

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

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

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

- - -

PROCEEDINGS

before Ms. Greta See and Mr. Jonathan Tauber,
Attorney Examiners, and Commissioner Andre Porter, at
the Public Utilities Commission of Ohio, 180 East
Broad Street, Room 11-A, Columbus, Ohio, called at
8:30 a.m. on Thursday, May 24, 2012.

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VOLUME VI

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1 Thursday Morning Session,
2 May 24, 2012.

3 - - -

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

5 Let's begin with brief appearances this
6 morning starting with the company.

7 MR. NOURSE: Thank you, your Honor. On
8 behalf of Ohio Power Company, Stephen T. Nourse,
9 Matthew J. Satterwhite, Yazen Alami, Daniel Conway,
10 and Christen Moore.

11 EXAMINER TAUBER: Mr. Serio?

12 MR. SERIO: Thank you, your Honor. On
13 behalf of the residential customers of AEP Ohio,
14 Bruce J. Weston, Maureen Grady, Joseph Serio, and
15 Terry Etter.

16 MR. KUTIK: Good morning, your Honor. On
17 behalf of FirstEnergy Solutions, I'm David Kutik.
18 Also appearing on behalf of FirstEnergy Solutions
19 Mark Hayden, James Lang, Laura McBride, and Allison
20 Haedt.

21 MR. DARR: Good morning, your Honor. On
22 behalf of IEU-Ohio, Sam Randazzo, Matt Pritchard, Joe
23 Oliker, and Frank Darr.

24 MS. KINGERY: Good morning, your Honors.
25 On behalf of Duke Energy Retail Sales and Duke Energy

1 Commercial Asset Management, Amy Spiller, Jeanne
2 Kingery, and Philip Sineneng.

3 MR. K. BOEHM: Good morning, your Honor.
4 On behalf of the Ohio Energy Group, I'm Kurt Boehm.

5 MS. THOMPSON: Good morning, your Honor.
6 On behalf of Interstate Gas Supply, Mark Whitt,
7 Andrew Campbell, Melissa Thompson, Vince Parisi, and
8 Matthew White.

9 MR. YURICK: Good morning, your Honors.
10 On behalf of the Kroger Company, Mark Yurick.

11 MR. BARNOWSKI: Good morning, your
12 Honors. On behalf of Ormet, Dan Barnowski, Emma
13 Hand.

14 MS. KALEPS-CLARK: Good morning, your
15 Honor. On behalf of Constellation NewEnergy,
16 Constellation Energy Commodities, Exelon Generation
17 Company, Lija Kaleps-Clark, M. Howard Petricoff, and
18 David Stahl, and on behalf of the Retail Energy
19 Supply Association and Direct Energy, Lija
20 Kaleps-Clark and M. Howard Petricoff.

21 MR. O'BRIEN: Good morning, your Honors.
22 On behalf of the Ohio Hospital Association, Richard
23 Sites and Tom O'Brien.

24 MR. BEELER: Steve Beeler and Vern
25 Margard, Assistant Attorneys General, on behalf of

1 the staff.

2 EXAMINER TAUBER: Are there any other
3 parties here this morning?

4 Mr. Kutik.

5 MR. KUTIK: Your Honor, FirstEnergy
6 Solutions calls as its first witness Robert Stoddard.

7 EXAMINER TAUBER: Mr. Stoddard, please
8 raise your right hand.

9 (Witness sworn.)

10 EXAMINER TAUBER: Thank you.

11 - - -

12 ROBERT B. STODDARD

13 being first duly sworn, as prescribed by law, was
14 examined and testified as follows:

15 DIRECT EXAMINATION

16 By Mr. Kutik:

17 Q. Please introduce yourself.

18 A. I'm Robert Stoddard. I am a Vice
19 President and the Practice Leader of the Energy and
20 Environment Group for Charles River Associates in its
21 offices in Boston, Massachusetts.

22 MR. KUTIK: Your Honor, we have marked
23 and provided to the court reporters as Exhibit FES
24 101 a document entitled "Direct Testimony of Robert
25 B. Stoddard on behalf of FirstEnergy Solutions Corp."

1 EXAMINER TAUBER: It shall be marked as
2 Exhibit 101.

3 (EXHIBIT MARKED FOR IDENTIFICATION.)

4 Q. Mr. Stoddard, do you have before you
5 what's been marked for identification as FES 101?

6 A. Yes.

7 Q. What is that, please?

8 A. FES 105 is the direct testimony I
9 prepared on behalf of FirstEnergy Solutions.

10 Q. 101.

11 A. 101. Sorry.

12 Q. Do you have any additions or corrections
13 to make to that document?

14 A. I do not.

15 Q. If I asked you the questions that appear
16 in FES 101, would your answers be as they appear in
17 that document?

18 A. Yes.

19 Q. Mr. Stoddard, I'd like to ask you a
20 question about some testimony given by a witness on
21 behalf of the company in this case, that is AEP Ohio,
22 particularly the testimony of Mr. Powers on the
23 stand. And particularly at pages 230 and 231 of the
24 transcript in this case, he was having a discussion
25 with my co-counsel, Mr. Lang, about something that

1 Mr. Powers referred to as the FRR contract. And
2 specifically on page 231 Mr. Powers testifies as
3 follows:

4 "Question: Now, your understanding is
5 that under the FRR contract AEP Ohio is required to
6 provide its capacity on a cost basis; is that right?

7 "Answer: That's my understanding."

8 That's the end of his testimony. Is that
9 a fair characterization?

10 A. No. First, to call the FRR a contract is
11 potentially mischaracterizing the relationship. It's
12 a tariff obligation between AEP East and PJM as
13 specified under the PJM reliability assurance
14 agreement.

15 The only place where the reliability
16 assurance agreement speaks to the price at which the
17 FRR entity can charge retail load for capacity under
18 the FRR is in section -- schedule 8.1 of the RAA in
19 section D.8.

20 I quote this on page 13 of my testimony,
21 I'll paraphrase it, if there is a state compensation
22 mechanism, the state compensation mechanism prevails.
23 In the absence of a state compensation mechanism, the
24 price is that of the PJM RPM clearing price for the
25 rest of pool, unless there has been a filing under

1 section 205 to propose a alternative basis for
2 compensation and that that alternative has been found
3 just and reasonable by the federal commission.

4 MR. KUTIK: I have no further questions.
5 Thank you.

6 EXAMINER TAUBER: Cross-examination,
7 Mr. Serio?

8 MR. SERIO: I have no questions, your
9 Honor. Thank you.

10 EXAMINER TAUBER: Mr. Darr?

11 MR. DARR: No questions, your Honor.

12 EXAMINER TAUBER: Ms. Kingery?

13 MS. KINGERY: No questions, your Honor.

14 EXAMINER TAUBER: Mr. Boehm?

15 MR. K. BOEHM: No questions, your Honor.

16 EXAMINER TAUBER: Ms. Thompson?

17 MS. THOMPSON: No questions.

18 EXAMINER TAUBER: Mr. Yurick?

19 MR. YURICK: No questions of this
20 witness, your Honor. Thank you.

21 EXAMINER TAUBER: Mr. Barnowski?

22 MR. BARNOWSKI: No questions, your Honor.

23 EXAMINER TAUBER: Ms. Kaleps-Clark?

24 MS. KALEPS-CLARK: No questions, your
25 Honor.

1 EXAMINER TAUBER: Mr. Haque.

2 MR. HAQUE: No questions.

3 EXAMINER TAUBER: Mr. O'Brien?

4 MR. O'BRIEN: No questions.

5 EXAMINER TAUBER: Mr. Beeler?

6 MR. BEELER: No questions.

7 EXAMINER TAUBER: Mr. Nourse, Mr. Conway.

8 MR. CONWAY: Thank you, your Honor.

9 - - -

10 CROSS-EXAMINATION

11 By Mr. Conway:

12 Q. Good morning, Mr. Stoddard.

13 A. Good morning, Mr. Conway.

14 Q. With regard to that exchange you had with
15 your counsel at the end of your direct exam with
16 regard to specifically schedule 8.1, section D-8 of
17 the reliability assurance agreement, would you agree
18 that the option that the provision provides to an FRR
19 entity to seek a rate for its capacity based on the
20 entity's cost is a right that the entity has?

21 A. If there is no state compensation
22 mechanism, then the clear language of the RAA allows
23 the entity to make a filing under section 205, but
24 that is dependent upon there being no state
25 compensation mechanism.

1 Q. And your understanding is that there is a
2 proceeding ongoing at FERC which is addressing the
3 nature of that right by the FRR entity, in this case
4 AEP Ohio, to seek a price for capacity based on its
5 costs, correct?

6 A. My understanding is that AEP Ohio has
7 filed a complaint under section 206 seeking to change
8 the language of the RAA. Section 206, of course, has
9 a substantial burden on the complainant to show that
10 the alternative is just and reasonable and that the
11 current language is not just and reasonable. That
12 proceeding, of course, is still pending.

13 Q. And that proceeding under section 206
14 seeking the relief that it seeks is in tandem to a
15 pending section 205 proceeding that AEP Ohio has
16 before FERC, right?

17 A. I may have a misrecollection about the
18 timing. I believe that the 205 filing was made and
19 that a final order was received or issued by FERC on
20 that matter closing it.

21 Q. So you don't know whether or not there's
22 a rehearing petition pending in that section 205
23 proceeding.

24 A. I do not.

25 Q. Okay. Mr. Stoddard, a few questions

1 about your direct testimony. Could you turn to page
2 4. At lines 18 through 19 you state that the
3 two-tier capacity prices of AEP Ohio's proposed ESP
4 are lower than AEP Ohio's cost-based figure. Do you
5 see that?

6 A. Yes, sir.

7 Q. And by "the cost-based figure" are you
8 referring to AEP Ohio's cost-based figure? Are you
9 referring to the \$355.72 per megawatt-day capacity
10 price that AEP Ohio has proposed?

11 A. Yes.

12 Q. And that proposal is pending in the
13 capacity pricing case, correct?

14 A. Yes.

15 Q. And with regard to the reference to the
16 two-tiered capacity prices of AEP Ohio's ESP, do you
17 know what those two-tiered prices are?

18 A. The first tier is approximately \$149; the
19 second tier is \$255.

20 Q. Now, you testified last fall in the
21 hearing on the stipulation in the prior iteration of
22 this ESP proceeding, correct?

23 A. No, sir.

24 Q. Excuse me?

25 A. No, I did not.

1 Q. I'm sorry. You testified in the capacity
2 pricing case. I'm sorry. Right?

3 A. That's correct.

4 MR. KUTIK: Time flies when you're having
5 fun.

6 MR. CONWAY: It sure does.

7 Q. Are you familiar with the various filings
8 or any of the filings in that prior iteration of this
9 ESP proceeding?

10 A. I reviewed some of them but not all of
11 them.

12 Q. Okay. Did you review the opinion and
13 order that the Commission issued in December that
14 modified the stipulation and then adopted it?

15 A. Yes, I did.

16 Q. And did the Commission as part of its
17 decision, as part of the opinion and order, address
18 the reasonableness of the \$255 per megawatt-day
19 interim price for capacity?

20 A. I don't recall specifically.

21 Q. Okay. So you don't know whether in its
22 opinion and order in the prior phase of this ESP
23 proceeding in December that the Commission found that
24 the evidence presented at the stipulation hearing
25 demonstrated that a \$255 per megawatt-day interim

1 capacity charge is within the range of
2 reasonableness.

3 MR. KUTIK: Your Honor, I'll make the
4 same objection today that Mr. Satterwhite made
5 yesterday about referring to issues raised or decided
6 by the Commission with respect to the stipulation.

7 As the Bench is aware, the stipulation
8 considered many issues and considered many issues in
9 terms of balancing them with one another, and so what
10 the Commission might have decided with respect to one
11 issue relative to other issues in that case is
12 irrelevant to this proceeding.

13 MR. CONWAY: Well, your Honor, I'm not
14 sure that it's irrelevant, but my question is whether
15 he was aware of that aspect of the order. He said he
16 reviewed the order. I'm just asking him in the first
17 instance whether he recollects that aspect of the
18 order and whether or not the Commission said in its
19 order what I just --

20 EXAMINER TAUBER: I'll allow it for that
21 purpose.

22 A. I don't have any specific recollection of
23 the language. My overall impression from the order
24 is that, taken as a package with all of the terms and
25 conditions around it, the Commission accepted the

1 proposed stipulation.

2 Q. (By Mr. Conway) But you don't have a
3 recollection of the specific aspects of that order
4 that treated this issue, do you?

5 A. No, sir.

6 Q. Okay. Also on page 4 at lines 17 and 18
7 of your testimony in this case you state, I believe,
8 that "...AEP Ohio marks the value of its capacity to
9 an internal cost-based figure that is far above the
10 market value of capacity." Is that your testimony?

11 A. Yes, sir.

12 Q. And with regard to the internal
13 cost-based figure that you're referring to there, is
14 that the \$355.72 megawatt-day price that the company
15 has recommended in the capacity pricing case?

16 A. Yes, it is.

17 Q. And as far as that price being far above
18 the market value of capacity that you mention in your
19 testimony, are you referring to, when you refer to
20 the market value of capacity, the RPM prices that
21 will prevail during the ESP period?

22 A. Yes, that's correct.

23 Q. And then I notice that you have a
24 footnote related to that excerpt from your testimony
25 and in the footnote you state that the internal

1 cost-based figure, correct me if I'm wrong, but I
2 believe you're stating there that the internal
3 cost-based figure that AEP Ohio has calculated is,
4 according to Dr. Lesser, also above embedded costs;
5 is that right?

6 A. Yes. I'm intending -- for clarity here,
7 I'm intending to say that even if the Commission were
8 to accept the idea of an embedded cost figure as an
9 appropriate benchmark, that that cost needs to be
10 calculated reasonably, and Dr. Lesser provides a set
11 of corrections to AEP's calculations that bring that
12 number into a more appropriate alignment.

13 Q. And you're relying upon Dr. Lesser's work
14 for the conclusion that you just recited; is that
15 right?

16 A. That's correct.

17 Q. Okay. And so to the extent that
18 Dr. Lesser is incorrect on the point, then likewise
19 your statement that adopts the point would like
20 likewise, to that extent, also be incorrect, right?

21 A. I am relying on Dr. Lesser's calculations
22 at this point.

23 Q. So the answer to my question is "yes."

24 A. Yes.

25 Q. Just to be clear, you did not

1 independently evaluate whether the embedded cost rate
2 that the company had developed is inaccurate,
3 correct?

4 A. That's correct.

5 Q. Turning now to page 5 of your testimony,
6 you are an advocate of the RPM RTO auction price for
7 setting the rate for capacity and -- I believe; is
8 that right?

9 A. Yes.

10 Q. And at line 6 of your testimony on page 5
11 you state in that vein that "The appropriate capacity
12 price is the RPM RTO auction price." Do you see
13 that?

14 A. Well, for the whole context, the capacity
15 price that AEP Ohio should have used in pricing the
16 market rate option, market rate offer, is the RPM RTO
17 auction price.

18 Q. Okay. Correct. The context here is the
19 MRO/ESP comparison, right?

20 A. Correct.

21 Q. Your statement is that the RPM RTO
22 auction price is the right price to use for that
23 comparison, right?

24 A. That's correct.

25 Q. Okay. But you believe it's also the

1 right price to use to price capacity in the first
2 instance, correct?

3 A. I can't answer that in a general context.
4 Are you saying that that is the price that AEP should
5 have embedded in the ESP or the price that should be
6 charged to CRES providers, or --

7 Q. The latter.

8 A. Yes. Well, my testimony from the
9 capacity case is still unchanged; that is the price
10 that CRES providers should be charged and it is the
11 price that should be embedded in the market rate
12 comparison to the ESP.

13 Q. And I believe your testimony is that RPM
14 is the right price to charge in both the long and the
15 short term, right?

16 A. That's correct.

17 Q. Okay. And I think also on page 5 at some
18 point, it would be lines 16 to 18 I think is the
19 place, you state that "In the long run, RPM is
20 designed to provide the appropriate incentives for
21 the entry of new, cost-efficient resources and the
22 exit of inefficient resources over a suitably long
23 investment horizon." Do you see that?

24 A. Yes, that's my testimony.

25 Q. And when you say "suitably long," is

1 there a number of years that you have in mind?

2 Regarding the investment horizon?

3 A. Well, there's two layers to that. One is
4 that the RPM auction by design provides a, about a
5 slightly longer than three-year runway to bring new
6 resources on or to allow the orderly exit of
7 inefficient units. That was -- that's a one-time
8 horizon that's relevant and three years is a relevant
9 period for that.

10 As I testified before in the capacity
11 case, in terms of making decisions about bringing new
12 investments on or retiring investments, I think the
13 typical investor is looking for about a 10- to
14 15-year horizon, and the stability that the RPM
15 framework provides gives the assurance of a
16 reasonable, stable regulatory framework to support
17 such long-term -- time thinking.

18 Q. So having said that, would you agree that
19 the RPM price is known for the three-year period
20 forward but it's not known further out than that?

21 A. The price level is not, but, you know,
22 typical competitive businesses make investment
23 decisions all the time without knowing with assurance
24 what the prices will be.

25 The important thing in making decisions

1 as a businessman as opposed to a regulated utility is
2 that you have confidence that the market structure
3 can return a fair price, not that you absolutely know
4 for sure what the price you will get in the future
5 will be.

6 Q. So you would agree, would you not, that
7 someone who is thinking about developing a new
8 generating unit and bringing it on line and
9 participating in the PJM capacity market does not
10 know what the RPM price will be more than three years
11 or so into the future, "or so" meaning whatever you
12 were indicating before when you said a little bit
13 more than three years?

14 A. That's correct. They don't have a
15 specific number. They do see, however, the operation
16 of the market and the stability of income that that
17 market can provide going forward.

18 Q. And so they make their assessments based
19 on that stability that they see in the RPM pricing?

20 A. They make the assessment based on the
21 stability of the framework. And their ability to
22 forecast prices within that framework and within that
23 market structure.

24 Q. So they don't rely upon the actual values
25 that are being produced by the RPM construct in

1 making a conclusion about the stability of the
2 pricing and the revenue streams?

3 A. The price figures are one element of
4 that, and certainly in deciding whether to enter or
5 exit a particular year, the auction price is very
6 important. The new resources choosing to come on in
7 a given year know for sure what price they will be
8 getting; they bid that number in saying if we don't
9 get at least that number, we are unwilling to enter
10 the market.

11 Likewise, a resource that's considering
12 leaving the market, if they can't get its number from
13 the auction, will then exit. So there certainly is a
14 price signal there, but that decision about what the
15 number should be is based on a broader consideration
16 of what the flow of expected future revenues will be,
17 which is a business judgment these people have to
18 make.

19 Q. In the context that you were just
20 describing there about making a decision whether to
21 be in the market or to not participate in the market,
22 that context was not in terms of developing a new
23 unit, new generating unit, or retiring a new
24 generating unit, it was in the context of existing
25 units; is that right?

1 A. No; it was intended to be both new and
2 existing units. New units have to make a decision
3 whether they will move forward with development and
4 they have the three-year runway from the RPM price to
5 move through the development stages.

6 Likewise, existing resource owners,
7 particularly those who are facing a large capital
8 expense to, for instance, meet environmental
9 regulations or in order to retrofit their plant to
10 become cost competitive in the environment of PJM,
11 they need to make decisions about whether those
12 incremental investments are worthwhile or whether
13 they're likely to get a return on that investment.

14 The RPM structure gives them market
15 information about the value of their unit in the
16 market going forward.

17 Q. And the -- were you finished?

18 A. Yes, sir.

19 Q. Okay. And the decision about whether or
20 not to be in the market or to stay out of the market
21 is, in your discussion, it's the generation unit
22 owner's decision, correct?

23 A. That's correct.

24 Q. Mr. Stoddard, in your testimony, which
25 has been marked -- in this proceeding which is marked

1 as FES Exhibit 101, you do not report in that
2 testimony on the financial impact on AEP Ohio of
3 selling capacity to CRES providers at the prevailing
4 RPM prices during the proposed RSP, do you?

5 A. I do not.

6 Q. And is it your view that such financial
7 impacts are not pertinent to the decision regarding
8 the appropriate price for capacity?

9 A. Appropriate for what purpose?

10 Q. The appropriate price to be established
11 by the Commission.

12 A. So is this, again, back to the capacity
13 case, or are we talking about part of the ESP MRO
14 matter here? I'm sorry.

15 Q. Either.

16 A. Well, as my testimony with regard to the
17 capacity case is unchanged which is that yes, it is
18 still the correct price, and it's the correct price
19 regardless of the impact on AEP Ohio because the
20 AEP Ohio generation is supposed to be functionally
21 unbundled from the regulated assets of the company.

22 In the current case it's also my opinion
23 that it's the correct price to use for the market
24 rate option because Ohio law is, to my reading,
25 fairly clear that we are supposed to be using market

1 prices in the market rate option; that's the relevant
2 standard of comparison.

3 AEP is free to offer any option as part
4 of the ESP, but in making the comparison between the
5 ESP and MRO it seems obvious to me that we have to go
6 back to the market rates to know what the market rate
7 offer will look like.

8 Q. Okay. So at the very outset of that
9 answer I believe you said, and correct me if I'm
10 wrong, the RPM price is the correct price to charge
11 CRES providers and it's the correct price regardless
12 of the impact on AEP Ohio. Is that right?

13 A. Yes, sir.

14 Q. By "impact" you understood me to mean the
15 financial impact, right?

16 A. I did, sir.

17 Q. Okay. Let me ask you some questions, if
18 you don't mind, regarding capacity pricing under the
19 fixed resource requirement alternative. I believe in
20 your testimony at page 8 you state that, starting at
21 line 8, that "PJM implemented the Reliability Pricing
22 Model ('RPM'), which is designed to provide
23 appropriate economic signals to capacity suppliers to
24 make available sufficient resources to meet the
25 forecasted reliability requirements."

1 Do you see that?

2 A. Yes, sir.

3 Q. And so PJM, then, is the entity that
4 forecasts what the reliability requirements are?

5 A. That's correct.

6 Q. And the fixed resource requirement
7 alternative is an alternative to RPM; is that right?

8 A. No. The FRR is an alternative way of
9 meeting the capacity requirements placed on
10 load-serving entities by the RPM structure. It is a
11 subset of the RPM design with the other alternative
12 being to use the auction structures defined in the
13 tariff to secure your capacity obligations.

14 Q. And so -- I'm sorry, were you finished?

15 And so the FRR alternative, it also helps
16 to ensure that sufficient resources are available to
17 meet the forecast reliability requirements?

18 A. Yes, sir.

19 Q. And a load-serving entity such as
20 AEP Ohio may procure the capacity necessary to meet
21 its obligation under the FRR alternative by
22 self-supplying the necessary capacity, right?

23 A. That's correct.

24 Q. And the process for an LSE such as
25 AEP Ohio who's elected FRR status is to submit a

1 capacity plan under FRR that satisfies its obligation
2 as set out in one of the schedules of the PJM
3 reliability assurance agreement?

4 A. Yes; that's in schedule 8.1.

5 Q. And one possible price for capacity
6 supply to a CRES provider by an FRR entity is the RPM
7 price, right?

8 A. Yes; that's the default price if there
9 has been neither a state compensation mechanism
10 defined or if the entity, the FRR entity, has not
11 made a section 205 filing and the Commission has
12 accepted that filing.

13 Q. Now, under the state compensation
14 mechanism that you just mentioned, the price for
15 capacity that might be set under that approach could
16 be different than the RPM price, right?

17 A. It certainly could. The FRR design and
18 the reason why we have the state compensation
19 mechanism in that clause was to allow states to
20 develop mechanisms to promote retail competition in
21 the state. Wanted to get the federal government out
22 of the business of designing retail rate tariffs,
23 which is not their proper domain.

24 So the state compensation mechanism is
25 there to promote competition amongst retail supply in

1 a way that the state commissions feel is most
2 appropriate.

3 Q. And in any event, under the state
4 compensation mechanism alternative, the rate could be
5 a cost-based rate, right?

6 A. There is no restriction in the language,
7 but, at the same time, there is an understanding that
8 this is part of a retail deregulation and that the
9 state compensation mechanisms would be a means of
10 promoting retail competition in the states; a
11 cost-based mechanism may or may not be able to
12 achieve that.

13 Q. And in any event, it could be a
14 cost-based rate under that state mechanism, right?

15 MR. KUTIK: Objection, asked and
16 answered.

17 MR. CONWAY: Your Honor, I'm not sure if
18 he did. If he did, I'd like to know what the answer
19 is. Is it a "yes"?

20 EXAMINER TAUBER: Mr. Stoddard, can you
21 please answer Mr. Conway's question?

22 A. Yes, there's no prohibition in the RAA
23 that the state compensation mechanism could be cost
24 based or any other mechanism.

25 Q. And by saying that "there's no

1 prohibition," you're agreeing that there could be a
2 cost-based rate, then.

3 A. I am agreeing there could be a cost-based
4 rate.

5 Q. Okay. And then putting aside the default
6 option of RPM and the state compensation mechanism
7 alternative, there is a specific reference in
8 schedule 8.1, section D-8, to an option for pricing
9 capacity on a cost basis that is the FRR entity's
10 option, correct?

11 A. There is such a reference provided that,
12 and under the current clear language of the RAA, that
13 that is only an option in the absence of a state
14 compensation mechanism.

15 Q. Is it your view did you say that, or if
16 you didn't say it, is it your view that the FERC, the
17 Federal Energy Regulatory Commission, should not be
18 in the business of setting retail rates?

19 A. That's correct.

20 Q. And, conversely, is it your view that
21 states should not be in the business of setting
22 wholesale rates?

23 A. States may do so if FERC has delegated
24 that authority to them.

25 Q. So your view is -- is it your view that

1 the state compensation mechanism capacity rate can be
2 a wholesale rate or should it be a retail rate?

3 A. Mr. Conway, I think that calls for a
4 legal conclusion. It has the elements of both. At
5 the one hand, it is a rate being charged by AEP Ohio
6 for capacity to a CRES provider, which is clearly a
7 wholesale transaction, but, as Dr. Lesser noted in
8 his testimony, in many, many ways this is actually a
9 pass-through item which has a direct impact on retail
10 rates and, therefore, on retail competition.

11 So it's neither fish nor fowl; it's a
12 blended rate which is why the clear delegation of the
13 authority here in the RAA to the state commissions to
14 set a state compensation mechanism is what needs to
15 govern.

16 Q. So you -- are you done?

17 A. I am.

18 Q. Okay. So at the outset of that you
19 indicated that it sounded like my question was
20 requesting a legal opinion and then you gave an
21 answer that sounded like a legal opinion to me. So
22 is that what just happened or was it something else?
23 Was it a nonlegal opinion?

24 MR. KUTIK: Is counsel objecting to his
25 own question, your Honor? Otherwise, that's

1 argumentative.

2 MR. CONWAY: I'm asking if he gave a
3 legal opinion. I'll move to strike it. I'll ask him
4 what he did. What he thinks he did.

