was in support of a broader settlement of
21 many, many different things.

22 Q. Right. And I don't want to suggest that
23 by any of my questions that you're bound by the
24 stipulation you signed which is a package deal, I'm
25 not suggesting that at all.

1 I'm asking you about transition from
2 point A to point B whether you believe it's
3 reasonable that there could be a transition period or
4 whether you think it's only reasonable to have a
5 flash cut over to that fully competitive structure in
6 an SSO environment.

7 MR. PETRICOFF: I want to object to that
8 question. It's outside the scope of the hearing.
9 The stipulation is gone, what happened in the ESP to
10 part 1 is over. We are here for the capacity rate.

11 MR. NOURSE: Your Honor, Ms. Ringenbach
12 discusses this ESP stipulation in some detail in her
13 testimony. She's mentioned the ESP proceeding a few
14 moments ago. And I made it clear that I'm not trying
15 to enforce by any means the rejected stipulation.
16 I'm merely asking her about whether her opinion has
17 changed on that issue in the current context.

18 EXAMINER SEE: With that clarification,
19 the objection is overruled. You can answer the
20 question, Ms. Ringenbach.

21 A. Even within my existing testimony I think
22 I advocate for some sort of transition when I talk
23 about provider also. If there's recognition that if
24 you flash cut over, there's a possibility there may
25 need to be something else in there which is why RESA

1 recommends the non-bypassable rider.

2 Q. Thank you. Now let me just cover one
3 last area here. I want to talk to you a little bit
4 on page 19, line 7, in answer 23, you're kind of
5 talking about the impact if the 355 rate is adopted,
6 the contractual impact; is that correct?

7 A. Yes.

8 Q. And you discuss passthrough of capacity
9 increase as well as potential determination. Those
10 are options under the CRES contracts, generally
11 speaking?

12 A. Generally speaking. I mean for
13 residential customers any ability that a CRES has to
14 terminating the contract the residential and small
15 commerce customers have a more reciprocal right to
16 the extent that the CRES has the ability to pass
17 through. Those customers will have a reciprocal
18 right just by rule in Ohio.

19 Q. Okay, and first of all, when we say "pass
20 through," we should be clear we're referring to a
21 CRES contract that allows the increase from today's
22 capacity charge to tomorrow's capacity charge can be
23 passed through and just the retail rate under the
24 contract, right?

25 A. Well, I just want to clarify could come

1 in two forms. You could have a capacity passthrough
2 type of product, or you can just have a regulatory
3 change provision in your contract.

4 Q. So the capacity passthrough is what you
5 mentioned earlier where some contracts, I believe you
6 said large commercial and industrial customers that
7 have an actual capacity charge tracker, if you will,
8 built into their contract, right?

9 A. Yes.

10 Q. And then now we're discussing whether if
11 there's a fixed rate or another rate that doesn't
12 track capacity, that there's also provisions in the
13 contract, generally speaking, that could allow the
14 capacity charge increase to be passed through.

15 A. Yes.

16 Q. Is that accurate?

17 A. It could be.

18 Q. And if it's a fixed rate product and the
19 CRES provider doesn't have an opportunity to invoke a
20 force majeure or regulatory change and change the
21 price to reflect that higher capacity charge, do CRES
22 providers in some instances have the ability to
23 terminate the contract?

24 A. I'm not -- I don't know what everybody's
25 contract says but it's possible.

1 Q. I'm just asking you to your knowledge and
2 what you're aware of. My question was whether in
3 some instances there's the ability to terminate. Are
4 you aware of that or not?

5 A. There's an ability to terminate usually
6 I'll just restress the contract but it follows,
7 tracks very specific things regulatory changes,
8 changes on that sort of thing.

9 Q. And it's possible that a capacity charge
10 increase does qualify for one of those provisions; is
11 that true?

12 A. As a regulatory change, yes.

13 Q. Yes.

14 A. Yes.

15 Q. And is it also as a relating matter are
16 customers generally or frequently provided the option
17 to terminate a retail CRES contract just in general
18 for an exit fee scale to determine it's ensuing under
19 the contract?