5 EXAMINER TAUBER: Let's move on,
6 Mr. Conway.

7 Q. So is it your view that if a
8 federally-established right to cost recovery on a
9 wholesale basis is ultimately passed through to the
10 state level, then the state has an interest in
11 determining how that pass-through takes place?

12 A. Wow. That's a interesting hypothetical.
13 If we look at how transmission costs figure in, FERC
14 sets transmission rates because those are
15 federally -- at the federal level, but then state
16 commissions, in incorporating those transmission
17 rates into a bundled retail rate, have substantial
18 latitude in how those are allocated amongst different
19 rate classes.

20 So I think the answer is there is a
21 tradition of some substantial flexibility in the
22 Commission, provided the federal numbers are hit, as
23 to how exactly that is implemented in the retail
24 tariff.

25 Q. And does your view of that, does it apply

1 not just in the transmission area but also with
2 regard to energy prices?

3 MR. KUTIK: Your Honor, at this point
4 I'll object as to relevance.

5 EXAMINER TAUBER: Objection is overruled.

6 A. I think as a general matter a bundled
7 rate, retail rate, is a state commission matter, and
8 provided the federal -- there's this line I described
9 with the transmission rate, that the federal
10 jurisdiction is respected and the federal
11 determinations are respected, there is still latitude
12 at the state commission level to create a bundled
13 rate and allocate those costs amongst the ratepayers
14 of the state.

15 Q. Let me ask you a different question
16 related to the cost-based alternative for pricing
17 capacity.

18 First question: Your understanding is
19 that AEP Ohio's position is that the cost-based
20 alternative for pricing capacity that's referenced in
21 schedule 8.1, section D-8, allows for an embedded
22 cost rate. That's AEP Ohio's position as you
23 understand it, correct?

24 A. That's my understanding of your
25 litigation position.

1 Q. And your position is that any cost-based
2 alternative for pricing capacity should be based on
3 avoidable costs, right?

4 A. That's correct.

5 Q. And in your view "avoidable costs" means
6 the avoidable costs less an offset for energy and
7 ancillary services revenues?

8 A. Yes. That's how it's defined in the PJM
9 tariff.

10 Q. Okay. And then it also includes an adder
11 for the recovery of -- for the costs of avoidable
12 project investment costs?

13 A. That's correct.

14 Q. And so when you make your calculation for
15 an avoidable cost rate, you take the avoidable costs
16 minus the E&AS offset, and then plus that avoidable
17 project investment recovery element, and then what do
18 you do?

19 A. Well, if you're calculating this under
20 the PJM tariff for the purposes of bid mitigation,
21 you would multiply that by 1.1.

22 Q. And I'm asking you how you have done it
23 in your context here as you are developing a
24 cost-based rate that you believe is contemplated by
25 section -- schedule 8.1, section D-8.

1 A. In the context of my calculations and in
2 a proceeding before FERC, I would not put in the
3 multiplier by 1.1. The 1.1 multiplier exists because
4 of potential uncertainty -- the market monitor does
5 not go through a full rate case with evidence put
6 before it and detailed information; it's using some
7 approximations, it's using public information, and
8 the 1.1 is a factor that gives some benefit of the
9 doubt to the fact that it's not been a
10 fully-litigated proceeding.

11 Before FERC I would expect that we would
12 have, under a section 205 filing contemplated by the
13 RAA, we would in fact have full information, we'd
14 have a fully-litigated proceeding and, therefore,
15 would not need to have a 10 percent free band.

16 Q. For the three -- for the three delivery
17 years covered by the proposed ESP of AEP Ohio, you
18 did calculate an average net capacity cost, correct?

19 A. I did.

20 Q. And the number you came up with is
21 negative \$46.78 per megawatt-day, right?

22 A. That's correct.

23 Q. And the way you did that is you made your
24 avoidable cost rate calculation and you incorporated
25 the energy and ancillary services offset into that;

1 is that right?

2 A. That's correct; I followed the procedure
3 that is used by the independent market monitor to
4 determine what the avoidable costs less the EAS
5 offset would be.

6 Q. So you also added in an estimate of the
7 avoidable project investment recovery cost?

8 A. I did.

9 Q. And then you did not use the 1.1
10 multiplier, or did you?

11 A. Subject to check, I did not.

12 Q. So in any event, the result of all of
13 that was the negative \$46.78 per megawatt-day, which
14 is the average avoidable cost rate you've calculated
15 for the period of the three-year ESP, right?

16 A. That's correct.

17 Q. And if we compare the \$46, the negative
18 \$46.78 per megawatt-day, to the RPM prices that will
19 prevail during that three-year period, in any year of
20 the ESP being proposed the negative \$46.78 is less
21 than the RPM price, right?

22 A. That's correct. And year by -- let me
23 answer the question you intended to ask. The 46.78
24 is the average of three numbers. If you look at the
25 underlying numbers that are being averaged and

1 compare each number to the corresponding number, year
2 by year in each year the number for AEP is lower than
3 the corresponding number in the PJM auction.

4 Q. So it works both ways. The negative
5 \$46.78 is lower than each of the RPM prices, and each
6 of the individual avoided cost rate calculations for
7 each year is also less than the corresponding RPM
8 price for each year.

9 A. That's correct.

10 Q. And in each delivery year since 2007 --
11 well, first of all, let me back up.

12 AEP Ohio became an FRR entity in 2007; is
13 that right?

14 A. That's correct.

15 Q. And for each delivery year since 2007
16 until the current delivery year, which I suppose is
17 still the 2011-2012 delivery year, the avoidable cost
18 rate that would have applied to AEP Ohio, using your
19 method, is lower than what the prevailing RPM price
20 was for each of those years?

21 A. I don't know. I haven't done that
22 analysis.

23 Q. Have you ever calculated an avoidable
24 cost rate for AEP Ohio that's higher than the RPM
25 rate?

1 A. No. But the only four years that I've
2 calculated for are three years of this, the ESP plan
3 covering the 2012-'13 year through the 2014-'15 year,
4 and the year that we're currently in, 2010-2011.

5 Q. And -- okay.

6 A. 2011-2012. Going backwards in time.

7 Q. Since 2007 has AEP been -- AEP Ohio been
8 subject to the -- or would it have been subject to
9 the offer cap mechanism that PJM's market monitor
10 uses to regulate the price of offers into the RPM
11 market?

12 A. Yes, to the extent that AEP Ohio or AEP
13 East was offering capacity in excess of its FRR
14 requirements and the quantity threshold defined in
15 the RAA, and it is my understanding that AEP Ohio
16 has, in fact, offered cleared resources into the BRA.

17 Q. And has it done so for each of the
18 delivery years in 2011 and -- up through 2011-'12?

19 A. I don't know.

20 Q. And do you know whether, if AEP Ohio as
21 part of AEP East had participated in the RPM BRA
22 auctions during that period, whether in each of the
23 years its offer would have been capped using that
24 avoidable cost rate methodology?

25 A. Yes. In each year in which AEP -- in

1 each year AEP Ohio's offers would have been capped to
2 the extent that AEP Ohio participated in a BRA.

3 Q. And if that were the case, if that is the
4 case, then is it the case -- is it also the case that
5 AEP Ohio's offers would not have been -- would not
6 have cleared and been higher than the RPM price?

7 A. If AEP Ohio had offered some units for a
8 price higher than the clearing price, then those
9 resources would not have cleared. If they had been
10 capped below the clearing price and were offered at,
11 therefore, at a price lower than the clearing price,
12 then those units would have cleared.

13 Q. Okay.

14 A. At the prevailing price.

15 Q. So is it the case, then, logically, based
16 on this discussion, that during the period 2007 to
17 present the avoidable cost rate for AEP Ohio would
18 never have been higher than the RPM price?

19 A. No, because the ACR is determined unit by
20 unit so some units may have had a higher avoidable
21 cost rate than the clearing price, other units would
22 have had a lower avoidable cost rate, or I should say
23 throughout that offer cap rather than avoidable cost
24 rate.

25 Q. Is it the case that during that period,

1 2007 to present, that at any time that an AEP Ohio
2 generating unit would have cleared the BRA auction,
3 that it would have done so at a price at or below the
4 RPM price?

5 A. Yes.

6 Q. And so is it true that during that period
7 the avoidable cost rate for any of the units that
8 would have cleared would have been at or below the
9 RPM price?

10 A. The avoidable cost rate net of the EAS
11 offsets, yes. Or I should -- let me modify that. We
12 don't know. I mean, because these are offer caps,
13 not everyone chooses to offer at their cap.

14 You may have -- so --

15 Q. The assumption was that they're offering
16 in.

17 A. If they're offering in, I still don't
18 know what price they've chosen to offer, and if
19 possible, even though you might have had a cap of,
20 let's say \$20 a megawatt-day, that AEP Ohio really
21 wanted to sell their resource at whatever price it
22 was and they simply offered it at a price of zero to
23 make sure it cleared.

24 Q. So it wouldn't have been more than the
25 RPM price that would have been offered into --

1 A. The offer price was not necessarily more
2 than the clearing price, but that doesn't tell us
3 anything about the cap rate.

4 Q. Now, your view is that the reference in
5 schedule 8.1, section 8 to an FRR entity making a
6 filing proposing to change the basis for compensation
7 to a method based on the FRR entity's costs is a
8 reference to an avoidable cost methodology, correct?

9 A. Yes. That's the -- this term and this
10 clause was introduced for the first time as a part of
11 the RPM settlement filing, and if you were to review
12 that filing, you will find that each and every
13 instance of the word "cost" in that filing refers to
14 an avoidable cost.

15 Q. There is no reference, there's no use of
16 the words "avoidable" or "net avoidable" in schedule
17 8.1, section D-8, is there?

18 A. No, there's no explicit call out to that,
19 but as I stated just now, every other appearance of
20 the word "cost" either directly or indirectly refers
21 to avoidable or net avoidable costs throughout the
22 entirety of the tariff filing of the RAA filing.

23 Q. And would you agree that an embedded cost
24 ratemaking method is a cost-based method?

25 A. It is a cost-based method. It needs to

1 be shown to be just and reasonable.

2 Q. Now, would you agree, based on the
3 discussion that we've had, that -- and the positions
4 that you have explained, that there's not been a time
5 since the FRR alternative was established and the RPM
6 construct established when the avoidable cost rate
7 would have provided a base method for costing
8 capacity, pricing capacity, would have produced a
9 value above the RPM price?

10 MR. KUTIK: May I have the question read,
11 please, your Honor?

12 EXAMINER TAUBER: Yes.

13 MR. CONWAY: Let me try it again.

14 Q. Would you agree, based on the position
15 that you have described and the discussion we've had,
16 that since 2007 when the RPM construct and the FRR
17 alternative have been in place, that there's not been
18 a time during that period when the avoidable cost
19 rate approach to pricing capacity would have resulted
20 in a price for AEP Ohio that has been higher than the
21 RPM price?

22 A. I'm sorry, I don't know the answer to
23 that, because I have not done a study, as I said, of
24 what the avoidable cost rate calculations for
25 AEP Ohio's units would have been in the early years

1 of the process. And I can't infer that from any
2 facts in front of me today.

3 Q. And I thought that you agreed with me or
4 that you -- the conclusion you arrived at is at no
5 time during those auctions that have occurred since
6 2007 would the generating units of AEP Ohio have
7 cleared at a price higher than RPM. Did you not say
8 that or did you say that?

9 A. Well, to the extent they were offered
10 into the BRA, those resources that were offered in
11 and cleared did so at the -- offered at or below the
12 clearing price. So there's a bit of tautology there,
13 but if we ask the broader question, which is if we
14 were to calculate the avoidable cost rate for the
15 entire fleet of resources that AEP has used to meet
16 the FRR obligation, is the avoidable cost rate for
17 that fleet collectively above or below the clearing
18 price, which I think is the relevant question, I
19 don't have the answer to that.

20 Individual units certainly cleared below,
21 but when we look at the whole fleet, there are some
22 expensive units and some lower-cost units and
23 AEP Ohio had the ability to offer the lower-cost
24 units in to clear the BRA while assigning the higher
25 cost resources to stay in the FRR plan.

1 Q. Let me turn to a topic later on in your
2 testimony. I believe at some point you address the
3 company's proposal to include in its ESP as a part of
4 the proposal on the capacity pricing issue a \$3 per
5 megawatt-hour credit for shopped load related to
6 possible energy margins. Do you recall that?

7 A. Yes, I do. I believe that's on page 22
8 in the Q and A beginning on line 13.

9 Q. And you believe that the proposed energy
10 credit is too low, correct?

11 A. Yes.

12 Q. And your objection is, I think it's at
13 page 22, lines 23 and then over to the top of page
14 23, line 1, your objection is that AEP Ohio is
15 filtering the margins through the AEP pool agreement?

16 A. That is certainly one of the concerns I
17 have.

18 Q. And by "filtering" are you referring to
19 the sharing of margins with AEP Ohio's other AEP East
20 utility affiliates?

21 A. Two steps: First, that you're sharing
22 the revenues with your affiliates; secondly, that you
23 are claiming a fraction of the earnings for AEP Ohio
24 shareholders.

25 Q. And so the fraction that you believe is

1 being claimed for shareholders is the complement to
2 the amount that's being incorporated into the credit
3 by Mr. Allen?

4 A. Well, there's two pieces that are missing
5 from that \$3; one of them is the piece that is shared
6 with the affiliates, and the other is the piece even
7 that remains with AEP Ohio but is then split between
8 AEP shareholders and the CRES.

9 Q. Let me talk to you about the portion that
10 is being shared with the other AEP East affiliates,
11 okay? Do you know what the basis for that sharing
12 is?

13 A. I believe it is the AEP pooling
14 agreement.

15 Q. And do you know which provision of the
16 pool agreement that produces the sharing?

17 A. No. I have not made a study of that.
18 FES Witness Frame is the expert on the pooling
19 agreement.

20 Q. Do you know what the fraction of the
21 earnings are retained by AEP Ohio and what fraction
22 are shared under the pooling agreement?

23 A. Subject to check, and again I'd refer
24 detailed questions about that to -- that AEP Ohio
25 shares 40 percent of the revenue with its affiliates

1 and 60 percent is retained. I may have flipped that,
2 and they may retain 40 and share 60.

3 Q. Will you accept, subject to check, that
4 it's they retain 40 percent and share the other
5 60 percent?

6 A. That -- yes.

7 Q. Okay. So assuming that that's the case,
8 your view is that, well, for purposes of an energy
9 credit, Mr. Allen should have had AEP Ohio retain a
10 hundred percent of the margins; is that right?
11 Rather than sharing the 60 percent.

12 A. Yes. If CRES providers are being charged
13 the full capacity cost of the units, so none of the
14 capacity cost is being shared to the affiliates,
15 then, likewise, none of the earnings from that
16 resource should be shared with the affiliates.

17 Alternatively, of course, the affiliates
18 could bear 60 percent of the cost of that unit, but,
19 as I understand it, that's not what's being proposed.

20 Q. So your understanding is that the
21 affiliates do not support AEP Ohio's capacity costs
22 through the pooling agreement.

23 A. My understanding is the 355.72 rate is
24 calculated without considering benefits of the
25 sharing agreement. But, again, I would refer you to

1 Mr. Frame's testimony who can speak more to the
2 pooling arrangement and its effect on the
3 calculations.

4 Q. When you say it's done without
5 considering benefits of the sharing agreement, were
6 you referring at that point to sharing responsibility
7 for capacity costs as opposed to these energy margin
8 sharing?

9 A. That's correct.

10 Q. So you don't know whether AEP Ohio
11 receives capacity payments from the other affiliates.

12 A. I'm not sure how they figure in here. I
13 mean, again, let me just back up and give context to
14 this. The calculation that he has performed to get
15 to \$3 is wholly inconsistent with the calculation
16 that the PJM tariff sets forth for calculating the
17 tariff.

18 If we allow in operating this market that
19 affiliate arrangements could modify the allowable
20 offers into the market, then every competitive
21 supplier in PJM could arrange to have all of the
22 profits lifted out of its LLC and shipped to an
23 offshore account and claim they're not making any
24 money.

25 We have to cut through affiliate

1 arrangements to understand what the full economic
2 value of a plant is. How it sits on the income
3 statement of the particular utility cannot drive what
4 the fundamental economic value of these resources
5 should be.

6 Q. So is it your understanding that the AEP
7 pool agreement for these -- for AEP Ohio and the
8 other affiliates in the eastern portion of AEP is an
9 agreement that is approved or has been approved by
10 the FERC?

11 A. It is my understanding that has been
12 approved by the FERC, yes.

13 Q. And --

14 A. Nonethe --

15 Q. Let me -- I'm sorry, go ahead.

16 A. Nonetheless, what I'm saying is it's only
17 a portion of the economic value of the output. I'm
18 talking about the economic value of the output. I
19 understand you have income statements and those flow
20 through however they do, but that doesn't change the
21 economic value of the units.

22 Q. I would just like to focus your attention
23 on the portion of your testimony where you deal with
24 this energy credit issue --

25 A. I'm reading --

1 Q. -- on pages 22 and 23.

2 A. And I just read exactly that, I said
3 "AEP Ohio's calculation of \$3 per megawatt-hour
4 reflects only a small portion of the economic value
5 of the output of AEP Ohio's fleet."

6 So I am talking about the economic value
7 as opposed to the accounting value that you are
8 trying to impose in this case.

9 Q. And you're relying upon Mr. Frame's
10 testimony for your testimony on that point?

11 A. I'm relying on my general understanding
12 of Mr. Frame's testimony. He and I have not actually
13 discussed this particular point.

14 Q. Now, again, just to be clear, you think
15 that, either based on your views or based on
16 Mr. Frame's views, that instead of the sharing that
17 the pooling agreement provides for energy margins,
18 that sharing, instead of doing the sharing, the share
19 provision should be disregarded and a hundred percent
20 of the margin should be considered for purposes of an
21 energy credit, right?

22 A. Yes.

23 Q. Okay. And you don't know whether the
24 pooling agreement provides for capacity cost payments
25 from the affiliates to AEP Ohio, right?

1 A. That's fair.

2 Q. So you don't know whether the \$355.72
3 value might reflect already offsets from capacity
4 payments from the other affiliates pursuant to the
5 pooling agreement, right?

6 A. Correct; I would refer you to Mr. Frame
7 for questions about that.

8 Q. And if there were such payments being
9 made, you wouldn't know whether or not those
10 payments, those capacity payments, would offset in
11 part or in whole the 60 percent of the margins that
12 you believe should not be shared under the -- or,
13 should be incorporated into the energy credit.

14 A. That's correct, I have not made that
15 calculation. But, again, I would say the
16 continuation of that section of the testimony very
17 clearly makes a core point. You continue to
18 calculate, or Mr. Allen continues to calculate, the
19 energy credit based solely on off-system sales; that
20 is incorrect.

21 That it is -- the only way we can examine
22 the economic value of 1 megawatt of capacity is, as I
23 state on page 23 starting at line 3, "The relevant
24 point is the earnings from selling energy generated
25 by one additional megawatt of AEP Ohio's fleet at PJM

1 spot market prices...."

2 So it's not merely to be not diluted by
3 affiliate transfers, but to the extent that you are
4 only calculating off-system sales rather than sales
5 of energy to your bundled customers or nonshopping
6 customers, or sales of energy at some transfer price
7 to an affiliate, we are still coming up with an
8 incorrect energy credit compared to the economic
9 value of those incremental megawatts freed up when a
10 CRES provider is taking service of the capacity but
11 is responsible for buying its own energy at market
12 prices.

13 Q. Are you finished?

14 A. I am.

15 MR. CONWAY: Your Honor, I'd move to
16 strike everything after "That's correct, I have not
17 made that calculation." The rest of it was
18 nonresponsive.

19 MR. KUTIK: Your Honor, he was putting
20 his response in context. Witnesses throughout this
21 case so far have been allowed to do that and this
22 witness should be allowed to do that.

23 MR. CONWAY: Your Honor, if you would
24 please review the answer and make your judgment as to
25 whether or not that portion of the answer was

1 responsive, I'm then satisfied.

2 EXAMINER TAUBER: The motion to strike is
3 denied. The witness is able to provide context.

4 MR. CONWAY: Thank you.

5 Q. (By Mr. Conway) Now, Mr. Stoddard, I
6 believe you mentioned to me previously that your view
7 is the RPM price is the appropriate price to use for
8 purposes of the competitive benchmark price, the
9 MRO/ESP comparison and then the competitive benchmark
10 price that's part of that; is that right?

11 A. Yes.

12 Q. I want you to assume for me that the PUCO
13 concludes that the price for capacity should be set
14 at the \$355.72 per megawatt-day level that AEP Ohio
15 is recommending, all right?

16 A. For clarification, do you mean in the
17 capacity case, 10-2929?

18 Q. Yes.

19 A. Thank you.

20 Q. Thank you.

21 With that clarification, would you agree
22 that in that event that the price for capacity that
23 is used in a competitive benchmark price should be
24 that \$355.72 megawatt per day price?

25 A. No.

1 Q. You think it should still be RPM?

2 A. Yes. As Mr. Graves testified on Monday,
3 if there were actually a competitive solicitation,
4 such as is contemplated in Ohio statutes, the price
5 for capacity that competitive suppliers would include
6 would be based on their cost of buying capacity,
7 which is the market price which is the RPM price.

8 So the state compensation mechanism
9 describes how shopping customers are charged, it does
10 not say anything about how nonshopping customers are
11 charged. The tariff -- the statute says that under a
12 market rate option, AEP Ohio would be conducting a
13 competitive solicitation for energy and capacity and
14 then passing through in that rate the results of that
15 energy and capacity auction.

16 The state compensation mechanism, which
17 may be charging 355.72 to shopping customers doesn't
18 govern what prices the nonshopping solicitation
19 described in law would produce; that by contrast
20 would produce market prices based on RPM prices.

21 Q. Let me follow up on that. Assume for me
22 that the PUCO concludes that the price for capacity
23 should be set at the two tier levels, the 146 or
24 \$149, whichever it is, a megawatt-day, and the
25 \$255 per megawatt-day.

1 MR. KUTIK: Mr. Conway, I think your
2 microphone went. I'm sorry to interrupt your
3 question.

4 Q. Okay. Can you hear me?

5 A. Yes, sir.

6 Q. Thank you.

7 Let me follow up on the prior question.
8 Assume for me that the PUCO concludes that the price
9 for capacity to CRES providers should be set at the
10 two tier levels, the \$146 or \$149, whichever it is --

11 A. 146.

12 Q. -- per megawatt-day and the \$255 per
13 megawatt-day, okay? Assume that for me, all right?

14 A. I have that in mind.

15 Q. In that event would you also be of the
16 position that, with regard to the competitive
17 benchmark price, the RPM level of pricing should be
18 used for the same reasons that you just prior --

19 A. Yes.

20 Q. -- provided?

21 A. My answer would be unchanged. Excuse me,
22 my prior answer would be unchanged.

23 Q. Mr. Stoddard, what's your understanding
24 of the rate regulation the PUCO provides for pricing
25 by CRES providers? Do you have an understanding?

1 A. No.

2 Q. You don't know whether the PUCO exercises
3 any pricing authority with regard to CRES provider
4 prices?

5 A. I do not know the relevant regulations
6 for PUCO regulation of CRES providers' offers.

7 Q. Do you know whether the PUCO approves the
8 CRES providers' prices?

9 A. I believe they do not.

10 Q. Do you know whether or not CRES providers
11 are required to file tariffs whether, or not the
12 pricing is regulated, that specify their prices?

13 A. I don't know whether they have to make
14 any informational filings, no.

15 Q. Or any tariff filings.

16 A. I'm sure they don't have to make a tariff
17 filing. At most it would be an informational filing.

18 Q. I want to turn to page 28 again -- I
19 think it's again -- in the question in the middle of
20 the page you indicate that AEP Ohio would not lose
21 money if -- the question and answer in the middle of
22 the page, you indicate that AEP Ohio would not lose
23 money if it made capacity sales at a price below the
24 \$355 per megawatt-day level, right?

25 A. That's correct. By that what I mean by

1 not losing money is it would generate a positive
2 contribution margin, positive cash flow relative to
3 not selling it and taking the unit out of service.
4 Whether that generates a rate of return that AEP Ohio
5 would like to be earning is a wholly different
6 question.

7 Q. So whether or not it would result in a
8 return that AEP Ohio would like to earn or whether or
9 not it produces a return that's inadequate, that's a
10 different question.

11 A. That's correct. It would earn a positive
12 contribution to cash flow.

13 Q. Let me ask you a follow-up --

14 MR. KUTIK: I'm sorry. Had you finished
15 your answer?

16 THE WITNESS: Yes.

17 MR. CONWAY: I'm sorry.

18 Q. Let me ask you just a few follow-up
19 questions on that.

20 Just to be clear, at lines 12 through 13
21 in the response to the question that we were just
22 talking about, the answer to which is "No" on line
23 12, that AEP Ohio wouldn't lose money on capacity
24 sales at prices below the \$355 level, you go on to
25 state that "...pricing capacity at a price that would

1 actually clear in the RPM market would increase
2 AEP Ohio's net revenue." Do you see that?

3 A. That's correct.

4 Q. And by "a price that would actually
5 clear," you're referring to the RPM price, right?

6 A. I am.

7 Q. And when you say charging the RPM price
8 would increase AEP Ohio's net revenues, do you
9 mean -- maybe you've already answered this -- but do
10 you mean that AEP Ohio would collect more revenue
11 than if it did not sell the capacity?

12 A. So the two states of the world I'm
13 thinking about are one where AEP keeps the capacity
14 operable and sells the capacity and energy from that
15 resource. In the alternative, it deactivates the
16 resource for the year and sells neither capacity nor
17 energy from the resource.

18 And my calculations show that at any
19 price, frankly at any price, any capacity price,
20 AEP Ohio is better off, at least on a fleet-wide
21 basis, keeping the unit activated, earning what it
22 can on energy and capacity rather than shutting it
23 down.

24 Q. So you're saying that by charging RPM for
25 the capacity, AEP would have net revenue that's

1 greater than if it withdrew the capacity from the
2 market, right?

3 A. Correct. From all markets.

4 Q. So in a nutshell you're saying that
5 selling at the RPM price would be better than
6 nothing, right?

7 A. Even stronger than that; not really
8 better than nothing, it is additional positive
9 contribution margin to the company.

10 Q. And then at lines 17 to 18 where you
11 state that "Any revenues that AEP Ohio can realize
12 from the sale of capacity contribute to covering the
13 sunk costs," again RPM, no matter how low it is, is
14 better than nothing, right?

15 A. Well, yes, and more to the point, it is
16 the market value of the resource. It's not you're
17 being forced to sell it to PJM, that alternatives you
18 have are to sell it to MISO or to sell it down to
19 TVA. There are market options you have for that
20 capacity.

21 Q. At lines 18 to 20 you state that, quote:
22 Even if AEP Ohio were to charge nothing at all for
23 its capacity, it would not be economically rational
24 for it to retire any units other than those
25 identified already by the Company. Do you see that?

1 A. I do.

2 Q. And are you suggesting there that if the
3 RPM price does signal AEP Ohio to retire additional
4 generating units beyond those that have already been
5 identified, at that juncture a price higher than RPM
6 would be appropriate?

7 A. No, because in that case there are lower
8 cost market alternatives to, rather than continuing
9 to rely on the company's internal resources, and by
10 prudent practice, especially considering that we're
11 now outside of a period where AEP Ohio is -- would
12 own those resources, by hypothesis we're out past
13 2015, then -- or certainly past 2014, you know,
14 AEP Ohio should be buying capacity from the
15 least-cost provider, whether that be AEP Generation
16 Resources or Exelon or anyone else in the PJM
17 footprint.

18 Q. Now, going back to the FRR alternative
19 and comparison to the RPM auction process, is it
20 correct that a decision to designate a generation
21 resource as a resource that fulfills the FRR
22 obligation would be made before the RPM auction for a
23 given planning year?

24 MR. KUTIK: May I have the question read,
25 please, your Honor?

1 EXAMINER TAUBER: Yes.

2 (Record read.)

3 A. Yes. Let me try to state that exactly.
4 The FRR entity needs to file the FRR capacity plan
5 prior to the base residual auction for the planning
6 year. And that plan collectively, with the resources
7 offered into it, fulfills the resource requirements
8 set forth in the FRR entity by PJM.

9 Q. So would you agree that the FRR
10 commitment for a particular generating resource --
11 generation resource would be made before the
12 generation resource owners -- owner could decide
13 whether to bid the resource into the RPM auction?

14 A. Yes. Having made the FRR alternative
15 election, you are -- having collectively made the
16 decision before you see the prices what general
17 method you want to use to meet your RPM obligations,
18 auction or self-supply.

19 Q. And once a generation resource is
20 committed to the fixed resource requirement
21 obligation, the generator can't bid that resource
22 into the RPM auction after that, right?

23 A. That's correct.

24 Q. Okay. And under the fixed resource
25 requirement alternative, the entity has to keep

1 capacity available for the potential maximum needs of
2 customers in its area, right?

3 A. Well, it has to maintain a capacity
4 margin as determined by PJM. PJM, in setting that
5 capacity margin, is looking at a peak load plus a
6 reserve requirement that it is possible, at least
7 that there could be an unexpectedly high realized
8 load, but the intention generally is as you suggest.

9 Q. But the FRR entity's obligation is to
10 ensure that it has sufficient capacity to serve all
11 the loads that are -- that are connected to its
12 distribution facilities, right?

13 A. Yeah, let me try -- I think we're going
14 to the same place but let me state it clearly. The
15 FRR entity has the responsibility for the reserve
16 requirement for all interconnected load.

17 Q. And, again, it can't take the capacity
18 that it has committed to the FRR obligation and sell
19 it into the wholesale market thereafter, right?

20 A. No. That's not true. It can't sell it
21 into the PJM RPM market. There's no prohibition,
22 however, if you were to take a -- let's take a
23 hypothetical so we can walk through it clearly.

24 AEP Ohio designated a particular unit in
25 its original capacity plan. In a revision of the

1 capacity plan, which is allowed and contemplated
2 under the RAA, that resource is taken out of the plan
3 and a different resource put in.

4 That first, the original resource cannot
5 be bid back into the RPM market. It could, however,
6 be sold to a Midwest ISO entity, it could be sold to
7 another FRR entity within PJM, it could be exported
8 to any other neighboring region to which it can
9 secure transmission access.

10 So it's not taken out of the wholesale
11 market, it's merely taken out of the RPM auction
12 construct.

13 Q. So assume for me that there isn't any
14 substitution of generating units after the original
15 commitment, but the original lineup of generating
16 units that was committed originally remains the
17 lineup. Would you agree in that scenario that the
18 capacity committed pursuant to that lineup into FRR
19 could not be, then, sold into the wholesale market?

20 A. Sure. And that's a parallel restriction;
21 if Exelon were to sell a resource in a base residual
22 auction, it can't reoffer that and try to resell it
23 again into an incremental auction, or try to export
24 that capacity outside of PJM, that capacity is
25 already committed to PJM.

1 Q. And -- are you done?

2 A. I am, sir.

3 Q. Okay. And then under the RPM construct
4 the participants, they can decide whether to bid or
5 not to bid generating units into the auction on an
6 annual basis, right?

7 A. That's true with restrictions that we've
8 discussed in the 2929 case, that there are market
9 power mitigations that you can't just arbitrarily
10 choose not to bid a resource into the market, that
11 has to be subject to review by the market monitor and
12 potentially subject to a price capping report.

13 Q. Are you done?

14 A. Yes, sir.

15 Q. And then with regard to resources that
16 participants in the RPM auction do decide to bid into
17 the market, the participants, they decide at what
18 price they will bid the capacity resources in at,
19 right?

20 A. As a general matter subject to the market
21 mitigation measures that may be imposed on them.

22 Q. And subject to that qualification, under
23 RPM a generator can bid a capacity resource in at a
24 price that's higher than the clearing price and, if
25 that happens and it doesn't clear, the generator may

1 retire the resource, right?

2 A. That's correct. Again, subject to
3 fulfilling the other pieces of the PJM retirement
4 process. There's a reliability check and other
5 matters.

6 Q. I think it's at page 27 of your
7 testimony, you detail the capacity rates that the
8 FirstEnergy Ohio utilities charge CRES providers, in
9 the middle of the page. Do you see that?

10 A. I do.

11 Q. And the purpose of this aspect of your
12 testimony is to provide some context or proportion
13 for what other FRR entities charge for capacity; is
14 that right?

15 A. Yes, and to demonstrate, once again, the
16 stability of the pricing that comes out of the PJM
17 auction process.

18 Q. Let me ask about that, the stability that
19 comes out of the auction process. Are you familiar
20 with the auction results for the 2015-2016 base
21 residual auction for PJM?

22 A. Yes, sir.

23 Q. And are you familiar with, have you
24 reviewed PJM's report of the results of the 2015-2016
25 RPM base residual auction?

1 A. Yes.

2 MR. CONWAY: Your Honor, may I approach,
3 please?

4 EXAMINER TAUBER: You may.

5 MR. CONWAY: I'd like to mark as AEP Ohio
6 Exhibit, I think I'm at 119, but if you can confirm
7 that for me.

8 EXAMINER SEE: I have 117.

9 MR. CONWAY: I'm sorry, you're right.
10 117. I'm sorry.

11 I'd like to mark as AEP Ohio Exhibit 117
12 the report of the 2015-'16 RPM base residual auction
13 results by PJM, which I believe was issued on Friday
14 of last week.

15 EXAMINER TAUBER: It shall be so marked.

16 (EXHIBIT MARKED FOR IDENTIFICATION.)

17 MR. DARR: Do you have any additional
18 copies?

19 MS. KINGERY: We need two more over here.

20 MR. CONWAY: Oh, I'm sorry.

21 Q. (By Mr. Conway) Mr. Stoddard, did you say
22 that you have reviewed this document?

23 A. Yes, I have.

24 Q. And you're aware that --

25 MR. KUTIK: Your Honor, I wonder if we

1 might have some foundation with respect to this
2 document.

3 MR. CONWAY: Well, I think I just asked
4 him if he reviewed it, whether he's familiar with it.

5 EXAMINER TAUBER: Mr. Stoddard said he's
6 reviewed the document.

7 MR. KUTIK: Yes, but we don't know what
8 it is.

9 Q. Mr. Stoddard, could you take a moment to
10 review the document that I've marked as AEP Ohio
11 Exhibit 117 and then tell me what it is.

12 A. Yes. I've reviewed the document. This
13 was posted by PJM on its website last Friday, the
14 18th, and it provides a summary of the 2015-2016
15 RPM base residual auction results.

16 Q. And is this a copy of what you indicated
17 previously that you were familiar with and had
18 reviewed?

19 A. Yes, it appears to be so.

20 Q. With regard to the base residual auction,
21 the results of which have been made public, what is
22 the price that cleared in that auction for the
23 portion of PJM in which AEP Ohio resides?

24 A. The AEP Ohio price for 2015-'16 is \$136 a
25 megawatt-day.

1 Q. And is that -- are there any scaling
2 factors or other adjustments that will be applied to
3 that price before the final price is determined?

4 A. Yes. That's the price that will be paid
5 to resources. That will be scaled up to result in a
6 final load price once all the results of the
7 incremental auctions are known.

8 Q. And do you have any understanding or
9 estimate of what that final number will be?

10 A. I haven't attempted to make that
11 adjustment. It tends to be 10 to 20 percent higher
12 owing to losses and the allocation of the reserve
13 margin to a smaller number of megawatts of load.

14 Q. And then outside of the -- or, aside from
15 the price that cleared in the area of PJM where
16 AEP Ohio resides, were there other clearing prices
17 that the auction produced?

18 A. Yes.

19 Q. For other areas?

20 A. Yes. There are two locational delivery
21 areas that had a locational adder. First is the MAAC
22 area, which is the Mid-Atlantic region, generally
23 speaking, the eastern part of PJM. The clearing
24 price in that region was \$167.46 a megawatt-day.

25 The only outlier, here I'm simply going

1 to quote the report, I'm on page 28, "The only
2 outlier is the ATSI LDA which experienced a large
3 concentration of generation retirements and resulting
4 transmission constraints with relatively little lead
5 time for new resources to make entry decisions
6 coupled with the need for retrofits at existing coal
7 units resulting in much higher prices than last year.
8 ATSI cleared with the RTO last year \$125.95 a
9 megawatt-day but Annual Resource this year cleared at
10 \$357 a megawatt-day."

11 Q. And what is your understanding with
12 regard to that price as to whether or not there will
13 be any scaling factors applied to it which will
14 increase or decrease it?

15 A. Well, there will be two factors applied
16 to that number. That is the price that a resource
17 internal to ATSI will be paid. Customers inside that
18 zone, though, buy some of their capacity from
19 resources internal to the ATSI zone and they also
20 import some capacity from the lower-price RTO zone.

21 So there will be an allocation of
22 capacity transfer rate value to all of the
23 load-serving entities in the ATSI zone which will
24 reduce the load price below 357. I believe the
25 preliminary number is on the order of \$294.

1 The 294, however, will be subject to the
2 same sort of scaling factors that we discussed with
3 the rest of the pool number to increase that by 10 to
4 20 percent.

5 Q. Could you explain how it is that the
6 clearing price in the portion of the RTO where
7 AEP Ohio resides is at \$136, roughly, and at the same
8 time in the ATSI zone the price cleared at \$357, if
9 you haven't already explained that?

10 A. Well, the explanation that PJM provides
11 is I think full and accurate, that more generation
12 owners in the ATSI zone facing the new challenges of
13 the EPA regulations that have been finalized and
14 promulgated in the last year made a decision that
15 they either needed a high price to retrofit their
16 units to meet those new regulations or simply could
17 not afford to keep those units in operation, given
18 those new environmental regulations.

19 So they offered in prices reviewed by the
20 market monitor to reflect those higher costs imposed
21 by regulatory regime changes.

22 Apparently, given the results of the
23 auction, the ATSI zone was much more severely
24 affected than the AEP zone, and primarily this
25 resulted because of the transmission linkages.

1 The RTO zone is well connected, the ATSI
2 zone is less strongly tied by transmission, and even
3 though the FirstEnergy utilities have offered
4 substantial upgrades to their transmission capacity,
5 there is still a strong need for internal resources,
6 the most cost-effective internal resources -- which,
7 by the way, were demand response resources --
8 resulted in a clearing price well above the cost of
9 efficient units needed to meet load needs here in the
10 unconstrained, well-connected part of the PJM zone.

11 Q. Would you say that the principal factors
12 that led to the disparity in the clearing prices is
13 that in the case of the ATSI zone there were
14 retirements of generating units within the zone and
15 there were simultaneously constraints on the ability
16 to bring in resources from outside the zone because
17 of the condition of the transmission
18 interconnections?

19 A. Yes. That's consistent with what the
20 section of the report that I read into the record.

21 Q. Do you know whether there were any
22 resources bid into the ATSI zone portion of the RPM
23 BRA that were offered at prices above the \$357?

24 A. Yes. It's my understanding that
25 FirstEnergy offered at least one resource, a

1 fossil-fired resource, that did not clear.

2 Q. And when you say "FirstEnergy," do you
3 mean FirstEnergy Solutions or some other aspect of --

4 A. I believe it's FirstEnergy Solutions.

5 Q. Okay. And then were there any combustion
6 turbines bid in at a price above the clearing price?

7 A. I am not sure what the technology of the
8 units not cleared was.

9 Q. But in any event, if a unit doesn't
10 clear, if it's bid in and it doesn't clear, it must
11 be because it was bid in at above the clearing price,
12 right?

13 A. That's correct.

14 Q. And for resources that don't clear, the
15 owner then has the -- excuse me -- the owner doesn't
16 have to commit these resources to the provision of
17 capacity for the RTO, correct?

18 A. That's right. If you don't clear in the
19 base residual auction, you don't have a capacity
20 supply obligation. Obviously, a new unit that
21 doesn't clear is unlikely to be built at all.

22 Q. Now, on the other hand, under the fixed
23 resource requirement, the generator doesn't have the
24 option to walk away; once it commits a generating
25 resource, it's committed for the five-year period,

1 right.

2 A. No.

3 Q. Assuming that there's no substitution.

4 A. You're assuming away the answer. Yes,
5 you have the option. You simply have to find an
6 equal and equivalent number of megawatts from other
7 resources rather than operating the resources you've
8 previously designated.

9 So if you take away the substitution,
10 you're taking away exactly the mechanism by which
11 AEP Ohio has been given the ability to manage risk
12 outages or expensive upgrades or other things that it
13 might have to do.

14 You always have the option of before the
15 base residual auction occurs deciding that your units
16 are not economic and replacing those with market
17 purchases and then proceeding on an orderly shutdown
18 of the resources you had previously designated.

19 Q. So regardless of whether or not
20 substitution occurs, the FRR entity is committed to
21 bringing to the service area a particular level of
22 capacity resources, right?

23 A. Yes. You have exchanged, as an FRR
24 entity you've exchanged price and quantity
25 uncertainty, you now have a fixed quality you have to

1 bring, whereas under the RPM design there's a
2 variable quality that can clear the market. What you
3 don't have is the clarity about the price.

4 Q. And if there is a substitution that
5 occurs, is there a financial impact to the FRR entity
6 making the substitution?

7 A. Potentially, and it could go either way.
8 If you had designated a unit to operate through a
9 time period when there's a change in regulation and
10 you would have had to spend tens or hundreds of
11 millions of dollars retrofitting that unit, but
12 instead you can make a market purchase from a more
13 efficient resource, it would be a positive benefit to
14 the company.

15 On the other hand, if a resource of yours
16 that you had designated is on an extended outage and
17 you have to buy another resource that may be more
18 expensive to you, it could be a negative financial
19 outcome.

20 MR. CONWAY: Your Honor, could I have
21 just a minute or two?

22 EXAMINER TAUBER: Yeah, you may. Let's
23 take a brief recess. Let's go off the record.

24 (Recess taken.)

25 EXAMINER TAUBER: Let's go back on the

1 record.

2 Mr. Conway.

3 MR. CONWAY: Thank you, your Honor. I
4 have no more questions.

5 EXAMINER TAUBER: Thank you.

6 Mr. Kutik.

7 MR. KUTIK: Yes, your Honor.

8 - - -

9 REDIRECT EXAMINATION

10 By Mr. Kutik:

11 Q. Mr. Stoddard, you had some discussion
12 with Mr. Conway about this notion of a negative
13 avoidable cost for AEP Ohio's generation units. Are
14 you recommending that that's the cost that the
15 Commission should assign to them?

16 A. No, sir. The fact that AEP Ohio is cash
17 positive on these units without a capacity payment
18 doesn't mean they shouldn't receive a capacity
19 payment. They should receive the market capacity
20 payment, which is to say, you know, an average of
21 about \$75 over the course of the three years.

22 Q. Now, I just want to talk to you a little
23 about how the RPM base residual auction and
24 incremental auction process works where you have an
25 avoidable cost that's negative. What's the market

1 cap?

2 A. In that case zero is the market cap.

3 Q. And if the market cap is zero, does that
4 mean that the bid for that unit into the auction
5 would be -- what price?

6 A. Well, they would offer it at zero, but if
7 the -- you know, would then clear, then it would be
8 paid the clearing price of the auction.

9 Q. Let me change topics. You had some
10 discussion with Mr. Conway about the notion of the
11 economic value of a megawatt-hour with respect to
12 shopped load. Do you remember that?

13 A. I do.

14 Q. Are your views informed by any particular
15 source?

16 A. Yes. I am using the same construct for
17 economic value that is found in the PJM tariff, which
18 is to say their calculation is independent of
19 contractual arrangements, independent of a particular
20 retail rate setting, it's the wholesale value of the
21 energy being produced from the resource net of its
22 incremental cost of production.

23 Q. You had some questions from Mr. Conway
24 about financial impacts, and I think there was a
25 question -- not I think, there was a question about

1 return on equity. Do wholesale suppliers have any --
2 or, do wholesale suppliers, are their prices set in
3 reference to a return on equity?

4 A. No, they're not.

5 Q. And for CRES providers, are their prices
6 set in reference to a return on equity?

7 A. Certainly not the capacity price they can
8 charge.

9 Q. You also had some discussion with
10 Mr. Conway about RPM, folks that participate in RPM
11 not in the FRR alternative and folks that participate
12 in the RPM process as part of the FRR alternative.
13 If one is not owning an FRR alternative covered
14 facility --

15 A. Yes.

16 Q. -- that's existing, does one have an
17 obligation with respect to the RPM process?

18 A. Yes. Section 6 of Attachment DD of the
19 PJM tariff sets forth a must-offer obligation that
20 unless you have a bilateral contract for your
21 resource or your resource is being part of an FRR
22 capacity plan, or you have filed to deactivate the
23 unit, you have an obligation to offer that unit into
24 the base residual auction and every subsequent
25 auction of the PJM RPM process.

1 Q. Mr. Conway also talked to you about
2 certain facets of the FRR obligation. Is there
3 anything in your view in the nature of the FRR
4 obligation or what it contains that justifies
5 charging for capacity on an embedded cost basis?

6 A. No. The FRR structure was intended as a
7 limited carve-out for the regulatory convenience of a
8 few entities, if anyone at all wanted to take it.
9 Had the FRR contemplated a mechanism for any
10 regulated company to get its embedded cost, rather
11 than the market cost, it would have become the
12 exception that swallowed the whole.

13 Why would any participant choose a market
14 process when they could choose a nonmarket process
15 that could guarantee rates of return. That wasn't
16 the intention. The intention was to create an RPM
17 process that was by and large driven by the market
18 where we can see market pricing and achieve
19 liquidity.

20 As a result there's only one entity that
21 originally chose the FRR process; AEP.

22 Q. You also had some discussion with
23 Mr. Conway about the various prices that have cleared
24 in the base residual auction for the last couple of
25 delivery years as well as the prices that have

1 cleared the base residual auction for the delivery
2 year 2015 and 2016, and we've seen values in
3 2011-2012 of 110; 2012-2013, over \$16; 2013-2014, in
4 the \$20 range, \$27; 2515-2016, 125-plus; and then the
5 values that you cited for 2015-2016. You also talked
6 about stability.

7 How do you reconcile those prices that I
8 just described to you with the notion of stability in
9 the market?

10 A. What I attempted to emphasize in my
11 discussion with Mr. Conway was the stability of the
12 framework. People understand how the market will
13 work, how it will react to the need for new capacity.

14 When the process shows the market
15 conditions are ample and there's a large amount of
16 capacity available at low prices, at low cost, then
17 that reflects itself in low prices. When there's a
18 capacity deficit or we are driving toward a capacity
19 shortfall, prices rise to reflect the greater
20 scarcity of that capacity.

21 That process worked exactly as we would
22 expect in the conditions we saw in ATSI, that we went
23 from a condition where we have ample resources to a
24 condition where resources needed to retire because of
25 regulatory changes, and the price reflected that and

1 the price attracted new efficient resources to the
2 market to serve the need and led to the exit of more
3 costly, inefficient resources from the market.

4 We have an exchange of resources that
5 could have required expensive retrofits for much more
6 cost-effective demand response. The market worked
7 exactly as desired, but in order to achieve that, the
8 price had to be driven up to a point to bring those
9 new resources into the market to serve the
10 reliability needs in that zone.

11 MR. KUTIK: Thank you.

12 Your Honor, I have no further questions.

13 EXAMINER TAUBER: Thank you.

14 Mr. Serio, any questions on recross?

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

16 EXAMINER TAUBER: Mr. Maskovyak?

17 MR. MASKOVYAK: No, thank you, your
18 Honor.

19 EXAMINER TAUBER: Mr. Darr?

20 MR. DARR: No, your Honor.

21 EXAMINER TAUBER: Ms. McAlister?

22 MS. McALISTER: No questions, thank you.

23 EXAMINER TAUBER: Mr. Sugarman?

24 MR. SUGARMAN: No, your Honor. Thank
25 you.

1 EXAMINER TAUBER: Mr. Yurick?

2 MR. YURICK: No questions, thank you.

3 EXAMINER TAUBER: Mr. Barnowski?

4 MR. BARNOWSKI: No, your Honor.

5 EXAMINER TAUBER: Ms. Kaleps-Clark?

6 MS. KALEPS-CLARK: No, your Honor.

7 EXAMINER TAUBER: Mr. Haque?

8 MR. HAQUE: No, your Honor.

9 EXAMINER TAUBER: Mr. O'Brien?

10 MR. O'BRIEN: No questions, your Honor.

11 EXAMINER TAUBER: Mr. Margard?

12 MR. MARGARD: No, thank you, your Honor.

13 EXAMINER TAUBER: Mr. Stinson?

14 MR. STINSON: No, your Honor.

15 EXAMINER TAUBER: Mr. Conway?

16 - - -

17 RECROSS-EXAMINATION

18 By Mr. Conway:

19 Q. Mr. Stoddard, at the outset of the
20 redirect exam you made a point about -- with regard
21 to the negative avoidable cost rate being cash
22 positive, do you remember that?

23 A. Yes.

24 Q. And by "cash positive" you mean that the
25 negative avoidable cost rate still results in

1 additional -- I guess that's a question: What did
2 you mean by "cash positive"?

3 A. Cash positive means that the earnings
4 from the plant for the sale of energy and ancillary
5 services when those are marked to wholesale market
6 prices exceed the cost of fuel and variable operating
7 equipment, and contribute to the fixed costs of
8 operating that plant.

9 Q. Okay. So if it contributes \$1 to the
10 fixed cost, then it's cash positive, right?

11 A. Yes, sir.

12 Q. Okay. And do you recall the questions
13 regarding the role of an ROE and pricing by, I think
14 it was involving competitive wholesale transactions?

15 A. Yes, I have those in mind.

16 Q. When an entity develops a price for a
17 wholesale transaction, would it be common for it to
18 include within its analysis that it uses to arrive at
19 a price an ROE component?

20 A. No. Not when we're talking about an
21 annual contract for, say, power. The wonderful thing
22 about competitive markets is you don't get to sort of
23 choose what price you want to sell things at.

24 A good friend of mine's father is a wheat
25 farmer in Kansas. He can decide whether or not he

1 wants to sell the wheat when the price falls, but he
2 can't go and deliver it to the wholesaler and say
3 here's how much you're going to pay me. That's not
4 how competitive markets work.

5 When a competitive supplier is thinking
6 about selling its power under contract, it's looking
7 at what its costs will be and it's hoping to achieve
8 a high rate, just like my friend's wheat's hopefully
9 going to sell for a high price, but you can't walk in
10 and say here's my price, take it or leave it, and
11 expect they're going to take it.

12 You always have to temper your
13 expectations by the market prices, and if you deviate
14 far from the market prices, they're going to leave it
15 when you put it on the table, if they can. And
16 that's one of the interesting problems of this case
17 is that the competitive suppliers here actually
18 aren't in the position of walking away.

19 Q. When the generation resource owner is
20 making a decision to actually develop the resource,
21 at that point would the resource developer and
22 then-owner include in its calculations about whether
23 or not to go forward with the project, include an ROE
24 in its analysis?

25 A. Absolutely.

1 Q. Okay. You had a question or two
2 regarding, on redirect, regarding the stability of
3 the pricing in the ATSI area of the RTO. Do you
4 remember that?

5 A. I do.

6 Q. And -- well, first question, is AEP going
7 to be able -- AEP Ohio going to be able to repurpose
8 any of its generation to the ATSI zone in 2015-'16 to
9 supply capacity?

10 A. I don't think that there is any way you
11 can run a generator lead up to the ATSI zone during
12 that timeframe, which is really why the price isn't
13 relevant for discussion in this docket.

14 Q. And you mentioned that the RPM pricing
15 for the ATSI zone is behaving exact -- my word, but I
16 got from your discussion, in a manner that you would
17 expect that as the need for resources increases, the
18 price goes up, and as the resource level becomes more
19 ample, the price goes down. Do you recall that?

20 A. That's a fair characterization.

21 Q. Okay. With regard to an FRR entity,
22 there is no -- during the period that it's committed
23 to be an FRR entity, there is no quantity risk that
24 occurs, is there? The FRR entity makes its
25 commitment and then it follows through on it, right?

1 A. That's correct.

2 Q. Okay.

3 MR. CONWAY: Your Honor, that's all I
4 have.

5 EXAMINER TAUBER: Thank you.

6 Commissioner Porter.

7 COMMISSIONER PORTER: Sure.

8 - - -

9 EXAMINATION

10 By Commissioner Porter:

11 Q. Mr. Stoddard, thanks for appearing today.

12 From your testimony, your written
13 testimony and the exchanges that you've had with
14 counsel on cross and again on redirect, it seems as
15 if you're generally familiar with the base residual
16 auction and the recent results of the -- the recent
17 RPM prices for the 2015-2016 delivery period.

18 A. Yes, sir.

19 Q. Okay. I just want to explore a few
20 concepts related to that regarding prices in the ATSI
21 zone and the events that -- at least your
22 understanding of events that led to that price for
23 the 2015-2016 period.

24 As I understand it, I believe it's a
25 357 -- 357 per megawatt-day price or similar to that

1 number, 357.

2 A. Yeah.

3 Q. Okay.

4 A. 357 is the price that resources in that
5 zone will be paid. Customers will get a credit back,
6 though, since they don't buy all of their resources
7 inside the ATSI zone; there's a fraction that they
8 can buy at the lower cost and that will dilute the
9 price to them, probably the final zonal price will be
10 somewhere in the order of 320.

11 Q. Gotcha.

12 Okay, well, let me start at the
13 beginning. So the ATSI zone is a new zone that was
14 created by PJM to allow for new prices with the
15 2015-2016 delivery period. Was that the purpose of
16 the creation of the -- well, why don't you tell me
17 your understanding of the purpose of the creation of
18 the ATSI zone.