20 A. I don't want to say scale to the term
21 because it changes. Residential customers I think
22 it's typically \$25. I think FirstEnergy's is 10.
23 IGS has none. For the bigger customers it's usually
24 some formula based on losses. So I don't want to say
25 based on the term of the contract because that

1 implies that each month it goes down or something
2 like that, right? It's different for each --

3 Q. That's fair. Thank you. Now is it also
4 true that CRES providers could decide to absorb
5 capacity charge increase and not invoke any
6 provisions that they may or may not have in a
7 contract to increase retail rates?

8 A. Yes.

9 Q. Would you also agree these retail
10 contracts that CRES providers have, are they
11 typically for three years or less in term?

12 A. Typically, yes.

13 Q. Would it -- would you agree that either
14 all of the current contracts that are out there in
15 AEP's territory or virtually all of them have been
16 entered into subsequent to November of 2010?

17 A. Yes.

18 MR. NOURSE: That's all I have. Thank
19 you, Ms. Ringenbach.

20 THE WITNESS: Thanks.

21 - - -

22 EXAMINATION

23 By Commissioner Porter:

24 Q. Ms. Ringenbach, quickly I want to
25 understand an exchange that you had with Mr. Nourse.

1 You agree that the purpose of this
2 proceeding is to assist the Commissioners in
3 understanding the true cost of capacity for AEP Ohio?

4 A. Yes.

5 Q. And you testified on behalf of RESA or
6 Direct Energy, I'm sorry?

7 A. Both.

8 Q. Both, okay. Has either of RESA or Direct
9 Energy taken a position with regard to the true costs
10 of capacity what the rate should be?

11 A. No. We -- it's the focus is on making
12 sure it's balanced between shoppers and non-shoppers.

13 Q. But your preference I believe is that
14 capacity to CRES suppliers be priced at RPM first.

15 A. To keep it level across all of PJM when
16 marketing customers, yes.

17 Q. I'm looking at question on page 15,
18 question 18. Your response there in A18 down to
19 lines 18 and 19 mention a stabilization charge. Do
20 you see that?

21 A. Yes.

22 Q. And I believe Mr. Nourse asked the
23 question as to whether -- let me just ask the
24 question. If it was found or demonstrated assuming
25 that there was a demonstration that within current

1 rates being charged to non-shopping customers that
2 there was this 355 rate for capacity, did you agree
3 with Mr. Nourse that that 355 rate should then be the
4 rate that's used to calculate the stabilization
5 charge or is it the true cost of capacity rate as
6 determined by the Commission that should then be
7 used -- that could be then used to establish the
8 stabilization charge? Is that understandable?

9 A. Are you -- so are you asking me -- maybe
10 not.

11 Q. Why don't you just explain to me if
12 there -- you've already agreed this is not the
13 proceeding through which a stabilization charge is
14 going to be established but you mentioned
15 stabilization charge in line 18. How would a
16 stabilization charge -- what cost of capacity would
17 be used to calculate a stabilization charge?

18 A. Okay. So whatever the Commission finds
19 to be a true cost of capacity, to the extent they're
20 not willing to change non-shopping rates, right, but
21 then at some point if CRES providers are paying more
22 than the non-shoppers or vise-versa, whatever that
23 rate the Commissioner determines is should be used to
24 figure out the difference and then that's what the
25 rider would recover.

1 COMMISSIONER PORTER: Thank you. That's
2 all I have.

3 EXAMINER SEE: Mr. Petricoff, any
4 redirect?

5 MR. PETRICOFF: Yes, your Honor, I have a
6 few redirect questions.

7 - - -

8 REDIRECT EXAMINATION

9 By Mr. Petricoff:

10 Q. I want to pick up on that last set of
11 questions that you answered with Commissioner Porter.
12 And so look at page 15 and the answers we have there
13 begin on line 17 about the bypass stabilization
14 charge. Start from the beginning, is it RESA's
15 position that the capacity charge in this case ought
16 to be set at RPM?