19 A. Thanks. Each utility is technically a
20 zone that is available to be created by PJM, so
21 technically AEP Ohio could be one. Each of the
22 transmission districts is technically an LDA.

23 And that would allow price separation
24 between these zones when transmission conditions and
25 delivery conditions are appropriate.

1 So when PJM, prior to the auction,
2 assessed the likely mix of resources and the likely
3 available transmission, it determined that the ATSI
4 zone and a few other zones were -- were at risk for
5 having a price separation, that is to say a higher
6 price would be needed to ensure that there were
7 enough resources clearing within the zone to meet the
8 requirements for zonal delivery.

9 Q. Okay. So I'd like to understand your
10 understanding of some of the factors that lead to the
11 need for the separation of this zone. Would
12 transmission -- would the limitation of the ability
13 to import energy into this new zone, would that be
14 one of the factors that would support the creation of
15 a new zone or the designation -- I'm sorry, so it's
16 not a designation of a new zone, but it would --
17 would transmission be one of the factors that would
18 support a different price within the zone?

19 A. Yes. The capacity transmission limit
20 into the zone, the CETL, is one of the important
21 factors in assessing whether a zone is separated or
22 not, can separate or not.

23 Q. Are you aware of transmission upgrades
24 that are also planned to coincide with this 2015-2016
25 delivery period or transmission upgrades that would

1 be on line or in operation by the 2015 timeframe?

2 A. I'm familiar that FE has put those into
3 the queue, about a billion dollars worth of
4 transmission.

5 Q. So when we talk about these import
6 limits, is it your understanding that the import
7 limits -- that the import numbers for this 2015-'16
8 delivery period were adjusted to reflect the new
9 transmission that's proposed or are the limits for
10 transmission import limits that would be prior to the
11 addition of these new transmission --

12 A. Commissioner, I do not know the answer to
13 that. It's an important question, but I don't know
14 the answer.

15 Q. Well, let's hypothetically, if it was the
16 case that the import limits included new transmission
17 that would be built by that point in time,
18 effectively there would be a greater ability to
19 import more into that --

20 A. That's correct.

21 Q. -- into this zone.

22 A. If, taking the hypothetical that PJM did
23 adjust the CETL values for the new transmission, if
24 that transmission had not been proposed, then there
25 would have been much higher prices in the ATSI zone

1 and there would have been fewer megawatts of imports
2 allowed to be treated in that.

3 So resulting in not only higher prices
4 for -- paid to resources, but also much higher prices
5 for consumers because they would not have benefited
6 as much from the available transmission.

7 Q. Okay. I just want to make sure I
8 understand that.

9 So an increase in the import capability
10 with a new transmission construction, this could be,
11 you know, lines or circuits or whatever it is, for
12 transmission. That new transmission ability would
13 lead -- would impact prices how? Would it decrease
14 prices?

15 Would it decrease -- when we're talking
16 about capacity price, decreased capacity prices that
17 may clear through the BRA, or would it result in a
18 higher capacity prices?

19 A. It will decrease the prices paid by
20 consumers in two important ways: First, it will
21 lower the amount of resources that have to be
22 obtained inside the ATSI zone. So, consequently,
23 they need to go less far up the supply stack to pick
24 up the resources they need. So the price -- the
25 clearing price paid to resources will be lower.

1 That's one effect.

2 The second effect is that the increased
3 transmission increases the number of capacity
4 transmission rights that are available to allocate to
5 ATSI zone load-serving entities. Each of those
6 rights is valuable and reduces the eventual price
7 that consumers pay.

8 So we have a lower clearing price, and we
9 can bring in more low-cost capacity from the rest of
10 the zone which further lowers the final price to pay
11 by customers.

12 Q. Okay, all right. So let's explore
13 another area that might also impact prices, before we
14 leave the zone discussion.

15 So what is your understanding of the
16 boundaries -- are you generally familiar with the
17 boundaries of this ATSI zone that was separated
18 through the BRA?

19 A. Yeah, subject to check, it's contiguous
20 with the service territory of the FirstEnergy Ohio
21 zone.

22 Q. So CEI and OE, and -- Ohio Edison,
23 Cleveland Electric Illuminating, and Toledo Edison.

24 A. That's correct.

25 Q. Okay. Do you have any understanding or

1 knowledge of where within those three distribution
2 utilities the reliability concerns that result from
3 the generation unit retirements actually exist?

4 A. I haven't studied that in any detail. I
5 have heard some discussions about the need to solve
6 areas in Cleveland in particular, but I haven't
7 studied those.

8 Q. Let's just say hypothetically that it is
9 Cleveland, that we're concerned about Cleveland.
10 Would it be your thought or understanding that if
11 there was a -- if there were the designation of only
12 a Cleveland zone -- and this would be through PJM --
13 PJM would go through a process of specifically
14 designating a Cleveland zone, that you would have the
15 rest of the ATSI zone which is within the Ohio
16 companies that you just mentioned, OE, TE, and CEI,
17 that they would have -- do you believe that they
18 would have remained as part of the rest of the RTO
19 for capacity prices in 2015-2016?

20 A. It's certainly possible, but I haven't
21 done a study. I can make a comparison, though, which
22 may be useful in thinking about this.

23 Early on we created -- actually at the
24 original outset we created two subzones in PJM; one
25 of them is the Southern Delmarva Peninsula, and the

1 other is the northern part of the public service,
2 which is the New Jersey utility, that zone. Because
3 we knew there were transmission constraints related
4 to each of those.

5 Those, in fact, did clear from time to
6 time at higher prices than the rest of the zone and
7 there were times, subject to check, that the PS price
8 for the southern part of its load --

9 Q. I'm sorry?

10 A. Public service of New Jersey. Public
11 Service Electric & Gas, PSE&G. But the southern part
12 of their area cleared with the MAAC zone while the
13 northern part had a separate price. So it's possible
14 that that could have happened with Cleveland. That's
15 a very fact-dependent question, though.

16 Q. And let's say that you had a Cleveland
17 zone that would be hypothetically a much smaller zone
18 than all of ATSI geographically or just a much
19 smaller land area. Would it be your thought, based
20 upon your understanding of how a BRA works, that
21 prices in this much smaller zone would be -- would
22 the prices possibly be much higher than what we saw
23 with the ATSI zone being at 357?

24 A. Yeah. It's entirely possible that if we
25 define a small enough zone like Cleveland, that the

1 prices could have cleared at the cap.

2 Q. Okay. Let's talk about timing of
3 generation announcements and how that impacted
4 pricing. So you're aware that there were multiple
5 generators who made announcements for retirements of
6 their units within that ATSI zone.

7 A. Yes.

8 Q. And those were made at various points in
9 time prior to the actual auction which was closed
10 last week.

11 A. Correct.

12 Q. Okay. In a perfect world,
13 hypothetically, tell me, you know, if you'd like to
14 see that there would be the most competitive result,
15 the most competitive auction with new generation
16 being bid into those auctions, you know, and just an
17 environment where it is simply understood that you
18 have a competitive place where people who like to and
19 who have the financial capability -- or, I'm sorry,
20 first who have the financial capability to bid in
21 would bid in, would you have a greater notice period
22 for retirement?

23 A. If by "known" you mean the gap between
24 the time when someone announces and the time when the
25 base residual auction occurs.

1 Q. Right. So a longer timeframe between the
2 90 days that's currently required and, you know, what
3 actually happened.

4 A. Both yes and no. I mean, there are a lot
5 of points to balance in that. On the one hand, if we
6 move that time back in time so there's a bigger
7 window, resource owners have less good information
8 about whether or not they're going to retire their
9 unit or not, and depending on how risk averse they
10 are and how much they have to figure out about the
11 market, how complex, how many moving pieces there
12 are, they may decide, well, I definitely will retire,
13 then as events actually unfold regret that.

14 So, you know, we're building potentially
15 very expensive replacement capacity for a resource
16 that would have been willing to stay given the actual
17 events unfolding. So in that sense having a longer
18 window can drive up consumer costs.

19 There's also the question about how the
20 market reacts and how long it takes to begin the
21 whole process of permitting and development needed to
22 come up with new resources. Given the time frames
23 for commercial development, I'm not sure that adding
24 30 or 60 days to that process buys you a lot.

25 What we're relying on really is

1 intelligent developers looking at situations and
2 saying, aha, I see problems. And they do exist, I've
3 literally gotten calls from developers saying we
4 would like to work with CRA to identify at-risk units
5 that haven't yet been announced so we can have
6 development ready to go when those units are there
7 and we can earn some real cash.

8 So people are thinking ahead of announced
9 auction results and that reliance on the action of
10 competition and of investors to look for and
11 anticipate potential profits I think is a more
12 effective check than trying to set a longer notice
13 period.

14 Q. Would it be useful to have additional
15 flexibility in the process such that, let me say
16 either useful or even possible practically to have
17 additional flexibility built into these notices that
18 generators provide such that you possibly further out
19 from, you know, for a greater, a larger amount of
20 time, an elongated period of time you provided notice
21 longer than the 90 days such that other generators
22 see that signal in the market and have the ability to
23 respond to it? And still giving you the flexibility
24 to avoid the higher prices.

25 A. Let me speculate about what a mechanism

1 could look like. That 180 days before the BRA you
2 could submit an advisory, you know, likely-to-retire
3 kind of notice so people can see it, but you don't
4 have to lock that in until the current 90 days.

5 I guess the challenge here is we're
6 talking about a very sophisticated group of investors
7 who are looking to build power plants. These are
8 people who make their living trying to find
9 opportunities and looking for places. I'm not really
10 sure that they need that.

11 They view as part of their competitive
12 advantage one against the other about identifying
13 potential problems before they happen and being
14 prepared to respond.

15 I mean, the ATSI price cleared where it
16 did, not because there was a lack of generation
17 available. There was at least one new resource
18 available that didn't clear. What it tells us is
19 that the prices for clearing a new resource in this
20 part of PJM are higher than \$357 a megawatt-day. If
21 you want to build a new gas-fired facility.

22 But that there are cheaper alternatives
23 to building new generation in the form of increasing
24 demand response, increasing energy efficiency, and
25 other ways of using the available resources more

1 intelligently and more effectively.

2 Q. Let me explore that. So you said there
3 was at least one new resource that did not clear.

4 A. That's correct.

5 Q. And the price for that new resource was
6 obviously higher than the 357.

7 A. Yes.

8 Q. What do you mean by that? So, as I
9 understand it, there's a net CONE, there's a net cost
10 of new entry, that's used by these new resources to
11 determine bidding prices.

12 A. Right.

13 Q. Are those new resources limited in any
14 way to submit bids at or near that net CONE number
15 which I understand to be \$358 and maybe 22 cents, or
16 can those new resources, is there flexibility for
17 those new resources to go below or above that net
18 CONE number?

19 A. Let me correct an answer I put on the
20 record before. The RPM auctions are designed to
21 minimize the cost to load and not to minimize the
22 price to load.

23 So it's entirely possible, and I don't
24 know the facts of the unit, it was an FES unit, I
25 don't know what that was, but say it was a large

1 unit. Let's suppose hypothetically it was a
2 600-megawatt unit, and FES said we'll either build it
3 or we won't.

4 So PJM was now facing a decision about
5 adding 600 megawatts of resources or possibly buying
6 20 megawatts of resources from DR. It's entirely
7 possible that you get to a cheaper overall total
8 bill, price times quantity, by allowing the price to
9 clear a little higher.

10 So it could be that the new resource was
11 offered in at something under 357, but that the way
12 to minimize total cost to consumers was to accept --
13 was to turn that one down and accept some slightly
14 higher -- a smaller quantity with slightly
15 higher-priced resources.

16 Q. Just before we leave that, a new
17 resource, this hypothetical new resource.
18 600-megawatt resource, could have bid below the 357.

19 A. Yes.

20 Q. Could have. And how far below the 357
21 could it have bid?

22 A. Kind of have to do the math on that
23 before we know, but it's not going to be far, far
24 below.

25 Q. You're familiar with a net CONE --

1 A. Yes.

2 Q. -- concept?

3 Is there that percentage off net CONE
4 that they're limited to beneath that?

5 A. There's two pieces to the answer: The
6 mechanism I described is the cost minimization market
7 clearing algorithm whereby a block-loaded resource
8 can be turned down even if its price is lower than
9 the clearing price because clearing the block load
10 increases total cost. That's one problem.

11 The other thing you're alluding to is
12 whether there's a minimum offer the independent
13 market monitor sets, and the answer to that is yes.
14 The independent market monitor for a constrained zone
15 such as ATSI will work with the generation owner to
16 develop the minimum offer for that resource, either
17 based on a demonstrated cost or a 20 percent, I
18 believe, deduct from cost of new entry.

19 Q. Okay. So I think you also said in the
20 prior answer that one of the purposes of the base
21 residual auction is to minimize the cost to
22 consumers.

23 A. Correct.

24 Q. So as I understand it, we -- in the ATSI
25 zone you'd have transmission upgrades that are going

1 to be assessed to ATSI consumers and you're also
2 going to have the obvious increase in capacity costs
3 that will then be -- that will somehow impact
4 consumers as well.

5 A. Yes.

6 Q. That's your understanding of how we get
7 the minimal cost to consumers?

8 A. No. The cost of the transmission is not
9 directly -- does not directly enter into the auction.
10 So there's a for-instance here.

11 Suppose there were two things we could
12 have looked at; one is where FE invests a billion
13 dollars in transmission, and as a result of that the
14 auction clears at a lower price but now there's a
15 billion dollars of rates that have to be collected.

16 In the alternative, you don't build the
17 billion dollars of transmission, but now the capacity
18 clears at a higher price.

19 The auction is not set up to make that
20 decision about building -- about substituting
21 generation for transmission. It simply says given
22 the configuration of transmission, we are modeling
23 what is now the least-cost set of resources we can
24 buy and meet all of the locational and regional
25 resource requirements.

1 COMMISSIONER PORTER: Okay. That's all I
2 have. Thank you, Mr. Stoddard.

3 THE WITNESS: Thank you, Commissioner.

4 - - -

5 EXAMINATION

6 By Examiner Tauber:

7 Q. Mr. Stoddard, could you turn to page 5 of
8 your testimony. I'm looking at lines 19 to lines 22.
9 I just want to make sure I'm understanding this
10 correctly.

11 Are you saying if the Commission were to
12 adopt a state compensation mechanism that's anything
13 other than RPM priced, it would lead to uneconomic
14 impacts?

15 A. I believe so, yes.

16 Q. So if it's a dollar more than what the
17 RPM price is, you think that's still --

18 A. Well, then it would lead to a very small
19 uneconomic impact, but, yeah, there are distortions.

20 Q. Do you believe that, if the Commission
21 were to adopt a single state compensation mechanism,
22 that it could still lead to the development of a
23 competitive landscape, though?

24 A. Deviating from the RPM price does not
25 necessarily doom the ability of CRES providers to

1 operate, but it places them at some disadvantages,
2 potentially some serious disadvantages in how they
3 are -- in how they move forward and whether they are
4 as capable as being a competitive force in the state
5 for bringing a value to consumers as they would be if
6 they were put on a truly equal footing with the EDUs.

7 Q. But it's possible for the Commission to
8 set a state compensation mechanism that's both just
9 and reasonable and would also promote the competitive
10 landscape, maybe not as much as you're alluding to by
11 going with the RPM priced capacity, but it is
12 possible; is it not?

13 A. There probably is a middle way here. I
14 think the question would be whether the loss of the
15 full force of competitive vigor that would be
16 necessarily followed from deviating from using market
17 prices is worth whatever gain you see by having some
18 deviation from it.

19 From my perspective as an economist, I'm
20 not trying to make those trade-offs, just flagging to
21 you that there are trade-offs and that just setting
22 an arbitrarily different price than the market price
23 does lead to inefficiency and, you know, if you're
24 presenting a higher price, those prices will be
25 passed straight on through to consumers.

1 So now it's really a question of is it in
2 the public interest to have a higher capacity cost,
3 what is the offsetting gain for the state that makes
4 that decision part of the public interest.

5 EXAMINER TAUBER: Thank you.

6 MR. KUTIK: Your Honor, at this time we
7 move for the admission of Exhibit FES 101.

8 EXAMINER TAUBER: Are there any
9 objections to FES Exhibit 101?

10 MR. CONWAY: No.

11 EXAMINER TAUBER: FES Exhibit 101 shall
12 be admitted.

13 (EXHIBIT ADMITTED INTO EVIDENCE.)

14 EXAMINER TAUBER: Mr. Conway.

15 MR. CONWAY: Your Honor, at this time I
16 would move for admission of AEP Ohio Exhibit 117.

17 EXAMINER TAUBER: Any objections to
18 AEP Ohio Exhibit 117?

19 MR. KUTIK: We have no objection.

20 EXAMINER TAUBER: Hearing none, it shall
21 be admitted.

22 (EXHIBIT ADMITTED INTO EVIDENCE.)

23 EXAMINER TAUBER: Thank you.

24 MR. NOURSE: Your Honor, the company
25 calls Selwyn J. Dias.

1 EXAMINER SEE: We're not quite there yet,
2 Mr. Nourse, hold on.

3 MR. NOURSE: Oh, we're not. Sorry.

4 EXAMINER SEE: Okay. Come forward,
5 Mr. Dias. Please raise your right hand.

6 (Witness sworn.)

7 EXAMINER SEE: Have a seat.

8 THE WITNESS: Thank you.

9 - - -

10 SELWYN J. DIAS

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

13 DIRECT EXAMINATION

14 By Mr. Nourse:

15 Q. Mr. Dias, can you state your name for the
16 record?

17 A. My name is Selwyn J. Dias.

18 Q. Thank you.

19 Did you file testimony in this case,
20 Mr. Dias?

21 A. Yes, I did. I filed direct testimony and
22 supplemental testimony.

23 MR. NOURSE: Your Honor, I'd like to mark
24 Exhibit 118, AEP Ohio 118 as direct testimony of
25 Mr. Dias, and AEP Ohio Exhibit 119 supplemental

1 direct testimony.

2 EXAMINER SEE: Okay.

3 (EXHIBITS MARKED FOR IDENTIFICATION.)

4 Q. Mr. Dias, do you have the documents we
5 just marked Exhibits 118 and 119?

6 A. Yes, I do.

7 Q. Is Exhibit 118 your supplemental -- I'm
8 sorry, is Exhibit 118 your direct testimony filed in
9 this docket?

10 A. Yes, it is.

11 Q. And is Exhibit 119 your supplemental
12 direct testimony filed in this docket?

13 A. Yes, it is.

14 Q. Do you have some corrections, additions,
15 or changes you'd like to make to Exhibit 118?

16 A. Yes, I do. Am I going to give them to
17 you?

18 Q. Please proceed.

19 A. On my direct testimony on page 4, line 12
20 where I'm discussing state policies, I'd like to add
21 "4928.02(L) Protect at-risk populations, including,
22 but not limited to, when considering the
23 implementation of any new advanced energy or
24 renewable energy resource." I'd like to add that
25 same passage I just read --

1 EXAMINER SEE: Let's repeat that passage,
2 please, Mr. Dias.

3 THE WITNESS: Sure. It's "4928.02(L),
4 Protect at-risk populations, including, but not
5 limited to, when considering the implementation of
6 any new advanced energy or renewable energy
7 resource."

8 Can I proceed?

9 EXAMINER SEE: Okay.

10 A. I'd like to add that same passage on page
11 5, line 11. Then I'd like to add that same passage
12 on page 7, line 27.

13 Q. Mr. Dias, do you have any other changes,
14 correction, or additions to Exhibit 118?

15 A. I do not.

16 Q. Turning to Exhibit 119, do you have any
17 changes, additions, or corrections you'd like to make
18 to that testimony?

19 A. I do not.

20 Q. Thank you.

21 So with those clarifications if we were
22 to ask you the same questions this morning under oath
23 that are contained in Exhibits 118 and 119, would
24 your answers be the same?

25 A. Yes, they would.

1 MR. NOURSE: Thank you, your Honor. I'd
2 move for admission of 118 and 119, subject to
3 cross-examination.

4 EXAMINER SEE: I note that there were
5 motions to strike portions of Mr. Dias's direct
6 testimony and a motion made to his supplemental
7 testimony. Is that what you intended to address,
8 Ms. Grady?

9 MS. GRADY: I intended, your Honor, this
10 morning I intended to address the substantive
11 additions that Mr. Dias just added and make a motion
12 to strike with respect to those.

13 EXAMINER SEE: Okay. Let me hear it.

14 MS. GRADY: Your Honor, the sections that
15 Mr. Dias has added are substantive additions to his
16 testimony. The existence of 4928.02(L) has been
17 known, hasn't changed since the provision of the
18 direct testimony on March 30th, 2012. In addition,
19 it was not contained in the -- even in the
20 supplemental testimony.

21 This is in the nature of rebuttal
22 testimony or addressing what has occurred to date in
23 this proceeding and I see no reason why the company
24 could not have presented this as part of its direct
25 case or as part of its supplemental testimony. I

1 believe it's inappropriate to let it in at this
2 point.

3 MR. NOURSE: Your Honor, may I respond?

4 EXAMINER SEE: Yes.

5 MR. NOURSE: I don't believe Mr. Dias
6 indicated that there was a new development that
7 occurred here, it simply was a correction. You know,
8 the areas of testimony where he added this are
9 already a list of policy sections from the statute,
10 and obviously in reviewing his testimony he wanted to
11 make that correction.

12 I don't think it's fair to characterize
13 it as rebuttal. There's no indication that that was
14 the purpose or that that's the effect. It's simply
15 to complete the record and to complete his thought
16 about what the applicable list was, and it's in the
17 nature of a correction. I think it's appropriate.

18 MS. GRADY: Your Honor, if I might
19 briefly address that. A correction would be where
20 there's an error. This is certainly an addition, not
21 a correction.

22 EXAMINER SEE: IEU's motion to strike
23 portions of Mr. Dias's testimony is denied. OCC's
24 motion as to the supplemental testimony and the
25 additions or corrections made to Mr. Dias's testimony

1 this morning is also denied.

2 Let's start with cross-examination.

3 Ms. Grady?

4 MS. GRADY: Thank you, your Honor.

5 - - -

6 CROSS-EXAMINATION

7 By Ms. Grady:

8 Q. Good morning, Mr. Dias.

9 A. Good morning.

10 Q. I'm going to start with page 3 of your
11 direct testimony and that was the testimony filed on
12 March 30th, 2012, marked as AEP Ohio Exhibit No.
13 118. Do you have that?

14 A. Yes, I do.

15 Q. Now, on page 3 you describe how the
16 ESP II advances state policies, and I'm referring to
17 lines 19 through 21.

18 A. That's correct.

19 Q. In fact, you are the policy witness, are
20 you not, for AEP Ohio that explains how your
21 application fosters the state policies? Is that
22 correct?

23 A. Yes.

24 Q. And in your direct testimony you testify
25 that many of the -- you testify that many of the

1 individual parts of the ESP that you present support
2 state policies; do you not? And I would refer you to
3 page 4, lines 6 and 7.

4 A. That's correct.

5 Q. And if we look at the bullets that follow
6 that section of your testimony, you talk about a
7 number of aspects of the AEP modified electric
8 security plan; do you not?

9 A. Yes, I do.

10 Q. You talk about the fixed nonfuel
11 generation pricing?

12 A. Yes.

13 Q. And you speak of the deep discounts, and
14 these are your words, deep discounts off of
15 generation capacity.

16 A. Yes, on line 13.

17 Q. And you refer to the structural corporate
18 separation.

19 A. Yes.

20 Q. And you talk about the transparency of
21 the ESP pricing.

22 A. Yes, and I continue to give context
23 around each one of those.

24 Q. And you talk about the interruptible
25 schedule change.

1 A. Can you tell me where you are? I was
2 with you with the transparency.

3 Q. That would be, I'm sorry, at the top of
4 page 6 where you talk about the "...modification and
5 proposal to enhance" --

6 A. Oh, yes.

7 Q. -- "customers' interruptible and peak
8 demand reduction attributes...." Do you see that?

9 A. Correct. I do.

10 Q. And you speak of the distribution
11 investment rider?

12 A. That's right.

13 Q. And you speak of the enhanced service
14 reliability rider?

15 A. Correct.

16 Q. And you also hit upon the modest overall
17 rate increases, and that would be on page 7.

18 A. Right. Continuing on with protecting
19 at-risk populations. Yes, continue.

20 Q. Which you added this morning.

21 A. No, that was in there originally, the
22 "protect at-risk populations" on line 11 on page 7.

23 Q. But that addition on -- I'm sorry, where
24 did you say that was?

25 A. On page 7, line 11, when you talked about

1 "modest overall rate increases," I continue on
2 with --

3 Q. Yes, you do have the reference to
4 "protect at-risk populations," but you do not -- you
5 did not have the statutory site to this till this
6 morning?

7 A. That's correct. I failed to put that in
8 there.

9 Q. And then you also testify as to the
10 continuation of the economic development cost
11 recovery provision in the ESP?

12 A. Yes.

13 Q. Now, Mr. Dias, in all of your direct
14 testimony you do not explain how the retail statement
15 rider supports the state policies, do you? In all of
16 this direct testimony. And I'm speaking of Exhibit
17 118.

18 A. Actually, I think I do, just give me a
19 second.

20 In my supplemental testimony which was
21 marked Exhibit --

22 Q. Mr. Dias, my question is directed to your
23 direct testimony, and let me rephrase the question.

24 MR. NOURSE: Your Honor, I'd like to let
25 the witness finish his answer and then Ms. Grady can

1 follow up at that point instead of interrupting.

2 EXAMINER SEE: It was just in regards to
3 Exhibit 118, and you can finish your response,
4 Mr. Dias.

5 THE WITNESS: I'm sorry, your Honor, can
6 I reference my supplemental testimony? I didn't
7 quite understand your direction.

8 EXAMINER SEE: Okay. Let me state it
9 again. First, I'm going to ask counsel not to
10 interrupt, to let him complete the answer, and then
11 if you need to repeat your question or focus your
12 question, do so.

13 The question that Ms. Grady asked was in
14 reference to Exhibit 118.

15 MS. GRADY: I'll just rephrase my
16 question, if that would help.

17 Q. (By Ms. Grady) Now, in all of the direct
18 testimony that you submitted on March 30th, 2012,
19 which has been marked as AEP Ohio Exhibit No. 118,
20 you do not explain, do you, how the retail stability
21 rider supports state policies?

22 A. You know, Ms. Grady, I'd almost have to
23 read my testimony, every word for all of this on the
24 direct testimony to be able to answer your question
25 for sure, but in context of what you were asking me

1 leading up to this point, I don't see it in that
2 section, but I reference it, I believe I reference
3 the benefits of the overall plan which includes the
4 RSR.

5 Q. Mr. Dias, do you have a copy of your
6 deposition which was conducted in this case on May
7 8th, 2012?

8 A. Yes, I do.

9 Q. And I'm going to direct your attention to
10 your testimony that you gave on page 105 and carrying
11 on to 106 and I'm going to read the question that was
12 posed to you and your response.

13 A. Can I just catch up with you? 105?

14 Q. Sure.

15 A. Okay. Go ahead.

16 Q. And I'm going to ask you whether I read
17 it correctly. That's the question I'm asking you.
18 Am I reading this correctly --

19 A. Tell me the line number, please, so I
20 can --

21 Q. Beginning on line 15 on page 105:

22 "Question: And you didn't view there to
23 be any need at the time you submitted your initial
24 testimony to explain the policy benefits that would
25 result from the RSR.

1 "I can rephrase that for you. You didn't
2 address the policy benefits that would come from the
3 RSR in your initial testimony; isn't that correct?

4 "Answer: I'm looking to see if that is
5 correct. Yeah, so I don't see the letters 'RSR' on
6 the pages I just described the motion of state
7 policies, it's embedded indirectly there. And hence,
8 as I said earlier, in our overall objective to
9 transparent on all aspects of our plan I felt a need
10 to supplement my testimony."

11 Did I read that correctly?

12 A. You read it accurately, and that's
13 exactly what I said just a few minutes ago. I'd have
14 to look to see if that "RSR" letter is in there.
15 I've not looked to see if it was in there since the
16 deposition, but, as I say in here, I believe it's
17 embedded in the plan. So you are correct.

18 Q. Mr. Dias, the only place in your
19 testimony, your direct testimony, and again I'm
20 limiting it to the Exhibit 118 that was filed
21 March 30th, 2012, that the letters "RSR" are found
22 is on page 12; is that correct?

23 A. Would you just please point me to where
24 on page 12?

25 Q. That would be line 17.

1 A. Yes, I found it.

2 Q. Now, in this reference, Mr. Dias, you are
3 explaining it as an aside or explaining the IRP-D
4 credit and how that affects the RSR; is that correct?

5 A. That is correct.

6 Q. Now, the retail stability rider, or the
7 RSR, was part of the company's original application;
8 was it not?

9 A. That's correct, it was.

10 Q. And the benefits from the RSR that you
11 identify in your supplemental testimony, these were
12 benefits that you knew of at least on the day that
13 you filed your application, if not before then?

14 A. That's correct. And I was asked this
15 question I believe in my deposition and I responded
16 with at the time we filed our application, and all
17 the testimonies that went with it we believed that
18 our package was very complete.

19 But subsequent to the filing on
20 March 30th I heard personally, and others within
21 the company had questions around the RSR, there was
22 lots of confusion around the RSR. I heard confusion
23 even the last several days sitting right here in this
24 hearing after I filed my supplemental.

25 But that's what led me to add more

1 supplemental testimony to further clarify the
2 benefits of the RSR.

3 MS. GRADY: Your Honor, I would move to
4 strike his response starting with "Yes, and I believe
5 as I testified at the deposition." It appears -- my
6 question was specifically if he knew the benefits at
7 the time that the application was filed. The
8 additional gratuitous testimony can come on redirect,
9 if it's necessary.

10 MR. NOURSE: Your Honor, I think it's,
11 first of all, this whole line of questioning is
12 really a subterfuge for an attack on the ruling on
13 the motion to strike. Ms. Grady wants to keep
14 arguing that we weren't entitled to say whatever we
15 wanted to in our supplemental testimony.

16 Mr. Dias is simply explaining, and she
17 challenges him on what he knew earlier and why he
18 didn't include it as to the explanation, and that's
19 simply all he did in his answer.

20 EXAMINER SEE: Motion to strike is
21 denied.

22 Q. (By Ms. Grady) Now let's move along to
23 your supplemental direct. Now, in your supplemental
24 direct testimony you repeat statements that you have
25 made with respect to certain portions of your direct

1 testimony; do you not?

2 A. I don't know; you'd have to be very
3 specific and ask me to look at them.

4 Q. We can do that, Mr. Dias.

5 A. Good.

6 Q. Now, on page 7, lines 7 through 19 of
7 your supplemental testimony, you discuss --

8 A. I'm sorry, just let me catch up. I'm not
9 quite as fast as you are.

10 Q. I'm sorry about that, I'll slow down.
11 I've had a nice big cup of Starbucks here to help me
12 out.

13 A. Thank you. I'm on page 7. What line?

14 Q. Lines 7 through 19 of your supplemental
15 testimony.

16 A. Okay.

17 Q. Isn't this the same testimony that you
18 provide at page 12, lines 19 through 21 in your
19 direct testimony?

20 A. I'm going to have to read this, okay?

21 Q. Actually, let me give you -- I gave you
22 the wrong reference. Specifically lines 17 through
23 19, the sentence reads "This will benefit existing
24 interruptible customers...." Isn't that the same
25 sentence that is found on page 12, lines 18 through

1 20?

2 A. Some of these words are similar.

3 Q. They're beyond similar; are they not,
4 Mr. Dias? Aren't they the exact same words? Aren't
5 the exact same words that are found in your
6 supplemental testimony, and I quote, "This will
7 benefit existing interruptible customers which are
8 major employers in the state as well as enhance
9 AEP Ohio's economic development efforts," aren't
10 those exact same words found in your direct initial
11 testimony?

12 A. They are. They look like they are the
13 same words. Interesting coincidence, I heard that
14 word yesterday, but I think it's very important to
15 understand the economic development that goes along
16 with this modified stipulation -- I'm sorry, this
17 modified ESP II. So that's probably turned out to be
18 more of a coincidence that it really is an emphasis I
19 wanted to make.

20 Q. And with respect to the economic
21 development testimony on page 8 of your supplemental
22 testimony, let's look at lines 7 through 16. This is
23 essentially the same testimony that you provide in
24 your direct testimony at page 13; is it not?

25 A. And where -- okay, it's up on line 4?

1 Q. Well, it's not all in the same place but
2 it's certainly there. If we look at page 13 of your
3 initial testimony, we see the sentence "Continuation
4 of Economic Development Cost Recovery Rider....," and
5 the second sentence, "The EDR supports mercantile
6 customers that retain and increase jobs....," those
7 sentences are found in the first two lines or the
8 first three lines on page 8 in response to the
9 question posed on line 4; are they not?

10 A. It does look that way, Ms. Grady, and I'm
11 somewhat confused. I said earlier the reason I filed
12 the supplemental testimony was to help clarify and
13 remove confusion that was with our initial
14 application.

15 So it wasn't that I intended to bring in
16 something totally new. It was an ability to clarify
17 what was, I thought, a very complete package in the
18 initial application and my direct testimony, so I
19 filed supplemental testimony, and my supplemental
20 testimony takes what I had started with in my direct
21 testimony and expands on it. So I'm not surprised
22 that some of these words look similar, or are the
23 same, for that matter.

24 Q. Was there confusion on the economic
25 development cost recovery rider, Mr. Dias?

1 A. Actually, I think I do remember some
2 questions around the economic development rider too.

3 Q. Now, if we look at your supplemental
4 testimony at page 13 starting on lines 22 and
5 carrying over to --

6 A. I'm sorry. What page are you on again?

7 Q. I'm on your supplemental testimony, lines
8 22, starting at the bottom of page 13, through page
9 14, lines 5.

10 A. Hang on a second.

11 EXAMINER SEE: Supplemental page 13?

12 MS. GRADY: I'm sorry, your Honor, that
13 would be -- and I apologize for going so fast.

14 Q. Page 13 of your supplemental testimony
15 starting at --

16 MR. NOURSE: Ms. Grady, I think you're
17 referring to the direct, you keep saying
18 "supplemental."

19 MS. GRADY: I'm sorry.

20 MR. NOURSE: It only has nine pages.

21 MS. GRADY: I'm sorry.

22 Q. (By Ms. Grady) Looking at your
23 supplemental testimony, page 8 --

24 A. Okay.

25 Q. -- following the two sentences I just

1 directed your attention to we have a sentence that
2 begins "The proposed ESP II," and this is on line 10,
3 "supports ongoing investment...." Do you see that
4 sentence and the sentences following that through
5 line 16?

6 A. I see them.

7 Q. Can we now look to your initial
8 testimony, page 13 starting on line 22 and carrying
9 over to page 14, line 5, and find the exact same
10 words?

11 A. Correct. That was the answer to a Q and
12 A and the A, the answer, started on line 10, these
13 words followed up a large portion of additional
14 information I gave under my answer and closed out the
15 thought.

16 Q. And can we assume that since you
17 double-cover these areas that these are the most
18 important parts of the ESP?

19 A. You can assume that if you want, but I
20 don't know if I gave it that level of thinking.

21 Q. Now I'd like you to go -- and I'm sorry
22 to be going between your testimonies, but I want you
23 to go to what's been marked as your supplemental
24 testimony, supplemental direct, or AEP Exhibit 119.

25 I'm sorry, there's a little confusion

1 because when I look at the beginning of the
2 supplemental, I see it states "Direct Testimony" and
3 that's what's confusing me. In the heading on page 1
4 I see "Direct Testimony" and so that's a little
5 confusing.

6 So going to your supplemental direct
7 testimony --

8 A. Can we just call it "supplemental
9 testimony" that way I'll be clear?

10 Q. Or we'll just -- perhaps if I just refer
11 to it as the exhibit number, will that help?

12 A. Okay.

13 Q. We're at Exhibit No. 119. And in that
14 Exhibit 119 at page 2 you have a sentence there that
15 I'm having trouble with, and that's on lines 10
16 through 14.

17 A. Okay.

18 Q. You indicate "As a whole the proposed
19 ESP II enhances the state's effectiveness in the
20 global economy, in accordance with 4928.02(F), by
21 providing the stability needed for businesses and
22 residential customers to plan, research facilities to
23 focus, and entities outside of the state to rely on
24 the security of the regulatory structure in the
25 AEP Ohio territory and Ohio as a whole."

1 I'd like to break that sentence down a
2 bit. Can you tell me what you mean by "providing
3 stability needed for businesses and residential
4 customers to plan," focus on that, to plan what?

5 A. I was not specific as to "plan," but as I
6 was thinking about it, I would associate it with
7 planning any aspect of, in residential customers,
8 their lives, whether they were intending to purchase,
9 make a major purchase, take a vacation, buy
10 prescriptions versus food versus electric, in
11 businesses to plan around investments that they would
12 potentially make.

13 This modified ESP has a tremendous amount
14 of stability to it and it allows them to plan
15 whatever they would potentially be planning both --
16 just like I described.

17 Q. Now, you indicate there that it will
18 allow "research facilities to focus." What does that
19 mean?

20 A. Just what those words say. I didn't
21 intend to hide anything there, Ms. Grady. It's
22 research facilities to focus on what they do.

23 Q. And what research facilities are we
24 speaking of there?

25 A. I didn't have anything in mind or else I

1 would have put it in there.

2 Q. And then you say "entities outside of the
3 state to rely on the security of the regulatory
4 structure." What entities outside of the state are
5 you referring to there?

6 A. I had in mind when I was thinking about
7 it large manufacturing, it could be small commercial.
8 Manufacturing, for example, looking for a territory
9 to locate to, either start up as new or move their
10 operations, potentially, to Ohio.

11 Q. Now, you mention 4928.02(F) as the
12 provision that the proposed ESP II enhances there.
13 Are you familiar with that provision?

14 A. You know, I looked at it, but you'd have
15 to show it to me again.

16 Q. Do you know if that provision has any
17 wording in it that relates to the state's
18 effectiveness in the global economy?

19 A. I think that's familiar, but I'd really
20 want to see that statute again before I said for
21 sure.

22 Q. Now, again, in Exhibit 119 we're going to
23 go to page 6 and we're going to look at lines 4
24 through 7. Do you have that reference?

25 A. Yes, I do.

1 Q. Now, there you speak of future cash flows
2 for AEP Ohio impacting investment and spending
3 decisions. Do you see that?

4 A. Yes, I do.

5 Q. And then you state that this impacts
6 AEP Ohio's assets and its community partnerships. Do
7 you see that?

8 A. Correct.

9 Q. Can you explain what you mean by the term
10 "community partnerships"?

11 A. Yeah, sure. I certainly didn't mean a
12 partnership as in a contractual obligation. What I
13 was referring to is AEP Ohio is very active in its
14 communities. The communities rely on the tax base,
15 the assets that the company has invested in, the jobs
16 that are produced from the operations of AEP Ohio,
17 and there's this unwritten sort of partnership we
18 have with our communities.

19 Q. And with respect to this unwritten
20 partnership, would I be correct that AEP has funded
21 this community partnership in the past?

22 A. Can you be more specific, Ms. Grady?

23 Q. Well, you indicated that AEP is very
24 active in the communities. Can you tell me what you
25 mean by that? Are you talking about actively funding

1 and supporting different organizations within the
2 community?

3 A. That's one aspect of it, our
4 philanthropic giving.

5 Q. And AEP has funded, through philanthropic
6 giving, these community partnerships, in the past,
7 correct?

8 A. That's correct. Our employees are also
9 engaged in other community -- in communities without
10 philanthropic giving. There are activities that go
11 on every day.

12 I personally am involved in the
13 communities, I'm on boards that I don't
14 necessarily -- there's no philanthropic giving, but
15 there is this ongoing partnership with the
16 communities, correct.

17 Q. And my questions really are focusing on
18 the philanthropic giving portion.

19 A. Yes, one aspect of our community
20 involvement.

21 Q. Yes, that's the aspect my questions are
22 going to.

23 A. Sure.

24 Q. Now, are you aware of how much
25 philanthropic giving AEP Ohio has done for the --

1 through its community partnerships' efforts in 2010?
2 And when I say "AEP," I mean AEP Ohio, if I didn't
3 make that clear.

4 A. I don't know.

5 Q. Do you have a general idea, a general
6 estimate, or you just have no idea whatsoever?

7 A. I don't have any idea. It's a lot, I
8 mean, we do give quite a bit, we're very active. And
9 that's exactly why I had put it in my testimony
10 around the -- these were the spending decisions that
11 ultimately the company will have to make if the RSR
12 is not approved as proposed. These are the review of
13 the cost structure that I will have to look at.

14 Q. Now, when you said that AEP is spending
15 quite a bit, what did you mean by "quite a bit"? Can
16 you tell me what that meant?

17 A. A lot of money.

18 Q. And how much is "a lot of money"?

19 A. I really don't know, but I do know that
20 we do quite a bit. It's just as simple as that, I
21 don't have anything specific. Sorry. That probably
22 would have been a good discovery question, huh?

23 MS. GRADY: Your Honor, I would move to
24 strike that. There was no question pending and I
25 think it was a rather flippant remark.

1 MR. NOURSE: I'm not sure what she's
2 asking to be stricken.

3 MS. GRADY: The last statement of
4 Mr. Dias.

5 MR. NOURSE: About discovery?

6 MS. GRADY: Yes.

7 MR. NOURSE: I don't think that's unfair,
8 your Honor. The company's answered thousands of
9 discovery requests and provided data in response to
10 any question and ten-part question and dozens of sets
11 that parties have put at us, so I think it's a fair
12 point.

13 EXAMINER SEE: I won't strike it from the
14 testimony, but maybe I need to have another
15 discussion with the parties. The parties were
16 directed yesterday in several instances to be civil
17 to one another and to cut the excess comments from
18 the questions and from the answers.

19 I'm going to ask you to do the same
20 today. We have a number of witnesses still to get
21 through, and this is a long, tedious process. So
22 let's be focused and direct in our questions as well
23 as our answers, and let's move on.

24 THE WITNESS: I apologize, your Honor, I
25 certainly did not mean anything other than what I

1 did, and I will be aware of that.

2 EXAMINER SEE: Thank you.

3 Q. (By Ms. Grady) Now, Mr. Dias, in your
4 present position as one who is responsible for the
5 organizational leadership on AEP Ohio's regulatory
6 plan, do you have any responsibility for community
7 partnership efforts?

8 THE WITNESS: May I have the question
9 reread?

10 EXAMINER SEE: Yes.

11 (Record read.)

12 A. Ms. Grady, I don't think I have any
13 responsibility, but I'm thinking about, again,
14 community partnerships in context of how I described
15 it to you earlier.

16 Q. Yes.

17 A. So the answer is no, I do not.

18 Q. Are you generally aware of the community
19 partnership efforts that are undertaken by AEP Ohio?

20 A. Generally.

21 Q. And how are you kept aware of the
22 community partnership efforts, the philanthropic end
23 of things that we've been discussing?

24 A. I see reports periodically of
25 philanthropic giving, just come more as courtesy

1 communications.

2 Q. Is there anything else that keeps you
3 aware of the philanthropic efforts of AEP Ohio?

4 A. Yes, what I read casually in press
5 releases, newspaper articles, those kind of things,
6 but nothing directly.

7 Q. Anything internally that is, other than
8 what you've mentioned, that helps keep you aware of
9 the AEP Ohio philanthropic efforts, meetings or --

10 A. Yes, that would be one of them, it may
11 come up in a meeting.

12 Q. And that would be, then, generally
13 something you're -- let me strike that.

14 Now, there are a number of community
15 partnerships that AEP Ohio has, would you agree? In
16 terms of the philanthropic giving that we've been
17 talking about.

18 A. I know we're involved in many
19 communities. I don't know numbers or anything like
20 that.

21 Q. Would you recognize names of community
22 organizations that AEP is a community partner with?

23 A. If you had something specific, I could
24 take a look at it.

25 Q. Now, Mr. Dias, you are aware of the

1 public hearings that took place in these proceedings,
2 correct?

3 A. Yes.

4 Q. And, in fact, you attended a number of
5 these proceedings; did you not?

6 A. That's correct; I attended all of them.

7 Q. And there were four local public
8 hearings; is that correct?

9 A. That's correct. I believe they were in
10 Canton, Lima, Chillicothe, and Columbus.

11 Q. Yes.

12 Now, do you recall the testimony that was
13 offered at those public hearings?

14 A. I wouldn't say I recall them, but I was
15 there and I heard most of them.

16 Q. And would you agree with me that many of
17 the public witnesses testified as AEP community
18 partners in support of the AEP plan?

19 A. Yes, I'll agree with you.

20 Q. Are you aware, generally, of efforts by
21 AEP Ohio to encourage the partners to testify in
22 support of the ESP?

23 THE WITNESS: Could I have the question
24 reread, please?

25 (Record read.)

1 A. No, I'm not.

2 Q. Do you understand that there are
3 efforts -- there were efforts made on behalf of
4 AEP Ohio to encourage community partners to testify
5 in support of the ESP?

6 A. You asked me if I understood. No, I was
7 not aware.

8 Q. Are you aware, as you sit here today, of
9 efforts by AEP Ohio to encourage the community
10 partners to testify in support of the ESP?

11 A. Yesterday as I was sitting in the back I
12 believe you passed on a discovery request to me -- or
13 it came through my counsel through you, and that was
14 the first I had seen of it.

15 Q. Are you aware of efforts of AEP Ohio to
16 encourage community partners to file letters to
17 support AEP Ohio's ESP?

18 A. I told you, I was not aware, Ms. Grady.

19 Q. Do you understand that there have been
20 efforts by AEP Ohio to encourage community partners
21 to file letters to support AEP Ohio's ESP?

22 MR. NOURSE: Your Honor, I'd object. I
23 think it's asked and answered.

24 MS. GRADY: My question was with respect
25 to letters, your Honor.

1 MR. NOURSE: I think the last two
2 questions were about letters.

3 EXAMINER SEE: The objection is
4 overruled.

5 THE WITNESS: Can I have the question
6 reread, please?

7 (Record read.)

8 A. Again, you used the word do I understand.
9 I'm not surprised. I know -- you know, this
10 proceeding on the ESP II has been going on since
11 January of 2011, over a year, and so much has
12 happened, the publicity is pretty large. We've had
13 many folks approach the company and ask us how can we
14 help, how can we support you. So I'm not surprised.

15 Q. Mr. Dias, my question really was directed
16 to AEP -- well, let me strike that.

17 Are you aware of efforts by AEP Ohio to
18 encourage community partners to contact the Public
19 Utilities Commission of Ohio to show support for the
20 ESP?

21 A. No, I'm not aware of the efforts, but the
22 same answer as previous: I'm not surprised.

23 Q. Are you aware, Mr. Dias, of materials
24 that may have been prepared to assist community
25 partners in their various contacts by letters,

1 testimony, or contact with the PUCO?

2 A. I was not aware until that discovery
3 response that I discussed earlier was shared with me.

4 MS. GRADY: Your Honor, may I approach
5 the witness?

6 EXAMINER SEE: Yes.

7 MS. GRADY: Your Honor, at this time I
8 would ask to mark for identification purpose an
9 exhibit, OCC Exhibit No. 109, which is a 13-page
10 document consisting of discovery responses to OCC
11 interrogatory 9-174 and the request for production
12 9-62, 9-63, and 9-64.

13 EXAMINER SEE: The exhibit is so marked.

14 MS. GRADY: Thank you, your Honor.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 Q. Mr. Dias, I'm going to give you a moment
17 to take a look at that exhibit.

18 A. Thank you.

19 Okay. I've glanced through them.

20 Q. Mr. Dias, would it appear to be that this
21 is the company's response to OCC discovery?

22 A. Yes, that's what it looks like.

23 Q. And would you accept, subject to check,
24 that these responses were provided to OCC on
25 May 16th, 2012, through e-mail at 4:47 p.m.?

1 MR. NOURSE: Ms. Grady, we can stipulate
2 that these responses are authentic responses to
3 discovery from the company.

4 Q. My question, still, can you accept,
5 subject to check, that they were provided to OCC on
6 May 16th, 2012?

7 A. Is there a date anywhere on here,
8 Ms. Grady?

9 Q. No, they are not, but I have a copy of
10 the e-mail if you would like --

11 A. That would be helpful, yeah.

12 Q. Sure.

13 MS. GRADY: May I approach?

14 EXAMINER SEE: Yes.

15 A. Thank you.

16 Q. And could you respond to my question?

17 A. Can I have the question reread, please?

18 Q. I can restate the question.

19 A. Sure.

20 Q. Would you agree that the responses were
21 provided to OCC on May 16th, 2012, via e-mail, at
22 4:47 p.m.?

23 A. That's the date I saw on the e-mail you
24 just shared with me, yes.

25 Q. And the first day of the evidentiary

1 hearing in this proceeding was May 17th, 2012; is
2 that correct?

3 A. I think so.

4 Q. Now, you've seen this discovery and the
5 response to this discovery, have you not?

6 A. Like I said earlier, I saw it yesterday
7 for the first time. I briefly glanced at it and I
8 haven't looked at it since until you just brought it
9 up in this line of questioning.

10 Q. Now, if we go to that document, the OCC
11 Exhibit No. 109, we see at the bottom of these
12 responses, and that's the initial page, that these
13 were prepared by counsel. Do you see that?

14 A. I do.

15 Q. And what does that mean, that these were
16 prepared by counsel? To you?

17 A. I really don't know. I presume my
18 counsel put the response together.

19 Q. Are you aware that you -- of the process
20 that your counsel went through to prepare the
21 response?

22 A. I would -- generally. I would guess that
23 counsel inquired within the company for answers to be
24 responsive to the interrogatories and the request for
25 production.

1 Q. And would you assume that the answers
2 that are provided are accurate and true?

3 A. Yes, I would assume so.

4 Q. Now, let's take a look at the response to
5 9-174 and there's a reference there to "Attachments 1
6 through 6." Do you see that reference?

7 A. Yes, I do.

8 Q. And does it appear to you that this
9 exhibit, and I'm speaking of OCC Exhibit 109,
10 contains Attachments 1 through 6?

11 A. I'm presuming that's what it is. If you
12 want me to get through 1 through 6, I'm going to have
13 to find it.

14 Q. If you could just check.

15 A. Okay.

16 Yes. So attached to OCC interrogatory
17 9-174, and then there is OCC-RPD 9-062, 9-063, 9-064,
18 are a series of pages that are marked Attachment 1,
19 and they continue on, Attachment 2, 3, 4, 5, and 6.

20 Q. Now, if we look at RPD 9-62, is it
21 correct that that request seeks documents sent
22 between the company and persons who testified at the
23 four local public hearings?

24 A. Yes.

25 Q. And that response was prepared by counsel

1 and refers back to the company's response to OCC
2 interrogatory 9-174?

3 A. That's what it says here.

4 Q. And if we go, then, to RPD 9-63, would
5 you agree with me that this request seeks documents
6 that are sent between the company and persons who
7 would have filed letters at the PUCO pertaining to
8 the ESP plan?

9 A. Yes.

10 Q. And that this response also was prepared
11 by counsel and refers back to the company's response
12 to OCC interrogatory 9-174?

13 A. Yes.

14 Q. And if we go to 9-64, this request seeks
15 documents sent between the company and persons who
16 contacted the PUCO with regard to the ESP.

17 A. Yes.

18 Q. And it was also prepared by counsel and
19 refers to the company's response to OCC interrogatory
20 9-174.

21 A. Yeah, that's what it looks like.

22 Q. Let's go to Attachment 1 of that
23 document.

24 A. Okay. I'm there.

25 Q. Now, we see in the corner, in the

1 right-hand corner, that this is labeled "Letters,"
2 and that's handwritten in. Do you see that?

3 A. Yes.

4 Q. Would it appear to you that the
5 information presented on this attachment appears to
6 respond to OCC's request that the company identify
7 all persons who submitted letters to the PUCO with
8 whom the company has had communication with on its
9 modified ESP?

10 A. You know, I don't know who wrote the
11 letters, the word "letters" on there. I don't know
12 what they meant, but as a layman looking at this
13 sheet I'd agree with you.

14 Q. Would you accept, subject to check, that
15 on the electronic file that was produced in discovery
16 the term "letters," the tab was labeled "letters"?

17 A. Okay.

18 Q. And these letters would have been
19 requested by interrogatory 9-174?

20 A. Okay.

21 Q. Now in the first column, Mr. Dias, we see
22 a name or an organization. Do you see that?

23 A. Yeah, I see a column marked "Name" and
24 then there are several, looks like six line items.

25 Q. Yes. And we also see in the second

1 column an address and the third column a phone
2 number. Do you see that?

3 A. Yes, I do.

4 Q. Would it appear that these are names of
5 customers or organizations in that first column?

6 A. I can't tell you whether they're
7 customers or not. I don't even want to speculate.
8 But there are definitely names on there and
9 organizations, yes.

10 Q. Now, we also see a column, and it looks
11 like it's a little off, that says "Date." Can we
12 presume that that's the date the company contacted
13 these individuals?

14 MR. NOURSE: Your Honor, I just object
15 because this witness's name is not on here. He's
16 already stated he hadn't seen it before, and there
17 are objections on the initial question, and there's
18 an indication that a good-faith search was made.

19 So I already offered to authenticate it
20 and it can be admitted into the record. He doesn't
21 have any knowledge about this document. If she wants
22 to ask him questions about activities or his personal
23 knowledge, you know, that's certainly fair game, but
24 the document he's not seen before he doesn't have any
25 additional knowledge about.