17 A. Yes.

18 Q. And does RESA advocate any other charge
19 for capacity other than RPM?

20 A. No.

21 Q. Is there -- if capacity is set at RPM, is
22 it RESA's position then capacity should be set at RPM
23 for the SSO customer as well?

24 A. Yes.

25 Q. If capacity is set at RPM for the SSO

1 customer, does RESA advocate or would RESA oppose AEP
2 changing the energy portion of the SSO rate so that
3 it's fully compensatory?

4 A. I don't understand your question.

5 Q. Okay. That's okay. Let me try again.

6 You would agree with me that the SSO rate
7 is made up of several components, part of which is
8 capacity and part of which is energy?

9 A. Yes.

10 Q. So is it RESA's view that that energy --
11 that the capacity part should be set at RPM?

12 A. Yes.

13 Q. Does RESA have a view on what the energy
14 portion should be set or reset at if capacity is set
15 at RPM for the SSO customer?

16 A. No.

17 Q. Now, the stabilization charge that you
18 talk about on line 17, is that just to make the
19 company whole for any potential loss of revenue if
20 the capacity charge was set at RPM?

21 A. Yes.

22 Q. And would that rate stabilization charge
23 that you're advocating on line 17 apply equally to a
24 shopping and non-shopping customer?

25 A. Yes.

1 Q. So in that case if that was approved and
2 let's say the Commission determined that the rate
3 stabilization cost was a million kilowatt hour, it
4 would be a million kilowatt hour whether you are a
5 shopping customer or an SSO customer.

6 A. Yes.

7 Q. There was a series of questions that
8 Mr. Nourse asked you about changes in capacity prices
9 and you had answers about what remedies medium-sized
10 and large customers would have. What would a
11 residential or could a residential customer do if
12 there was a change -- the Commission made a change in
13 the capacity price?

14 A. I think it depends. If the residential
15 customer has a fixed price and the price isn't going
16 to change and the capacity price went down and the
17 supplier decided not to pass that through, the
18 residential customers, not to pick on FirstEnergy
19 again, but could pay 10 bucks to switch to someone
20 else. Direct Energy could go in there and say I'll
21 give you a \$50 gift card and take all their
22 customers.

23 The other way to approach is if the
24 capacity price went up and the supplier pushes that
25 through for some other provision in their contract

1 from the residential perspective they're specified to
2 have reciprocal rates for certain things under the
3 rules so the residential customer, depending on what
4 the provision used was, may either be able to
5 determine without penalty or again terminate and pay
6 their termination fee, if there is one.

7 Q. Going back to that example that you gave
8 with FES, and I assume that was just for illustrative
9 purposes.

10 A. Yes.

11 Q. Would that happen in a competitive
12 market? Would marketers go after customers who have
13 high fixed prices and tell them about if they could
14 pay a penalty fee and save money?

15 A. Yes, they do.

16 MR. PETRICOFF: No further questions your
17 Honor.

18 EXAMINER SEE: Any recross?

19 MR. NOURSE: No, your Honor.

20 MS. McALISTER: Yes, your Honor.

21 EXAMINER SEE: I'm sorry? Let me try it
22 this way. Any recross, Ms. Kyle?

23 MS. KERN: No, your Honor, thank you.

24 EXAMINER SEE: Mr. Campbell?

25 MR. CAMPBELL: No, your Honor.

1 EXAMINER SEE: Mr. Yurick?

2 MR. YURICK: No, thank you, your Honor.

3 EXAMINER SEE: Ms. McAlister?

4 MS. McALISTER: Thank you, your Honor.

5 - - -

6 CROSS-EXAMINATION

7 By Ms. McAlister:

8 Q. Ms. Ringenbach, you had a discussion with
9 Mr. Nourse, Commissioner Porter, then followed up by
10 your counsel, and while you said your preference is
11 for RPM to be the capacity charge for all customers'
12 standard service offer or shopping, are you
13 essentially saying that the level of the capacity
14 charge is irrelevant to the RESA supplier so long as
15 all customers pay the same amount?