1 MS. GRADY: I think he said he saw this
2 document yesterday, Mr. Nourse.

3 EXAMINER SEE: Did you want to respond,
4 Ms. Grady?

5 MS. GRADY: Your Honor, I'm trying to,
6 again, we're talking about community partnerships,
7 we're also talking about what efforts the company
8 made to solicit testimony at public hearings, which
9 bears upon the credibility of the testimony offered
10 in support and the letters that were filed in
11 support, so I think it actually goes to bias or
12 credibility of witnesses and credibility of evidence
13 that was produced in this proceeding.

14 MR. NOURSE: Your Honor, may I briefly --

15 EXAMINER SEE: Particularly as to
16 testimony offered at the public hearings.

17 MS. GRADY: Your Honor, this page is with
18 respect to letters that were solicited. There will
19 be other pages that have to do with testimony
20 presented in public hearings.

21 MR. NOURSE: Your Honor, may I just add
22 another point?

23 EXAMINER SEE: Very briefly.

24 MR. NOURSE: I'm not saying the line of
25 question -- I'm not objecting to the line of

1 question, it's simply this document he's not seen,
2 doesn't have knowledge about, and Ms. Grady is
3 presuming certain things mean what she says they
4 mean, but Mr. Dias has no knowledge about that and
5 hadn't seen it, wasn't involved in the preparation of
6 it.

7 MS. GRADY: If I could briefly respond,
8 your Honor. I asked -- I sought stipulations from
9 AEP counsel with respect to this and AEP counsel
10 declined.

11 So that would have shortcut all of this
12 but they were not willing to stipulate as to what
13 this information was, irrespective of the fact that
14 their signature -- or, their counsel is responsible
15 for these responses.

16 MR. NOURSE: Your Honor, during the
17 hearing is not the time to try to work out discovery
18 disputes. If OCC didn't like the way we answered
19 these and didn't provide enough information, could
20 have been raised earlier.

21 All I said in response to her request to
22 stipulate was Mr. Dias doesn't have knowledge about
23 this activity, these documents, or -- other than a
24 general understanding of the process that was
25 involved, so he can certainly answer questions about

1 his knowledge.

2 MS. GRADY: And, your Honor, we received,
3 again, we received these responses on the eve of
4 trial and we have been otherwise occupied.

5 EXAMINER SEE: We'll do it this way,
6 we're going to take five minutes and allow the Bench
7 some time to consider OCC Exhibit 109 and encourage
8 the parties to discuss it in the interim.

9 Off the record.

10 (Recess taken.)

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

13 MR. NOURSE: Your Honor.

14 EXAMINER SEE: Yes.

15 MR. NOURSE: The company offered to agree
16 to admit OCC Exhibit 109 as evidence showing the
17 company's responses to the questions that are listed
18 here. I cannot change this witness's knowledge,
19 obviously he knows what he knows, he doesn't know
20 what he doesn't know, and I'm not sure what else we
21 can offer to address this situation.

22 EXAMINER SEE: Ms. Grady.

23 MS. GRADY: Your Honor, although I
24 appreciate that offer, because of the way the
25 discovery was responded to, it is -- it is

1 problematic to admit it without having an explanation
2 of what subpart or what actual discovery request it
3 responds.

4 I don't think that the items are
5 self-explanatory and I would like to explore with
6 this witness at least what it would appear that this
7 document purports to show in order to sufficiently
8 set the foundation for relying upon these documents
9 in evidence and relying upon these documents for
10 briefing purposes.

11 MR. NOURSE: And, your Honor, I indicated
12 earlier no objection to the line of questioning, and
13 so that's not the issue. We can continue with
14 questions.

15 I guess the only issue is if this really
16 amounts to a discovery dispute, I don't think during
17 the middle of cross-examination is the time to bring
18 that up or try to resolve it.

19 EXAMINER SEE: I would note that there
20 has -- to my knowledge, there has not been a motion
21 to compel discovery or any discussion of this issue
22 with the Bench prior to this time, but to be able to
23 address it, to address this issue, I will allow the
24 witness to respond to questions to the best of his
25 ability and we'll address the admission of OCC 109 at

1 the conclusion of his testimony.

2 MS. GRADY: Thank you, your Honor.

3 Q. (By Ms. Grady) Now, Mr. Dias, going back
4 to OCC interrogatory 174 attached one labeled
5 "Letters," I think the last question pending was, if
6 we look at that date, is it reasonable to presume
7 that that's the date the contact was initiated by the
8 company with the customers and organizations which
9 are contained in the first column?

10 A. Is it reasonable to conclude? I don't
11 know.

12 Q. Would you conclude that from looking at
13 this document?

14 A. I just don't know, Ms. Grady. I see the
15 dates. I see the column heading "Date" and I see
16 your -- I see what the interrogatory request was or
17 the production for documents was, but I don't know
18 what to conclude. I didn't prepare this, I mean, I'm
19 seeing it and it is what it is.

20 Q. Can you conclude that your counsel
21 determined that this was responsive to the discovery
22 that was furnished?

23 A. I would presume so.

24 Q. And would you presume that your counsel
25 would provide documents that respond accordingly to

1 data requests and would not provide something that
2 was not responsive to discovery?

3 A. Yeah, I think so, I would agree.

4 Q. You would agree what -- with respect that
5 you would expect your counsel to respond and to
6 provide documents that would be responsive to
7 discovery requests?

8 A. Yes.

9 Q. And you would not believe that your
10 counsel would provide something that is not
11 responsive; is that correct?

12 A. No, I wouldn't think so.

13 Q. You wouldn't think they would.

14 A. I would think that they would submit a
15 response that is responsive to the interrogatory or
16 the request for production.

17 Q. Thank you.

18 A. Does that help? Thank you.

19 Q. And you would expect that counsel would
20 not provide a document that was not responsive to
21 discovery.

22 MR. NOURSE: I'm sorry, your Honor, I
23 think all these questions have at least double and
24 maybe triple negatives. I think they're confusing.
25 It could be asked more clearly.

1 MS. GRADY: Is that an objection?

2 MR. NOURSE: It is.

3 EXAMINER SEE: And the objection is
4 sustained. The question has been asked and answered.
5 Move on, Ms. Grady.

6 Q. (By Ms. Grady) Now, when we look at the
7 column entitled "Cont Initiated By," would you assume
8 that means "contact initiated by"?

9 A. I don't know.

10 Q. Is it your understanding that under OCC
11 interrogatory 9-174.c., that a request was made to
12 identify who initiated the communication on behalf of
13 the companies?

14 A. Yes, I see that. And I saw that on a.,
15 it's "Identify the person and state a contact
16 address..., " so that word "contact," that's why I
17 really don't know. But you are correct on c. it does
18 ask who initiated the communication.

19 Q. So if we look at the names that are
20 provided under "C-o-n-t Initiated By," are those
21 names familiar to you, Mr. Dias?

22 A. Yes, the last names are familiar to me.

23 Q. And who are those names? Are those
24 employees of AEP or AEP Ohio or AEP Service
25 Corporation?

1 A. I believe all of these names, if they're
2 the same folks I'm thinking about; Wheeler, Payne,
3 Buck, and Wheeler, again, are AEP Ohio employees.

4 Q. Okay. And do you know the positions of
5 those employees?

6 A. I know the group in which they work in,
7 but I don't know the position title.

8 Q. And what group is that?

9 A. The Community Affairs.

10 Q. And is that a group that you have
11 dealings with, Mr. Dias, as part of your position?

12 A. From time to time I do, yes.

13 Q. And what kind of dealings would you have
14 with that group?

15 A. It would vary. If it involved a
16 community issue, I would have communications with
17 them about it. But they do not fall under my direct
18 responsibility.

19 Q. Do they fall under your indirect
20 responsibility?

21 A. What does "indirect responsibility" mean?
22 I mean, I --

23 Q. Are they underneath --

24 A. I guess.

25 Q. That's fine.

1 A. I'm not sure. They report to another
2 vice president but I have interaction with them so
3 indirectly every once in a while I deal with them.

4 Q. Thank you.

5 And when we look at the column entitled
6 "Comment Summary," would you agree that this appears
7 to be in response to the interrogatory 174, the
8 request to d., "Provide a summary of the content of
9 your communications with such person"?

10 A. I don't know.

11 Q. Now, Mr. Dias, would you accept, subject
12 to check, that if I looked at the PUCO docket in this
13 case, I would find letters filed by these individuals
14 or organizations?

15 A. Sure.

16 Q. Let's go to Attachment No. 2. Mr. Dias,
17 this document is labeled "Attachment 2-Canton," do
18 you see that label?

19 A. Yes; it looks very similar to the one
20 before that, except this one has "Canton."

21 Q. And would it appear to you to refer to
22 the Canton public hearing?

23 A. I presume.

24 Q. And that was a hearing you attended,
25 correct?

1 A. I attended all of them.

2 Q. And would it appear to you that the
3 information shown in this discovery response appears
4 to respond to OCC's request asking the company to
5 identify persons who testified at any of the four
6 local public hearings who the company communicated
7 with regarding the testimony that was to be offered?

8 A. Ms. Grady, I'm going to have to tell you
9 again. I did not prepare this response. It was
10 prepared by counsel. I told you earlier that I
11 presume counsel checked with folks that were directly
12 involved in trying to answer the questions.

13 I'm seeing this document. To do much
14 more than, you know, I gave you, I told you I know
15 the names of those employees, anything else is
16 speculation on my part.

17 Q. I'm asking if it would appear to you as a
18 lay witness.

19 A. It's a response to the interrogatory, so
20 I believe it's responsive.

21 Q. If we look at the first column there, we
22 see the names of individuals and the second column we
23 see the address and phone. Do you see that?

24 A. Yes, I do.

25 Q. And the next column shows a date as well.

1 A. Yes.

2 Q. And, again, the label "Cont Initiated
3 By," do you see that?

4 A. Yes.

5 Q. And the statements shown under that
6 column would be Mr. Wheeler?

7 A. Yes.

8 Q. And he's an employee.

9 A. Yes.

10 Q. Now, if we look at the last column, we
11 see that it's -- the content summary is the support
12 for the ESP filing. Do you see that?

13 A. Yes.

14 Q. And would you accept, subject to check,
15 that if I looked at the transcript from the public
16 hearing in Canton, held on April 26th, 2012, that
17 we would see that these -- that these are indeed
18 customers who testified at the hearing in support of
19 the company's ESP filing?

20 A. Yes. I would not be surprised to see
21 these folks or these testimonies that they did at
22 public meetings, if these are the folks that appeared
23 there, to be in the docket.

24 Q. And would you accept, subject to check,
25 that these individuals, when they testified, were

1 representing the various community organizations that
2 you referred to as being part of the AEP Ohio
3 community partnership?

4 A. I really don't know, because, as I said
5 earlier, we have -- I do know this for sure, we have
6 been approached by numerous folks, customers,
7 communities, and actually some that I didn't even
8 know were -- I didn't even know who they were, and
9 they saw what was happening and they asked us how can
10 we support, how can we help you. You're important to
11 the state of Ohio. And so I'm not surprised by any
12 of this.

13 Q. Do you know if these were individuals
14 that the contact was initiated instead by the
15 company?

16 A. No. I'm referring to folks that have
17 reached out to us.

18 Q. But is it your understanding that the
19 column entitled "Cont Initiated By" with the name
20 "Wheeler" means that the company initiated the
21 contact?

22 A. If you presume that, that may be. I'm
23 not surprised.

24 Q. Is that a reasonable?

25 A. Sure, that's a reasonable presumption.

1 Q. So on this document where it says "Cont
2 Initiated By Mr. Wheeler," that would really mean
3 that the contact was initiated by the witnesses and
4 not Mr. Wheeler; is that your testimony?

5 A. No, that's not my testimony. I mean,
6 what we don't know is if these were the same folks I
7 referred to that reached out to us previously. When
8 I told this -- this ESP II has been going on since
9 January of 2011, so these hearings, public meetings
10 took place, well, I can't remember the dates.

11 Q. April 26th.

12 A. Okay.

13 Q. Of this year.

14 A. So Mr. Wheeler may have contacted them.
15 I really don't know. I can't speculate.

16 Q. Now, with respect to my last question, my
17 last question was: Would you accept, subject to
18 check, that these individuals, when they testified at
19 the Canton public hearing, represented the community
20 organizations, testified in their organizational
21 capacity for the community organizations that are
22 referred to in your testimony as part of the
23 community partnership?

24 A. And the subject to check, if it's in
25 error, then what happens?

1 MS. GRADY: May I approach the witness?

2 Q. Mr. Dias, I've handed you --

3 MR. NOURSE: I'm sorry, I didn't see what
4 you handed him.

5 MS. GRADY: I'm sorry. I handed Mr. Dias
6 the transcript from the public hearing with tabs to
7 show where the individuals in this exhibit have
8 testified, and if Mr. Dias is not willing to accept
9 subject to check, that they presented testimony on
10 behalf of the community organizations, I would ask
11 that Mr. Dias look through the transcript and confirm
12 that.

13 MR. NOURSE: That's fine. I thought he
14 already did accept it subject to check in the prior
15 answer, but however you want to proceed.

16 Q. Are you willing to accept, subject to
17 check, Mr. Dias, that these were individuals that at
18 the Canton public hearing on behalf of the various
19 community organizations that would be part of the
20 community partnership that you referred to in your
21 testimony in this case?

22 A. You know, as much time as we've spent on
23 this, I'm willing to accept, subject to check. I
24 don't know what happens if I found an error, but I'll
25 accept it subject to check. Let's move on.

1 Q. Well, you can certainly, if you want to
2 take the time, I would be happy to let you take the
3 time to review that transcript, Mr. Dias. Don't feel
4 like I'm rushing you.

5 MS. McALISTER: Your Honor, could I
6 inquire whether Ms. Grady is using this to challenge
7 the credibility of the witnesses who testified at the
8 public hearing or the credibility of Mr. Dias?

9 EXAMINER SEE: Ms. Grady?

10 MS. GRADY: Your Honor, I think either
11 purpose would be a purpose that I would be permitted
12 to cross-examine on.

13 MS. McALISTER: Your Honor, I'd raise an
14 objection if it's for the purpose of --

15 EXAMINER SEE: Do me a favor, please
16 speak up, Ms. McAlister.

17 MS. McALISTER: Yes, your Honor. I
18 object to the extent she's using this for the purpose
19 of challenging the credibility of the witnesses who
20 testified at the public hearing who were available
21 then for cross-examination.

22 MR. NOURSE: The company joins.

23 EXAMINER SEE: The objection as to public
24 witnesses at the public hearings is sustained.

25 Q. (By Ms. Grady) Now let's go to the

1 Attachment 2 -- excuse me, Attachment
2 2-Chillicothe -- or, let me strike that.

3 Let's skip the blank page where it
4 appears that there is a heading called "None."

5 A. Yeah, I see that, okay.

6 Q. And let's go to Attachment 2-Cols. Do
7 you have that in front of you?

8 A. Yes, I do.

9 Q. And would it appear to you that the
10 information shown in this discovery response is
11 responding to OCC's request asking the company to
12 identify persons who testified at the four local
13 public hearings who the company communicated with
14 regard to testimony that was offered?

15 A. Okay.

16 Q. And would it appear to you that the
17 reference "Cols" would be the Columbus hearing?

18 A. I've seen "Cols" refer to Columbus, so
19 I'll accept that.

20 Q. And if we look at the first column, we
21 see what would appear to be the name of witnesses; is
22 that correct?

23 A. Correct.

24 Q. And we would see in the next -- the
25 following columns their phone number and the date

1 appearing to be the date that they were contacted.

2 A. Same as before.

3 MR. BARNOWSKI: Your Honor, I apologize,
4 I've got to raise an objection. I object to the
5 relevance of continuing to pursue a line of
6 questioning, get a man to say on the record guesswork
7 as to what a document means.

8 EXAMINER SEE: I'm sorry, say that again.
9 I need you to speak up.

10 MR. BARNOWSKI: I apologize. I object on
11 the relevance and the cumulativeness of this line of
12 questioning. The man doesn't know anything about the
13 document. He's just guessing as to what it means.

14 You gave her a little bit of time to
15 explore that, but we're not getting anything else out
16 of this except for guesswork. Any of these
17 questions, any answers she might get she can make in
18 her briefs.

19 The document is what it is and this man
20 isn't adding anything to it and I don't think it's
21 relevant. I certainly believe it's highly cumulative
22 to keep asking these same questions.

23 EXAMINER SEE: Did you want to respond,
24 Ms. Grady?

25 MS. GRADY: No, your Honor. Other than

1 it's not highly cumulative, Mr. Barnowski, because we
2 are dealing with different attachments. These are
3 different hearings, different witnesses, letters,
4 contacts, it's all in different context.

5 And with respect to the relevance,
6 Mr. Dias has testimony in this proceeding at page 6
7 of Exhibit 119 about future cash flows for AEP Ohio
8 impacting decisions on how it will fund community
9 partnerships and whether or not it will decrease
10 funding the company partnerships. So I think it's
11 very relevant and it's been -- Mr. Dias has opened
12 the door.

13 MR. NOURSE: Your Honor, I'll just say in
14 response to that, again, we don't object to this
15 general line of questioning. I would tend to agree
16 it's cumulative at this point, but I don't, as to her
17 last point, I don't agree that there's any
18 impeachment value associated with Mr. Dias's
19 statement on page 6 relative to future funding of
20 charity.

21 EXAMINER SEE: The objection made by
22 Mr. Barnowski is sustained.

23 Move on, Ms. Grady.

24 Q. (By Ms. Grady) Would you accept, subject
25 to check, Mr. Dias, that if I looked at the

1 transcript from the public hearing in Columbus held
2 April 30th, 2012, that I would see that these 17
3 customers testified at the hearing in support of the
4 company's ESP filing?

5 A. Okay.

6 Q. And would you accept, subject to check,
7 that these individuals, when testifying, were
8 representing the various community organizations that
9 are part of the community partnership you referred to
10 in your testimony?

11 A. Okay.

12 Q. And if we go to interrogatory 174, would
13 it appear to you that this information shown responds
14 to OCC's request for the company to identify persons
15 testifying at the local public hearings with whom the
16 company communicated?

17 A. Same as previous answer related to this
18 question: I did not prepare it, but counsel did, and
19 I presume it was responsive.

20 Q. Would you accept, subject to check, that
21 if I looked at the transcript from the public hearing
22 in Lima held May 1st, 2012, I would see that these
23 three customers testified at the hearing in support
24 of the company's ESP filing?

25 A. Okay.

1 Q. And would you accept, subject to check,
2 that each of these individuals, when testifying, were
3 representing the various community organizations that
4 are part of the community partnership you referred
5 to?

6 A. Okay.

7 MS. McALISTER: Your Honor. Sorry,
8 before Mr. Dias --

9 EXAMINER SEE: Were you finished with
10 your answer?

11 THE WITNESS: Yes.

12 EXAMINER SEE: Ms. McAlister.

13 MS. McALISTER: I intended to raise the
14 same objection of whether she's challenging the
15 credibility of witnesses who were available at the
16 public hearings.

17 MR. BARNOWSKI: Your Honor, I renew my
18 objection as well.

19 EXAMINER SEE: And both objections are
20 sustained.

21 Q. (By Ms. Grady) Now, let's go to
22 Attachment 3 of the discovery response. Do you have
23 that in front of you?

24 A. Yes, I do.

25 Q. Would it appear to you that the

1 information provided in this company is responding to
2 OCC's discovery that OCC -- that the company produce
3 documents sent to public witnesses or individuals
4 filing documents at the PUCO or those communicating
5 with the PUCO?

6 A. Same as previous answer: I did not
7 prepare this response, counsel did, I assume he's
8 being responsive.

9 Q. And does it appear to be that this is an
10 AEP-generated document?

11 A. Yes. I'm not sure where it came from,
12 but I see the "AEP Ohio" logo on the top left.

13 Q. And do the statements on this page appear
14 to you to be AEP-generated statements?

15 MR. BARNOWSKI: Your Honor, I renew my
16 objection.

17 EXAMINER SEE: And your objection is?

18 MR. BARNOWSKI: Relevance,
19 cumulativeness, speculation. I accept the fact that
20 the document itself might be relevant, I don't accept
21 the fact that this man guessing as to what is meant
22 by the document is relevant to this proceeding.

23 MS. GRADY: I don't think my questions
24 have gone to that.

25 EXAMINER SEE: The objection is

1 overruled.

2 MS. GRADY: I'm not sure at this point if
3 there was a question pending or not.

4 (Record read.)

5 A. I don't know.

6 Q. Have you seen this document before?

7 A. Not until yesterday when I mentioned
8 earlier seeing this interrogatory response for the
9 first time.

10 Q. Would you know at whose direction this
11 document would have been generated?

12 A. I do not.

13 Q. I take it you did not have any input into
14 this document.

15 A. I did not.

16 Q. Do you know if anyone working underneath
17 you or supervised by you would have had input into
18 this document?

19 A. I do not.

20 Q. Let's pull to Attachment 4. Does that
21 appear to you be a form letter, Mr. Dias?

22 A. It appears to be a letter.

23 Q. Would you accept that this is an
24 AEP-generated document provided in response to OCC's
25 discovery?

1 A. Same as previous answer. I did not
2 prepare the response. Counsel did. And I presume
3 it's being responsive.

4 Q. Would you be surprised to find numerous
5 copies of these letters were filed at the PUCO in the
6 docket to support AEP's ESP plan?

7 A. No, not at all, for the reasons I
8 mentioned earlier.

9 Q. Have you looked at the docket in this
10 case to see the letters filed by customers in this
11 proceeding?

12 A. From time to time I do.

13 Q. Is that something that you do as part of
14 your job in keeping informed of what customers are
15 saying about the ESP?

16 A. Yes.

17 Q. So have you seen this particular letter
18 before in your review of the letters that are
19 docketed at the Commission?

20 A. I don't remember seeing this specific
21 letter. But I've seen other letters in support.

22 Q. Have you seen other letters that are
23 based upon this form letter?

24 A. I wouldn't know what they were based on.

25 Q. Now, let's turn to Attachment 5.

1 A. I'm there.

2 Q. Does this appear to you to be a draft
3 press release issued by -- or, with the name
4 "Wapakoneta Area Economic Development Council" on it?

5 A. That's what the heading is in bold, yes.

6 Q. And would you accept that it is an
7 AEP-generated document provided in response to OCC
8 discovery?

9 A. Same as previous answer: I did not
10 prepare this response, but counsel did, and I presume
11 he was responsive.

12 Q. Are you familiar with the project that is
13 described in this document?

14 A. I'm not.

15 Q. Is this investment, if you know, one that
16 would be included as part of the distribution
17 investment rider?

18 A. I'm not familiar with this project, so I
19 really don't know.

20 Q. Are you familiar with the distribution
21 investment rider?

22 A. Yes, I am.

23 Q. Do you know whether this project that is
24 referred to in this document would be funded by
25 customers or would be funded by shareholders?

1 A. I'm going to have to take the time to
2 read this entire press release to see if I can
3 decipher anything to answer your question.

4 Q. Okay. Go ahead.

5 A. Okay. I've read it and, Ms. Grady, I was
6 present when Company Witness Kirkpatrick, and I
7 believe even Company Witness Allen, testified around
8 the distribution investment rider, and they discussed
9 certain FERC chart of accounts that would be the
10 basis for distribution investments that would be part
11 of the DIR.

12 Q. Yes.

13 A. I don't see any information in here to be
14 able to tell me whether this would fall into those
15 FERC chart of accounts that they referenced. In
16 fact, I see references here to "power
17 infrastructure"; I don't know exactly what that
18 means.

19 It talks about the investment will enable
20 a 40-plus megawatt supply; that tells me it's
21 generation related. So I really can't answer your
22 question.

23 Q. I appreciate the honesty, Mr. Dias.

24 Is this project, if you know, part of the
25 investment that would be recovered through the

1 economic development cost recovery rider that you
2 testify in your testimony to?

3 A. I don't know what this project is.

4 Q. Let's go to Attachment 6 of that exhibit.

5 A. I'm there.

6 Q. Would it appear to you that this document
7 responds to the information sought in OCC
8 interrogatory No. 179 [verbatim]?

9 A. Same answer: I did not prepare this
10 response, counsel did, I presume he was being
11 responsive.

12 Q. And if we look at the column entitled
13 "Wheeler, Payne, and Buck" in various iterations,
14 those are individuals that you testified earlier are
15 employees of the company.

16 A. Yes; these names appeared in one of the
17 additional schedules or several of those additional
18 schedules.

19 Q. Thank you.

20 A. You're welcome.

21 Q. Now, Mr. Dias, you're aware, are you not,
22 that Mr. Powers referred to a number -- let me strike
23 that.

24 Mr. Dias, you're aware, are you not, that
25 Mr. Powers referred a number of questions to you when

1 he testified at the beginning of this hearing? Do
2 you recall those?

3 A. I heard my name come up on occasion.

4 Q. And you were present throughout his
5 testimony; is that correct?

6 A. I was in the room.

7 Q. Now, were you in the room when Mr. Powers
8 testified specifically on the Ohio regulatory
9 background?

10 A. Yes.

11 Q. And I'm going to refer your attention to
12 Mr. Powers' testimony at pages 7 and 8 and ask you if
13 that's your understanding of the point of his
14 testimony where he speaks to the Ohio regulatory
15 background.

16 A. Are you asking me to look at Mr. Powers'
17 testimony?

18 Q. Yes.

19 A. So I need to pull it out then, just one
20 second.

21 Q. Sure.

22 A. Okay. I'm on page 7.

23 Q. Carrying on through 8, correct?

24 A. Correct.

25 Q. Now, I want to focus on the statements

1 Mr. Powers made with respect to Ormet and Eramet. Do
2 you see that reference on page 8, beginning on lines
3 19 and running through I believe the end of page 8 --
4 actually, carrying over onto page 9? Do you see
5 those?

6 A. Okay.

7 Q. And Mr. Powers testified, did he not,
8 that the PUCO "adopted 'exclusive supplier'
9 provisions inserted into the Ormet and Eramet special
10 contracts over AEP Ohio's objections"? Do you see
11 that reference?

12 A. Yes, I do.

13 Q. Let's focus for a moment just on the
14 Ormet special contract. You are familiar, are you
15 not, with that special contract?

16 A. Generally I am, yes.

17 Q. Is it your understanding that Ormet filed
18 an application seeking an approval of a unique
19 arrangement on approximately February 17th, 2009?

20 A. I don't remember those -- that date, but
21 that's generally the time I recall.

22 Q. And do you know that the -- do you
23 recognize the case number as being 09-119-EL-AEC, a
24 case reference that Mr. Powers has, in fact,
25 footnoted on page 9 of his testimony?

1 A. Yes, I see that.

2 Q. And is it your understanding, then, that
3 he is referring to that case number when he speaks of
4 the Ormet special contracts?

5 A. I'm guessing. This is his testimony, so
6 I would say I think so.

7 Q. Now, in that application Ormet filed a
8 copy of a proposed power agreement; is that correct?

9 A. I'm sorry?

10 Q. In that application in that case number
11 09-119, Ormet filed an application for approval of a
12 power contract?

13 A. Yes, I think so.

14 MS. GRADY: May I approach the witness,
15 your Honor?

16 EXAMINER SEE: Yes.

17 Q. Now, Mr. Dias, I'm handing you a copy or
18 I have handed you a copy of the Ormet application in
19 that case. Is that what it appears to be?

20 A. That's correct.

21 Q. And there's a docket stamp on that,
22 correct? And the date is?

23 A. February 17th, 2009.

24 Q. Now I'm going to direct your attention in
25 that application to article 2 and ask you to read

1 that section into the record.

2 MR. NOURSE: Your Honor, I'm going to
3 object. I was waiting for a substantive question
4 there.

5 Ms. Grady started off by saying
6 Mr. Powers referred things to Mr. Dias, and now she's
7 going into matters that Mr. Powers addressed
8 extensively during his cross-examination. I don't
9 recall or believe there was any referral on the
10 contract in question.

11 Is that the basis of the line, because I
12 don't recall that?

13 MS. GRADY: Well, your Honor, if you
14 recall, Mr. Powers couldn't answer any specific
15 questions on the Ormet contract and said that was
16 not -- even though he submitted testimony as to what
17 was done and who inserted and who objected, he
18 couldn't respond to any specific questions and we
19 were not permitted to try to impeach Mr. Powers, and
20 so the suggestion was made, I believe on the record,
21 that Mr. Dias or someone else at the company would
22 have more specific information and that we could ask
23 our specific questions of those witnesses.

24 MR. NOURSE: That was my question, your
25 Honor. I don't recall that. If Ms. Grady's got a

1 citation or is representing that's the premise of her
2 question --

3 MS. GRADY: I am representing that. We
4 do not have copies of the transcript at this point in
5 time.

6 MR. NOURSE: And I don't think it's
7 appropriate just to say one witness couldn't answer a
8 particular question, therefore -- that relates to a
9 footnote citation, therefore, I get to ask another
10 witness.

11 MS. GRADY: And I would just very briefly
12 respond, that under the rules of discovery which
13 govern this proceeding, there is a wide-open cross
14 rule pertaining to anything that is relevant to the
15 proceeding, and certainly Mr. Powers would have
16 presented something that is relevant to this
17 proceeding, I would hope.

18 EXAMINER SEE: The objection is
19 sustained.

20 Q. (By Ms. Grady) Mr. Dias, are you familiar
21 with exclusive supplier provisions?

22 A. Generally.

23 Q. And are you aware of exclusive supplier
24 provisions that would have been placed into certain
25 special contracts?

1 A. I'm generally aware that the Commission
2 placed an exclusive supplier provision in the Ormet
3 and Eramet special contract.

4 Q. And that is your testimony that it was
5 the Commission who placed that exclusive supplier
6 provision into the contract?

7 A. Yes, on Ormet I know specifically -- I do
8 recall AEP Ohio opposed that exclusive supplier
9 provision, I'm quite certain about that.

10 Q. Now, with respect to the document that I
11 just provided you, can you turn to section 2 of that
12 contract. And can you read that article 2 into the
13 record? The first sentence, if you would.

14 A. "During the term of this power agreement,
15 AEP Ohio agrees to furnish to Ormet, and Ormet agrees
16 to take from AEP Ohio, all of the electric energy of
17 the character specified herein subject to the terms
18 and conditions of service, except as otherwise set
19 forth herein."

20 Q. Thank you. Now, is that, to your
21 knowledge, an exclusive supplier provision?

22 A. No.

23 Q. And why is it not an exclusive supplier
24 provision, if you know?

25 A. I'm not an attorney to be able to

1 interpret all this language in these contracts, okay,
2 but being involved in these cases, when it refers to
3 all of the electric energy of the character
4 specified, meaning it's a firm requirements kind of
5 contract --

6 Q. Yes.

7 A. -- as I think of it.

8 Q. Yes.

9 A. But that does not mean the customer in
10 this contract in this provision could not shop.

11 Q. That's your interpretation.

12 A. I thought that's what you asked me.

13 Q. Yes. I'm just confirming that that is
14 your interpretation.

15 A. Yes.

16 Q. Okay. And is it also your understanding
17 that under that provision -- or, is it your
18 understanding under that provision that the company
19 shall provide all the power needed by Ormet and Ormet
20 shall take all the power needed from the company? Is
21 that your understanding of what those words convey?

22 MR. NOURSE: Your Honor, I would object
23 again. I just don't see the relevance to his
24 testimony. I believe this relates to matters that
25 have been adjudicated not only at the PUCO but the

1 Supreme Court of Ohio, and I believe this continuing
2 line is inconsistent with your sustaining the
3 objection a few moments ago.

4 EXAMINER SEE: And I would agree with
5 you, Mr. Nourse.

6 Move on, Ms. Grady.

7 Q. (By Ms. Grady) Mr. Dias, would you agree
8 with Mr. Powers' testimony that AEP Ohio did not seek
9 recovery of stranded investment costs for its
10 generation fleet?

11 A. My recollection is that AEP Ohio did seek
12 stranded cost recovery at one point in time -- this
13 is even before I got to my position or moved to
14 Ohio -- during the implementation of Senate Bill 3,
15 but during a settlement in the ETP, AEP Ohio forewent
16 their recovery or gave it up.

17 Q. Let's go to your testimony at page 5,
18 lines 11.

19 A. Which, 118 or 119?

20 Q. I believe that would be the later
21 testimony, 119.

22 A. Do you have a page, you said?

23 Q. That would be page 5, line 11. You
24 indicate there that "The RSR allows for the Company's
25 provider of last resort obligations to be met...."

1 Do you see that?

2 A. I do.

3 Q. Do you know if the company has identified
4 any out-of-pocket POLR expenses as part of its
5 modified ESP?

6 MR. NOURSE: I'd just object to the form
7 of the question. The ESP relates to a future period
8 of time and you're asking about out-of-pocket
9 expenses that have been incurred --

10 MS. GRADY: Let me rephrase my question.

11 Q. Do you know, Mr. Dias, if the company has
12 identified any POLR expenses as part of its modified
13 ESP?

14 A. I'm not aware of the company identifying
15 any POLR expense, but nor is the company asking for
16 any POLR expense to be recovered.

17 Q. Now, on page 6 of your testimony, again
18 we're in the Company Exhibit 119, lines 13 through
19 14, you indicate that "The Commission may approve the
20 RSR as proposed irrespective of whether it approves
21 other aspects of the Company's ESP as filed." Do you
22 see that?

23 A. Yes, I do.

24 Q. And is that your understanding of what
25 the Commission may do?

1 A. I don't know what the Commission's going
2 to do; that's what I'm recommending to them.

3 Q. But you indicate that it's your
4 understanding that the Commission may approve, and I
5 guess I'm just trying to determine whether that's
6 based on your own personal knowledge or upon the
7 advice of counsel.

8 A. Probably a combination of both, because
9 I've had discussions with counsel on this subject.

10 Q. So is it your testimony that the RSR
11 could stand on its own, essentially?

12 A. We've had a lot of discussion leading to
13 me taking the stand on what the RSR is, and I'll just
14 briefly touch on it again. It is that -- it is a
15 mechanism that strikes a balance for all the other
16 provisions that are contained in the modified ESP II
17 proposal.

18 So to the extent that the Commission
19 chooses to do any modifications, which is not what
20 we're recommending, but if they chose to adjust
21 anything in the other side of the RSR, our
22 recommendation is to maintain or leave the RSR
23 mechanism as proposed.

24 Q. Can you tell me how the RSR on its own
25 provides certainty for customers, as you referred to

1 on line 18?

2 A. I can give you several aspects of it.

3 Q. I guess -- I'm sorry, go ahead.

4 A. First, let's start with the frozen
5 nonfuel base generation rates --

6 Q. Mr. Dias, I hate to interrupt you, but my
7 question really was going to the RSR on its own as
8 you refer to it at this page -- at this point in your
9 testimony. Your testimony states that "The Commission
10 may approve the RSR as proposed irrespective of
11 whether it approves other aspects of the Company's
12 ESP plan...."

13 And I am asking my questions with respect
14 to the RSR alone, not in conjunction with other
15 portions of the plan.

16 So my question is, Mr. Dias -- Dias, I'm
17 sorry.

18 A. That's okay.

19 Q. -- whether or not the RSR on its own
20 provides certainty for customers, and if so, how does
21 it?

22 MR. NOURSE: Your Honor, I'd just object,
23 because he was already answering the question she
24 posed before and the question was how does the RSR
25 provide benefits to customers, and he was starting

1 into that explanation when she decided to change and
2 narrow her question.

3 EXAMINER SEE: Therefore, I'm going to
4 allow the witness to answer either one or both to the
5 best of your ability.

6 MS. GRADY: Your Honor, I would withdraw
7 my earlier question, then, and narrow my question to
8 the one I just asked.

9 MR. NOURSE: Your Honor, she interrupted
10 the answer to her earlier question. She can't
11 withdraw it after it's already being asked, and that
12 she interrupted to do so.

13 EXAMINER SEE: And as I said before, I'm
14 going to allow the witness to answer either one or
15 both.

16 THE WITNESS: Thank you.

17 You have to think about the RSR in
18 context of the whole ESP. You can't just look at it
19 by itself. It ties in, it strikes that balance. I
20 said that earlier, between all the other benefits
21 that are proposed in the modified ESP II.

22 The financial harm is that safety net to
23 the extent that any one of the other benefits that
24 I'll talk about here in a moment are -- create
25 financial harm for the company, the RSR serves as a

1 financial safety net to the company.

2 To your question earlier, what are the
3 benefits of the RSR, quickly I'll go through this
4 because I know we've spent a lot of time on this.
5 It's the frozen base generation rates; the modest
6 rate increases that customers will see; the
7 discounted capacity from our cost of 355; the faster
8 pace to market to get to SSO pricing.

9 And you've heard a lot about the delayed
10 implementation of the PIRR and the unification of the
11 FAC. Those are all benefits that come with this
12 modified ESP and that RSR strikes that balance.

13 Q. The RSR enables those other benefits to
14 be made as part of a package, correct?

15 A. That's correct.

16 Q. But your testimony on page 6 says that
17 "The Commission may approve the RSR as proposed
18 irrespective of whether it approves other aspects of
19 the Company's ESP...."

20 So my question is: If we take the RSR
21 alone and we say that the Commission -- we assume the
22 Commission approves the RSR as proposed and doesn't
23 approve other aspects of the company's ESP as filed,
24 can you tell me how the RSR promotes certainty and
25 stability for customers?

1 A. You're taking an extreme case of wiping
2 of them -- of the Commission disapproving every other
3 provision in the modified ESP.

4 Q. I don't think so. I'm looking at your
5 testimony, Mr. Dias, where you say "The Commission
6 may approve the RSR as proposed irrespective of
7 whether it approves other aspects...."

8 MR. NOURSE: Your Honor, I object to the
9 characterization. She keeps leaving off the last
10 phrase approves "as filed" is what it says.

11 MS. GRADY: You can add that phrase into
12 my question, that's not going to change my question.

13 EXAMINER SEE: And the objection is
14 overruled. I'll allow the witness to answer the
15 question.

16 A. The RSR, as I said earlier, provides that
17 financial stability for the company to get to the end
18 state, and the end state is to get to market auctions
19 for SSO pricing and a robust, competitive market.
20 Those are benefits to customers. It's an extreme
21 case using that scenario where the Commission
22 disapproves every other provision in our modified
23 ESP, but you will still get to that.

24 It shifts many parts of our plan and
25 removes the balance that we've talked about for the

1 plan -- for the ESP.

2 Q. I understand -- I'm sorry, are you done?

3 A. I am.

4 Q. I understand, Mr. Dias, how the company
5 views the RSR as providing financial stability for
6 the company. That I most certainly understand.

7 The question is how does the RSR on a
8 stand-alone basis provide certainty and stability for
9 its customers?

10 A. It would still get the company to the end
11 state, which is auction-based market SSO pricing, it
12 will provide competitive choices for customers.

13 I'm not recommending the Commission
14 approve the RSR by itself. It is proposed as a
15 balance towards all the other provisions that have
16 been proposed also in this modified ESP.

17 Q. So is your testimony that the Commission
18 should approve the RSR only as it relates to other
19 elements of the package presented as part of the
20 modified ESP?

21 A. It's a package. Mr. Powers talked about
22 it a lot. It has all these benefits that I, again,
23 repeated here a moment ago. It's a reasonable plan.

24 You know, Ms. Grady, I sat through
25 these -- all these testimonies, and it's very

1 apparent everybody wants to get to the end state,
2 which is market auctions, full competitive choice for
3 customers, it's the dessert at the end.

4 This is a balanced plan. The vegetables
5 in this plan are the healthy -- strike that balance,
6 and you've got to deal with this entire plan before
7 you can get to that dessert. It's a transition ESP.

8 My recommendation is the Commission look
9 at this as a transitional ESP. There are lots of
10 reasons why this transition is here. And you'll get
11 to the end state. It's a three-year period. It's as
12 quickly as we can get there.

13 Q. Would you agree with me, Mr. Dias, that
14 it's also important to look at the rates that are
15 going to result before we get to the end state?

16 A. That's one aspect that should be looked
17 at.

18 Q. Now, on page 6 of your testimony, again,
19 this is in Exhibit 119, lines 21 through 23, you
20 indicate that "...any modification would have to be
21 reviewed by the Company to weigh the impact of the
22 approval" -- let me strike that.

23 On page 6 of your testimony you testify
24 that "...any modification would have to be reviewed
25 by the Company...but approval of the filed RSR

1 mechanism could help alleviate the potential for
2 withdrawal from the plan." Do you see that?

3 A. I do.

4 Q. What happens if the company withdraws
5 from the plan?

6 A. I hate that thought. I don't know. I
7 don't know. I just can't imagine starting again, but
8 I don't know.

9 Q. Do you know what rates would be placed in
10 effect or what rates would control if the company
11 withdraws its plan?

12 A. I don't know.

13 Q. And would your answer be the same, that
14 you wouldn't know what capacity charge would apply if
15 the company withdraws its plan, for CRES providers?

16 A. Yes, I don't know.

17 MS. GRADY: If I may have a moment, your
18 Honor, I'd like to take a minute to look through my
19 notes, I believe I'm at an end here.

20 EXAMINER SEE: Yes.

21 Q. One final question, or one or two, I
22 should say.

23 A. Sure.

24 Q. Page 6 of your testimony.

25 A. Which testimony?

1 Q. Again, this is 119, the supplemental
2 testimony.

3 A. Okay.

4 Q. You indicate on lines 9 through 12 that
5 "Without approval of the RSR and the corresponding
6 reduction of regulatory risk within Ohio,
7 modifications to the proposed ESP could cause AEP to
8 minimize spending in the state...." Do you see that?

9 A. Yes, I do.

10 Q. When you -- can you explain to me what
11 you mean by "the corresponding reduction of
12 regulatory risk within Ohio"?

13 A. I believe Company Witness Powers talked
14 in length about the unique situation Ohio is in and
15 our associated regulatory risks; I think Company
16 Witness Allen also talked about regulatory risks.

17 Q. Yes.

18 A. I'm referring to exactly that;
19 approval -- without approval of the RSR which
20 mitigates the uncertainty facing the company,
21 modifications to the proposed ESP would cause
22 AEP Ohio to minimize spending.

23 Q. So is -- I'm sorry.

24 A. It's those unique regulatory risks
25 associated with the uncertainty and getting to this

1 end state that we keep talking about.

2 Q. So it's your testimony that the RSR
3 reduces the regulatory risk within Ohio; is that
4 correct?

5 A. It reduces the regulatory risk to the
6 company. It balances, it strikes that balance to
7 keep us financially healthy, to be able to do the
8 investments that we have been -- historically been
9 doing under the health we've had.

10 MS. GRADY: That's all the questions I
11 have. Thank you, Mr. Dias.

12 THE WITNESS: Thank you.

13 EXAMINER SEE: Let's take a lunch break
14 until 2:45.

15 (Thereupon, a lunch recess taken at 1:57
16 p.m.)

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1 Thursday Afternoon Session,

2 May 24, 2012.

3 - - -

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

6 Mr. Maskovyak? Do you need a microphone?

7 MR. MASKOVYAK: I don't think so, no.

8 - - -

9 CROSS-EXAMINATION

10 By Mr. Maskovyak:

11 Q. Good afternoon, Mr. Dias.

12 A. Hello, Mr. Maskovyak.

13 Q. I would like you, if you would, turn to
14 page 3 of your direct testimony that's been labeled
15 as AEP Exhibit 118.

16 A. Yes, I'm there.

17 Q. Just very briefly, at line 17 you talk
18 about how the modified ESP application promotes state
19 policies.

20 A. Yes.

21 Q. And then it goes on for several pages,
22 and I'd like to quickly move ahead, then, to page 7,
23 and look at lines 11 and 12 where you talk about how
24 it protects at-risk populations.

25 A. Yes.

1 Q. Do you see where I am?

2 A. Yes.

3 Q. Can you define for me "at-risk
4 populations"?

5 A. My definition of "at-risk populations"
6 are those -- and I'm being very specific to
7 residential customers that are having difficulty
8 paying their electric bill in conjunction with all
9 other necessities of life.

10 Q. Okay. Which is very consistent with what
11 you said in your deposition. And when I asked you in
12 your deposition if, if you remember, this was your
13 definition or whether you were speaking on behalf of
14 AEP, you said that it was AEP's definition as well,
15 correct?

16 A. Yeah, it's my definition but I would
17 offer it as AEP's definition also.

18 Q. Okay. In the original application that
19 was filed way back last January and Former President
20 Joe Hamrock's testimony, he discussed the protection
21 of low-income customers.

22 What I want to know, is there a
23 difference between those two terms that the company's
24 now using, at-risk populations versus low-income
25 customers or, in other words, was this change in

1 language done intentionally and with some purpose so
2 as to make a distinction between those AEP intends to
3 protect?

4 MR. NOURSE: I'd just ask for a
5 clarification on reference to Mr. Hamrock's testimony
6 some 15, 16 months ago. Are you saying that was in
7 the same context of discussing this subsection (L),
8 4928.02, that refers specifically to at-risk?

9 MR. MASKOVYAK: I am not sure exactly
10 what Mr. Hamrock was referring to. I do know that
11 AEP did not use the term "at-risk populations" and
12 instead used the term "low-income customers." I am
13 simply trying to discover whether those terms are one
14 and the same or not, and Mr. Dias says that he can
15 speak on behalf of the company as to what "at-risk
16 populations" are. If he cannot speak as to what
17 "low-income customers" are, that's it.

18 MR. NOURSE: I guess I object -- your
19 Honor -- only if you can't clarify, because you were
20 stating it was a change. I don't believe the context
21 was the same. If you have a reference to
22 Mr. Hamrock's testimony, that might be helpful.

23 MR. MASKOVYAK: I don't know if I do or
24 not. Let me see.

25 I have an excerpt from Mr. Hamrock's

1 testimony.

2 I'm sorry, your Honor. May I approach?

3 EXAMINER SEE: Since you're there.

4 MR. MASKOVYAK: Yeah. I thought that
5 might be the answer.

6 Q. (By Mr. Maskovyak) I'm showing you an
7 excerpt from Mr. Hamrock's testimony, page 16. I
8 would like you to read starting at line 8, the
9 question and beginning of the answer, please.

10 A. Okay.

11 Q. Do you, after reading the question and
12 answer, do you know whether the company is intending
13 to serve the same population that Mr. Hamrock
14 identifies as low-income customers when today they
15 say they are going to protect at-risk populations?

16 A. I think so, generally, Mr. Maskovyak. In
17 his answer about the Partnership With Ohio Fund,
18 described the Partnership With Ohio Fund, he
19 references that AEP Ohio has committed some dollars
20 to fund -- to this fund, which is the Partnership
21 With Ohio Fund, and it will target, quote, at-risk
22 populations. This is on line 14 of that page 16. So
23 I think we're talking about the same thing.

24 Q. I thought so as well, I just wanted to
25 clarify. Thank you.

1 So, when we're talking about people who
2 are having trouble paying their bills, I think we can
3 agree that such folks would fit that term as you just
4 described, so as I asked Mr. Allen, and I think you
5 were here the other day, would you put those that are
6 on Social Security into that group?

7 A. So the policy around the at-risk
8 population, and this is very specific 4928.02(L), and
9 just let me preface that I see these policies as
10 guidelines for the Commission to use as they're
11 looking at various regulatory matters, this being one
12 of them, is that our proposed ESP plan inclusive of
13 other customers, specifically benefits at-risk
14 populations.

15 So to the extent that, I can't recall
16 what you -- how you defined a specific group within
17 the at-risk population.

18 Q. What I'm trying to get at is some more
19 meaningful descriptions of who would be included in
20 "at-risk" so we have some identification of who those
21 may be, because, as you've identified, it is fairly
22 general in the statute and it provides no specific
23 definition, allowing AEP to decide whom would fit
24 that definition.

25 So I go back to my original question: Do

1 you believe that those that are on Social Security
2 would fit into the definition of "at-risk
3 populations"?

4 A. Sure. So to the extent that they're on
5 Social Security and they fit my definition of at-risk
6 population, they'll see benefits.

7 Q. And those who would be on Social Security
8 Disability.

9 A. I'm not discriminating against any
10 at-risk population.

11 Q. I'm not asking you to. I'm just asking
12 for some identification as a matter of clarification.

13 A. Okay. And I don't have anything
14 specific. I'm using the term, and I think I told you
15 that in my deposition, "at-risk population" is a
16 broad definition as I defined it, and to the extent
17 customers are having difficulty paying their electric
18 bills in conjunction with other necessities of life,
19 this plan helps them.

20 Q. I understand the intent. Again, I'm
21 trying to get some specification, some definition, of
22 what groups those may include, since we agree that
23 the term is vague.

24 A. Okay. I did not make a list, if that's
25 what you're asking me.

1 Q. That's okay, I did.

2 So I'm asking you if you can identify
3 folks within the list as whether you think they fit
4 or not.

5 A. All right, and I'll more than likely tell
6 you yes, yes, yes, but keep going.

7 Q. Okay. Social Security Disability?

8 A. To the extent they're at risk, yes.

9 Q. Those that are on Ohio Works First, which
10 you may know as ADC or welfare.

11 A. Yes.

12 Q. Those that are on food stamps.

13 A. Yes; if they're having difficulty paying
14 their bills I think this plan is such that it helps
15 those customers.

16 Q. Those that are on unemployment
17 compensation.

18 A. I think the answer is yes. I don't know
19 exactly what all is involved with unemployment
20 compensation, but --

21 Q. I'm not asking you to. I understand
22 that.

23 Those that are on the PIPP program.

24 A. Now, that's an interesting one,
25 Mr. Maskovyak. I'll have to think about that a

1 moment because PIPP customers don't pay their
2 electric bill, as I understand it, they pay a
3 portion -- they pay a percentage of their income.

4 Q. Correct.

5 A. So those customers, I'd say it's
6 questionable whether -- let me think about that.

7 Q. So do you think you can make a lot of
8 money and still be eligible for the PIPP program?

9 A. I'm sorry?

10 Q. Do you think you can make a lot of money
11 and still be eligible to be placed in the PIPP
12 program?

13 A. Who's "you make a lot of money"?

14 Q. Any residential customer. Do you think
15 they allow anyone --

16 A. No, I don't think so. I think there are
17 criteria for being on the PIPP program and income is
18 one of those.

19 EXAMINER SEE: Mr. Maskovyak, do me a
20 favor, wait and let the witness finish his answer
21 before you start your next question.

22 MR. MASKOVYAK: I apologize, your Honor.

23 Q. And do you know what those eligibility
24 requirements are?

25 A. No, I don't.

1 Q. And do you think, generally speaking, you
2 would have to be low income in order to be
3 financially eligible?

4 A. I think that's fair.

5 Q. For those that are in public or
6 subsidized housing.

7 A. To the extent that they have an electric
8 bill to pay, yes.

9 Q. And if they have no electric bill, then
10 they are not at risk?

11 A. No, they may be at risk, but this plan
12 has no affect on them, I guess.

13 Q. Correct. Okay. I appreciate the
14 clarification.

15 Those that are underemployed or have been
16 forced to seek part-time work.

17 A. Yes. Again, assuming they have an
18 electric bill to pay and they have other necessities
19 of life.

20 Q. Okay. Then I think we can agree that we
21 can properly identify those that would fit the
22 at-risk population, which we'll get to in a bit.

23 Now, my next part was going to go to
24 about the, it's almost as if you anticipated my
25 cross-examination, the absence of subsection (L).

1 So, instead of asking why the absence was
2 there and was it intentional or is it an oversight,
3 I'm going to assume at this point it is an oversight
4 since it has been added; is that correct?

5 A. It should have been in there. It
6 inadvertently got left out. I'm making a correction.

7 Q. When did you notice its omission?

8 A. I don't remember exactly, but it was
9 several weeks ago.

10 Q. Was it before you filed your supplemental
11 direct testimony?

12 A. I can't recall.

13 Q. Was it you that actually noticed its
14 omission?

15 A. That's correct.

16 Q. But you're not sure if you noticed it
17 before or after your supplemental direct testimony.

18 A. No, I don't remember.

19 Q. And why did you believe it was important
20 to add it?

21 A. I took great pains in going through
22 4928.02 when I filed my original direct testimony
23 marked as Exhibit 118, and in preparation, as I was
24 going -- reviewing my testimony, and I don't recall
25 when that was, and I was once again looking at the

1 state policy, it jumped out at me that I left out
2 (L). So I thought it was important to make that
3 correction.

4 Q. In the modified application that AEP
5 filed, there is no provision that specifically
6 protects at-risk populations or fulfills this state
7 policy objective, is there?

8 A. Oh, I disagree.

9 Q. Please, explain.

10 A. As in my -- I think you asked me this
11 question in my deposition --

12 Q. I did.

13 A. -- and I took you through three items,
14 I've even subsequently thought of some additional
15 items, and I'll take you through those again,
16 Mr. Maskovyak.

17 First is this provision on frozen
18 generation rates, this is the frozen nonfuel-based
19 generation rates that go back to December of 2011,
20 and by virtue of the term "frozen" meaning that there
21 are no related -- increases related to generation, I
22 believe that by itself is a benefit to this at-risk
23 population.

24 I'll take you to the deeply discounted
25 capacity pricing that we're offering under the

1 two-tier provision that allows CRES providers the
2 opportunity to give choices to customers as an
3 alternative to our standard service offer so, once
4 again, a customer, you added a lot more definition,
5 the at risk, who those folks are, would have choices
6 in alternative to our SSO.

7 I'll take you to the early market-based
8 SSO pricing. If you do subscribe to the school that
9 SSO pricing will be a benefit to customers because
10 those market prices will be lower or will be -- will
11 have economic advantages to customers when we get
12 there, even the early auctions we're doing, that will
13 help those SSO customers that are at risk as it
14 establishes the SSO price.

15 Those were three I gave you in my
16 deposition and I even thought about the -- in this
17 ESP we've asked for this Commission to approve the
18 energy efficiency peak demand reduction rider.