16 A. There are two parts to the transparency,
17 right, there's transparency across the state but
18 within AEP it becomes irrelevant if it's the same
19 whether you're with the utility or you're not.

20 MS. McALISTER: Thank you, your Honor.

21 EXAMINER SEE: Ms. Kyler?

22 MS. KYLER: No questions, your Honor.

23 EXAMINER SEE: Mr. Darr?

24 MR. DARR: No questions, your Honor.

25 EXAMINER SEE: Ms. Kingery?

1 MS. KINGERY: No questions.

2 EXAMINER SEE: Mr. Hayden?

3 MR. HAYDEN: No questions.

4 EXAMINER SEE: Mr. Royer?

5 MR. ROYER: No questions.

6 EXAMINER SEE: Mr. Beeler?

7 MR. BEELER: No questions.

8 EXAMINER SEE: Mr. Nourse, any recross?

9 MR. NOURSE: No, thank you.

10 EXAMINER SEE: Thank you, Ms. Ringenbach.

11 Mr. Petricoff?

12 MR. PETRICOFF: Yes, your Honor, at this
13 time RESA and Direct Energy move to admit RESA
14 Exhibit 101 and 101-A.

15 EXAMINER SEE: Are there any objections
16 to the admission of RESA Exhibit 101 and 101-A?

17 MR. NOURSE: No.

18 EXAMINER SEE: Hearing none, RESA
19 Exhibit 101 and 101A are admitted into the record.

20 (EXHIBITS ADMITTED INTO EVIDENCE.)

21 MR. NOURSE: Your Honor, just to clarify,
22 that's consistent with the motion to strike ruling,
23 correct?

24 EXAMINER SEE: I'm sorry, say that again.

25 MR. NOURSE: The version of 101, 101A

1 submitted consistent with the earlier ruling on the
2 motion to strike?

3 EXAMINER SEE: Yes.

4 MR. NOURSE: Thank you.

5 EXAMINER SEE: We have one other matter
6 the Bench would like to take up. We had -- the Bench
7 had scheduled for today Mr. Lesser's testimony.
8 Unbeknownst to the Bench, this morning the parties
9 had elected to forego offering Mr. Lesser's
10 testimony. So that the time this afternoon is not
11 wasted, is there any witness that is local and could
12 be available here this afternoon to offer testimony?

13 MR. NOURSE: Your Honor, I would submit
14 it's not wasted time because I think -- I realize you
15 don't want to give folks time to work on their
16 interlocutory appeal but there are a lot of --

17 EXAMINER SEE: It's not the issue about
18 whether or not you have the time to work on the
19 interlocutory appeal, Mr. Nourse. Let me finish the
20 question and then I'll give you an opportunity.

21 MR. NOURSE: Certainly.

22 EXAMINER SEE: Is there any witness
23 available that's willing to be here in the hearing
24 room this afternoon? Thought I would ask.

25 Thank you. Now go ahead, Mr. Nourse.

1 MR. NOURSE: No. I'm just saying we all
2 have things to do, sorry, your Honor.

3 EXAMINER SEE: So does the Bench, trust
4 me.

5 MR. NOURSE: I know, that's why I said.
6 Thank you.

7 EXAMINER SEE: With that, hearing is
8 adjourned until Monday at 9, and we will start with
9 AEP Witness Graves.

10 MR. NOURSE: Thank you, your Honor.

11 EXAMINER SEE: We're off the record.

12 (Thereupon, the hearing was adjourned at
13 11:44 a.m.)

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1 CERTIFICATE

2 I do hereby certify that the foregoing is
3 a true and correct transcript of the proceedings
4 taken by me in this matter on Friday, April 20, 2012,
5 and carefully compared with my original stenographic
6 notes.

7
8 Julieanna Hennebert, Registered
9 Merit Reporter.

10 (KSG-5514)

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Summary: Transcript of Commission Review of the Capacity Charges of Ohio Power Company and Columbus Southern Power Company hearing held on 04/20/12 - Volume IV electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.