19 You are part of the collaborative, your
20 organization, I know the other group, Ohio Partners
21 for Affordable Energy, is very active in the
22 collaborative for energy efficiency which has
23 programs that target residential customers,
24 low-income customers. I happen to be on a -- sit on
25 a board of a community action agency that I know

1 takes advantages of those energy efficiency programs.

2 So there are lots of things in this plan
3 that, as I've listed out for you, provide benefits to
4 at-risk population.

5 Q. But those last benefits you mentioned,
6 they're actually part of another case, are they not?
7 They're not part of this case.

8 A. The program's a part of another case.
9 The rider, which is to collect costs of the program,
10 are part of this case. So they are very much
11 connected.

12 Q. All right. The earlier benefits that you
13 enumerated, the first three, the modest rates, for
14 example, those are all benefits that are available to
15 everybody, everybody in this room, they're not
16 available specifically to the at-risk populations,
17 correct?

18 A. Correct. We did not discriminate or
19 specifically target one group of customers to give
20 modest rates versus another group of customers that
21 did not have access to those modest increases.

22 Q. How unfortunate.

23 So back to my original question, there is
24 no provision that specifically benefits at-risk
25 populations in this ESP, is there?

1 A. Can you be more specific?

2 Q. I can. In the current ESP, the one
3 that's still in effect, there is the Partnership With
4 Ohio.

5 A. Okay.

6 Q. And would you agree that the Partnership
7 With Ohio, in part, is to specifically benefit the
8 at-risk populations?

9 A. You somewhat answered my question when
10 you started with "this current ESP," which is the one
11 that we're wrapping up and trying to get to a new
12 plan. It was a different plan, had different
13 provisions.

14 Q. Right.

15 A. Correct. We gave up -- we changed this
16 plan, this is a new plan, and it did not include the
17 PWO fund.

18 Q. And in the previous plan the Partnership
19 With Ohio was funded at \$5 million a year?

20 A. I think that sounds right, but I'm not
21 sure.

22 Q. Do you have a copy of the previous order
23 from the current ESP?

24 A. No, I don't.

25 MR. MASKOVYAK: Your Honor, may I

1 approach?

2 EXAMINER SEE: Yes. And as you're
3 approaching please indicate which case number you're
4 referring to.

5 MR. MASKOVYAK: I am referring to the
6 opinion and order from Case No. 08-917-EL-SSO and 918
7 in the current ESP.

8 Q. Mr. Dias, I just handed you a copy of the
9 opinion and order from 917. Can you see the little
10 piece that's marked? Can you read it aloud, that
11 paragraph for us?

12 A. The whole paragraph?

13 Q. Please.

14 A. "While the Partnership With Ohio Fund is
15 a key component of the economic development proposal,
16 in light of the modifications made to the ESP,
17 pursuant to this opinion and order, we find that the
18 Company's shareholders should fund the Partnership
19 With Ohio Fund at a minimum of 15 million over the
20 three-year ESP period with all of the funds going to
21 low income, at-risk customer programs. Accordingly,
22 we direct AEP Ohio to consult with staff to
23 administer the program established therein."

24 So this looks like the Commission
25 discussion and decision around the original proposal

1 we may have made under the PWO fund.

2 Q. That's the order stating that the
3 Partnership With Ohio shall be funded at \$15 million
4 over a three-year period which comes out to
5 \$5 million a year.

6 A. Yeah, I agree with you.

7 Q. Okay. And as you read, did you notice
8 that the Commission characterized it as a key
9 component of the economic development proposal?
10 Would you agree with that characterization?

11 A. Sure. Different plan, different
12 provisions, different proposals; a lot of
13 differences.

14 Q. Of course.

15 And as we all know, the stipulation that
16 was originally filed in this case, we landed at
17 \$3 million a year for the Partnership With Ohio. Do
18 you remember that?

19 A. I know, we talked about so many
20 provisions over time, I don't remember.

21 Q. Do you have a copy of the opinion and
22 order from this case that was issued in December?

23 A. "This case" being the stipulation.

24 Q. Well --

25 A. I'm not sure which case you're talking

1 about.

2 Q. I'm talking about this case, 346/348,
3 there was an opinion and order issued in this case in
4 December approving the stipulation. Do you remember
5 that?

6 A. I do remember. December 14th order?

7 Q. Correct.

8 A. I do not have a copy of that in front of
9 me.

10 Q. So do you remember as part of that order
11 that the Commission approved the funding of the
12 Partnership With Ohio at \$3 million a year?

13 A. I don't remember the \$3 million. I do
14 recall there was a provision for the Partnership With
15 Ohio Fund, again, the stipulation, you started with
16 the January 2011 proposal that had a PWO provision,
17 it morphed into a stipulation agreement, different
18 provisions, and ultimately the stipulation was
19 rejected by the Commission and, as I'm remembering
20 now, Mr. Maskovyak, I don't recall you signing that
21 stipulation agreement either when it had a PWO fund
22 in it.

23 Q. We did not.

24 I'm glad you mentioned the original
25 application. If you remember, was the Partnership

1 With Ohio not intended to be funded according to
2 AEP's application at \$6 million a year?

3 A. I'm sorry, can you ask your question
4 again?

5 Q. Sure. In the original ESP application
6 filed last January it was AEP's proposal to fund the
7 Partnership With Ohio at \$6 million a year.

8 A. Yeah, these are the numbers I don't
9 remember. I verified for you the Commission ordered
10 15 million as part of a different package, but I
11 don't remember all these numbers you're referencing
12 in your questions.

13 Q. Do you have a copy of your deposition?

14 A. Okay. I do.

15 Q. All right. Can I ask you to turn to page
16 139.

17 A. Okay. I'm there.

18 Q. I just want you to tell me if I'm reading
19 this correctly starting on line 1. "Question: Okay,
20 I understand that. But you can understand from my
21 perspective how it would be dismaying to see it go
22 from 6 million in the original application to
23 3 million in the stipulation to the proposal of zero
24 this time around.

25 "Answer: I can understand your

1922

1 disappointment insomuch as there were many provisions
2 both in the original stipulation, excuse me, in the
3 original application and in the stipulated agreement
4 that was ultimately rejected, and I presume rejected
5 for reasons."

6 Did I read that correctly?

7 A. Yes, you --

8 MR. NOURSE: Your Honor, I object. I
9 don't think that's a proper use of a deposition. He
10 didn't ask him a similar question here, and it's not
11 being used for impeachment. Mr. Maskovyak is just
12 reading the deposition passages into the record.

13 MR. MASKOVYAK: I'm attempting to
14 demonstrate, your Honor, that he had no objection to
15 the fact that I enumerated how much the Partnership
16 With Ohio was funded at in various places at that
17 time and he certainly had ample opportunity to do so.
18 He accepted those figures at that time; I'm asking
19 him to accept them now.

20 MR. NOURSE: I disagree with the
21 characterization, but I don't think it's proper just
22 to pull out a deposition and start reading it without
23 asking the witness first on the stand.

24 EXAMINER SEE: I'm going to sustain the
25 objection. Start over.

1923

1 Q. (By Mr. Maskovyak) I think I previously
2 asked you if you had a copy of the December order,
3 and you do not; is that correct?

4 A. I don't.

5 MR. MASKOVYAK: Would you like to provide
6 him with a copy or would you like me to?

7 MR. NOURSE: Go ahead.

8 MR. MASKOVYAK: May I approach, your
9 Honor?

10 EXAMINER SEE: Yes.

11 Q. Mr. Dias, I've handed you a copy of the
12 December opinion and order. I turned to page 24.
13 Are you with me?

14 A. Yes.

15 Q. Can you read paragraph 21 on that page?

16 A. "The Company shall provide funding for
17 the Partnership With Ohio (PWO) initiative of
18 \$3 million annually for the benefit of low-income
19 customers during the term of the ESP provided
20 AEP Ohio's return on equity exceeds 10 percent for
21 the calendar year. AEP Ohio will collaborate with
22 staff to determine the uses of the PWO fund." And
23 there's a reference to the stipulation agreement
24 provision.

25 Q. Correct. Does that establish, in your

1 mind, that the partnership was funded in that order
2 at \$3 million a year?

3 A. Yes. The numbers now are, you're
4 confirming them for me because I didn't remember the
5 numbers, but it's also confirming for me that these
6 orders are all related to plans that were either
7 approved and carried through with different proposals
8 or a plan that was ultimately rejected by the
9 Commission that also had different proposals in it,
10 different balancing, different -- totally different
11 plans.

12 Q. They are totally different plans.

13 Are you suggesting that the Commission
14 rejected this stipulation ultimately in its last
15 order because of the inclusion of the Partnership
16 With Ohio?

17 A. No, I'm not suggesting that at all.
18 There are lots of reasons, I'm sure the Commission
19 knows why it rejected the plan.

20 Q. Okay. The modified ESP application
21 contains no funding for the Partnership With Ohio,
22 does it?

23 A. It does not call out any funding for the
24 Partnership With Ohio.

25 Q. Is that a "yes" or a "no"?

1 A. Yes, it does not call out any funding for
2 the Partnership With Ohio.

3 Q. And isn't it true that the funding
4 that's -- for the Partnership With Ohio is used to
5 provide dollars for programs such as the Neighbor to
6 Neighbor Program which provides bill assistance to
7 those at-risk populations who are having trouble
8 paying their electric bills?

9 A. That's correct, it does. The Neighbor to
10 Neighbor Program is a relatively new program that
11 started during the term of ESP No. I, and as part of
12 the plan to seed the program, the Neighbor to
13 Neighbor Program, we used Partnership With Ohio funds
14 to get the program started, but the Neighbor to
15 Neighbor Program was not intended to rely on
16 Partnership With Ohio Fund for its steady state.

17 The program is designed to have customers
18 who will contribute above and beyond what their
19 electric bill is, there's a place where they can
20 contribute more every month to fund the program that
21 ultimately gets to the at-risk population, and that
22 program, the Neighbor to Neighbor Program, is still
23 in place.

24 Q. And as I recall, to its credit AEP Ohio
25 still funds the Neighbor to Neighbor Program through

1 the PWO.

2 A. Yeah, that's been one of the funding
3 sources, correct.

4 Q. Because the original vision as seed money
5 wasn't sufficient to maintain it; isn't that correct?

6 A. I don't know that I will agree with you
7 on that. We started with seed money to get the fund
8 up and running. We immediately saw need for the
9 fund. We contributed more dollars and had been
10 contributing money out of the PWO fund that was
11 approved in these orders you referenced -- you've
12 given me.

13 Q. I understand, and to AEP's credit, I
14 believe, you've recognized that the need is
15 maintained and that seed money alone wasn't going to
16 be sufficient to maintain a good program.

17 A. During the start-up period. But today
18 we've been, I believe we've got quite a bit that's
19 being contributed to fund by customers. I don't know
20 how much.

21 I don't know if the Neighbor to Neighbor
22 Program can continue now at its steady state. I
23 don't even know if it's a steady state, but the goal
24 was it would be self-funded, self-funded in the sense
25 that it wouldn't need contributions and assistance

1 through the PWO fund.

2 Q. Good segue to my next question.

3 So the fact that there is no Partnership
4 With Ohio inclusion in the modified ESP application
5 there will be no funds for the Neighbor to Neighbor
6 Program.

7 A. Well, there won't be a PWO fund.

8 Q. And correct me if I'm wrong, but didn't
9 you just explain that the PWO is what funds the
10 Neighbor to Neighbor Program?

11 A. No; I said it was one of the sources,
12 Mr. Maskovyak. That also customers fund the Neighbor
13 to Neighbor Program.

14 Q. I understand, but to the extent that
15 customer donations fall short of the need, there will
16 not be a PWO fund on which to rely to supplement that
17 need, correct?

18 A. I think that's fair.

19 Q. Was it your decision to remove the
20 commitment to PWO from the partnership of Ohio?

21 MR. NOURSE: Your Honor, I object. He
22 talks about removing. This is a new plan, Mr. Dias
23 has said that multiple times, it's a new plan with a
24 completely new package and I object to the
25 characterization of removing things that were in

1 prior plans in prior cases.

2 MR. MASKOVYAK: Your Honor, I'm simply
3 making note of the fact that it was in the prior
4 application, it is not now in this application. I
5 think one has to remove that in order to get from
6 being there to not being there.

7 EXAMINER SEE: I'll allow the witness to
8 answer the question.

9 THE WITNESS: I'm sorry, I have to have
10 the question reread.

11 EXAMINER SEE: Sure.

12 MR. MASKOVYAK: If you would, please.

13 (Record read.)

14 A. I supported the decision, but it was
15 multiple management that was responsible for that
16 decision.

17 Q. And can you tell us who else was
18 responsible for partaking in that decision?

19 A. There were several management-level
20 individuals within the company that were involved in,
21 including counsel, in the development of the modified
22 ESP II plan, including myself. That was one of many
23 things that were discussed as we gave up, in our
24 opinion, a lot of what was in prior plans.

25 As I said earlier, the other -- the first

1 plan, ESP I, had a term, it was a defined term, it
2 ended. We are in a new plan. And when we looked at
3 all the provisions in the modified ESP and tried to
4 get to striking that balance for the company, for the
5 CRES providers, the customers, this was one provision
6 that did not continue or did not survive.

7 Q. So would it be fair to say that AEP
8 believed it could not afford to fund the Partnership
9 With Ohio under the new -- all the new balance of
10 provisions in the new modified ESP?

11 A. We had to strike a balance between the
12 CRES providers, the customers, the company, in a
13 transitional period of three years, a relatively
14 short period of time, to get to that end state. The
15 PWO fund did not make it in that balance.

16 Q. I understand. Is that a "yes" or a "no"
17 to my question about whether AEP could afford it?

18 A. I don't remember any of our discussions
19 and leading up to the decisions as we went through
20 every one and said "affordable" or "not affordable."
21 It was a package that we put together. That's how we
22 got to the decision. So I don't know how to answer
23 your question.

24 Q. So in your opinion it was not a question
25 of whether AEP could afford to fund it or not.

1 A. It was a package that we looked at in
2 totality, holistically to balance the three items
3 I've talked about, Mr. Powers talked about it in
4 length, it is a complicated circumstance that we're
5 in, and we understood the end state of where the
6 Commission wants us to go, hence came the modified
7 ESP plan and the PWO fund was not in there.

8 Q. Let me try it another way. Could AEP
9 afford to fund the Partnership With Ohio at any level
10 if the modified ESP application was otherwise
11 approved?

12 A. Mr. Maskovyak, I don't know. We would
13 have to -- as I said earlier, we did not look at
14 provisions, at least not the PWO fund, whether it was
15 an afford-or-not-afford kind of criteria test. It
16 was a package that was holistically put together that
17 had a lot of other benefits. We looked at all the
18 other benefits that the at-risk population received
19 and we think it's a balanced plan.

20 Q. And I assume that when you said "all of
21 the other benefits," you're talking about the
22 benefits you enumerated earlier which are benefits to
23 all customers, not just to at-risk population
24 customers.

25 A. All customers including the at-risk

1 population.

2 Q. All right. I'll move on.

3 Let's turn to everybody's favorite topic,
4 the RSR. I'd direct you to page 3 of your
5 supplemental direct testimony, AEP 119, I believe.

6 A. Just a second, let me catch up.

7 Q. Of course.

8 A. Okay, I'm on page 3.

9 Q. Looking straight at the top, the first
10 sentence there.

11 A. Starts with "Also"?

12 Q. Correct.

13 A. Yes, I see that.

14 Q. Have you got it? Would it be fair to say
15 that this sentence is part of the overall AEP plan to
16 advance the state policy of protecting at-risk
17 populations?

18 THE WITNESS: I'm sorry, I didn't hear
19 all of the question. Can you please repeat it.

20 (Record read.)

21 A. It's part, yes.

22 Q. Just -- right.

23 Is there a specific provision of the RSR
24 that is intended to protect at-risk populations?

25 A. I thought we already talked about it, but

1 I'll be happy to go through it again.

2 Q. I'm talking specifically about the RSR
3 now, not the overall plan.

4 A. Right. And I answered questions from
5 Ms. Grady earlier around the RSR and I pointed out
6 the direct link. It's that balancing mechanism,
7 right, it strikes a balance between all these other
8 benefits, between the CRES providers and customers on
9 one side, and the company and the RSR on the other
10 side. So it strikes that balance. All these other
11 benefits that I referred to are also available to the
12 at-risk population.

13 Q. So there is no specific benefit to those
14 who are part of the at-risk population.

15 A. I think I answered this question.

16 Q. I'm not sure that you did. What I heard
17 you say is whatever Les Wexner gets as a benefit from
18 the RSR is what low-income customers get as well
19 because it benefits all. Isn't that correct?

20 A. That's not my testimony.

21 Q. I understand. But I'm asking you, isn't
22 that correct? Whatever benefit Les Wexner gets is
23 the same benefit that low-income clients get since
24 it's a benefit to everyone and there's no
25 differentiation or discrimination between Les Wexner

1 or low-income clients in terms of the benefit or the
2 potential benefit they can receive. Isn't that
3 correct?

4 MR. NOURSE: Your Honor, I'd just object
5 to the use of Les Wexner. I mean, I think it's
6 argumentative, obviously it assumes that, A, he's one
7 of our customers, that he's, you know, pays his bill
8 for us. I think it's argumentative.

9 MR. MASKOVYAK: I do not assume all
10 customers are -- I'm merely providing an easy
11 illustration for all to understand --

12 EXAMINER SEE: Rephrase the question,
13 Mr. Maskovyak.

14 MR. MASKOVYAK: Yes, your Honor.

15 Q. Isn't it true that, regardless of income,
16 that the RSR is the same benefit whether you make a
17 lot of money, a middle amount of money, or almost no
18 money?

19 A. Mr. Maskovyak, I said earlier that we did
20 not differentiate, we did not discriminate around
21 specific benefits for one group of customers versus
22 another, and I heard you respond "and a good thing,"
23 I believe.

24 I call your attention to Mr. Roush's
25 testimony in DMR-1, the year 1 increases on average

1 for all customers for AEP Ohio of 4.51 percent, in
2 year 2 it goes to 3.77 percent, and in year 3 it
3 goes -- there's an increase of a .26 percent.

4 Doing simple math, over the three-year
5 period that's a 2.85 percent increase, all right,
6 just an average over the three years. Less than
7 3 percent. Those are very modest increases. We did
8 not differentiate, in my mind, the at-risk population
9 benefits from a three-year average of 2.85 percent.

10 Q. But the at-risk population benefits in
11 the same way that everyone else does.

12 A. That's correct. I'll give you that we
13 did not distinguish, we did not discriminate between
14 groups of customers.

15 Q. So there is no discount for at-risk
16 populations as part of the RSR, is there?

17 A. They get a discount in capacity. You
18 used the word "discount." We discounted the capacity
19 from \$355 a megawatt-day to a two-tier substantially
20 below cost if they choose, if a CRES provider passes
21 those discounts back to customers.

22 Q. As you may remember -- I want to refocus
23 you, my question was about the RSR. Discounted
24 capacity is not part of the RSR.

25 A. Oh, it is.

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1 Q. It is something separate and apart.

2 A. It is part of that provision that --
3 remember my balancing scale.

4 Q. I understand it all fits together.
5 Nonetheless, the RSR is a separate provision from the
6 discounted capacity provision.

7 A. It is a different provision than the
8 discounted capacity, but it takes all the benefits
9 that customers see on one side of that scale and
10 balances it to the company on the RSR side.

11 Q. I understand the balance. I'm focusing
12 specifically on the RSR and I'd like to talk only
13 about the RSR. There is no discount provision in the
14 RSR for at-risk populations.

15 A. It doesn't make sense for me to respond
16 to that because the RSR is a provision that deals
17 with the company in this balancing mechanism.

18 Q. Well then --

19 A. Customers get the other side of the
20 balance.

21 Q. So to the extent that the RSR raises
22 rates over existing rates, it takes more money out of
23 the pockets for customers who are at risk, correct?

24 A. That's correct. But these are the -- the
25 2.85 percent increase they would see on average over

1 three years, that includes the RSR.

2 Q. I understand. But the RSR, as projected
3 by Mr. Allen, is going to collect quite a bunch of
4 money, don't you agree?

5 MR. NOURSE: Your Honor, I think this
6 area's been fully explored and it's becoming
7 repetitive here. I think Mr. Dias has been very
8 clear in answering the substance of what
9 Mr. Maskovyak's asking and he's just badgering and
10 repeating at this point.

11 MR. MASKOVYAK: Your Honor, I'm merely
12 trying to focus on how it affects my particular
13 clients, since I think they're more adversely
14 affected than most.

15 EXAMINER SEE: Proceed. Ask a question,
16 Mr. Maskovyak.

17 Q. The RSR, based on Mr. Allen's projection,
18 ends up collecting quite a chunk of money from
19 customers over the period of the ESP, does it not?

20 MR. NOURSE: Your Honor, I'd just object.
21 What's "quite a chunk of money"? I have no idea what
22 that means.

23 Q. All right. Let's refer to -- do you have
24 Mr. Allen's testimony?

25 A. Again, I can find it.

1 Okay, I've got his testimony in front of
2 me.

3 Q. Turn to the last page, Exhibit WAA-6.
4 Are you there?

5 A. I am.

6 Q. Do you see the line labeled "Retail
7 Stability Rider"?

8 A. I do.

9 Q. Can you read across for me the numbers
10 for each of the areas that the retail stability rider
11 intends to collect? Can you read it out loud?

12 A. Well, the numbers in that row is
13 44.1 million for planning year '12-'13; 102.9 million
14 for planning year '13-'14; 137.2 million for planning
15 year '14-'15. In total it's 284.1 million.

16 Q. And my point was is that is a lot of
17 money to be collected by the RSR; would you agree?

18 A. That's a relative number compared to the
19 total benefits customers get on the other side of the
20 RSR.

21 Q. If the RSR takes more money out of the
22 pockets of at-risk customers and there's no bill
23 assistance through the PWO, would you agree that
24 they're even at more risk than prior to the
25 implementation of the modified ESP?

1 A. Mr. Maskovyak, I can't speak to whether
2 their risk -- customers' circumstances
3 increase/decrease risk. I can tell you, though, that
4 I believe, and I'm providing testimony to say that I
5 believe a 2.85 percent increase on average, given all
6 the other benefits that I've already discussed, is a
7 fair, balanced proposal.

8 Q. I understand how you think it's balanced.
9 But do you understand that rate increases affect my
10 clients like a regressive tax, since it applies to
11 all equally they have to pay the same share
12 regardless of how much disposable income they have?

13 A. Was that a question?

14 Q. Yes. I'm saying do you understand that
15 it operates as a regressive tax?

16 A. I don't know how a regressive tax works,
17 but I will add, though, that for the same rate -- the
18 at-risk population customers you talk about, they're
19 all getting the same level and I will beg to say
20 that -- differentiate that, as I mentioned earlier,
21 the energy efficiency and peak demand reduction
22 programs that we have, they very specifically
23 target --

24 I mentioned earlier I sit on a board for
25 a community action agency and I know that is one of

1 their most substantial programs, targeting
2 low-income, at-risk populations, is to help those
3 folks that fall in that group of at-risk --
4 low-income, at-risk populations help themselves, they
5 help themselves through these programs providing the
6 energy efficiency, the insulation, the windows,
7 doors.

8 So it's not quite what you're describing
9 as everybody having the same.

10 Q. I understand. And I think, as we agreed
11 earlier, those benefits are part of another case.

12 A. The implementation of those programs are
13 part of another case, but the approval of that case,
14 the ability to execute on that other case and put
15 those programs in place are part of this ESP this
16 Commission has to approve.

17 Q. Only as far as the funding goes.

18 A. The rider associated with it, yes.

19 Q. I want to take you back to a line of
20 questioning earlier by Ms. Grady. Can you turn to
21 page 2 of your testimony?

22 A. 118 or 119?

23 Q. 119, I'm sorry.

24 A. I'm on page 2.

25 Q. Do you remember when she asked you about

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1 lines 10 through 14?

2 A. Yes.

3 Q. She asked you to break down that
4 sentence.

5 A. Yes; actually, I think she broke it down
6 for me.

7 Q. That is correct. Your memory serves you
8 well.

9 She talked about the benefit of providing
10 stability needed for business and residential
11 customers to plan, and she had asked plan what. I
12 thought you had a very thoughtful and interesting
13 answer, perhaps insightful. Do you remember your
14 answer?

15 A. Vaguely, but perhaps I need to have it
16 read back to me, if it was so thoughtful.

17 Q. You talked about how the plan, the
18 decision about whether to buy prescription
19 medications versus buying food versus paying for
20 electricity.

21 Do you understand that is exactly the
22 paradigm that my clients, that the at-risk population
23 faces every time they have increases in any one of
24 those commodities?

25 A. Oh, absolutely I do. And I care very

1 much about that, and that's how I defined my at-risk
2 population when I talked about the group of folks
3 that fall in that category, in my opinion, are the
4 individuals that are having difficulty paying their
5 electric bill in conjunction with other necessities
6 of life. Those are the at-risk populations.

7 Q. And despite your understanding, that
8 still does not mean that there is a place for funding
9 for a Partnership With Ohio program as part of this
10 ESP, correct?

11 A. I'm recognizing those are the individuals
12 that fall in that class, and I will offer to you that
13 we have put together a very modest, very balanced ESP
14 plan that addresses those individuals.

15 Q. But it does not plan any sort of bill
16 assistance that might help them with the very
17 decision that you described in your earlier
18 testimony.

19 MR. NOURSE: Your Honor, I object. Asked
20 and answered. Argumentative.

21 MR. MASKOVYAK: I'm asking specifically
22 about the PWO, your Honor.

23 EXAMINER SEE: I'll allow it.

24 A. And I have answered that, Mr. Maskovyak.
25 You know, this is a different plan, different

1 provisions. The plan that was there before that had
2 the PWO fund was quite different. In my direct
3 testimony in 118, Exhibit 118, I differentiate, I
4 even discuss all the differences in those plans,
5 but -- between the two plans.

6 But the PWO fund was one provision, as
7 with other provisions, that did not surface under the
8 modified ESP II plan. We gave up a lot when we got
9 to the modified ESP II plan.

10 I'm not making any less -- don't get me
11 wrong, I'm not discounting the at-risk population,
12 I'm very aware of them, and I call to your attention
13 many of the benefits that that group of customers
14 will see including these modest increases.

15 Q. I may be mistaken, but -- and I agree
16 that you do point out or highlight a lot of
17 differentiations between the old plan and the new
18 plan, but I do not remember any differentiation on
19 the basis of addressing the Partnership With Ohio.
20 Am I correct? Please point me to that part.

21 A. I'm sorry, I got lost in that question.

22 Q. I was agreeing with you that there were
23 many differentiations that you pointed out between
24 the modified ESP and the original ESP and the
25 stipulation, but I do not remember among those

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1 differentiations that you listed any reference to the
2 PWO. Am I correct?

3 A. I think what I said was that when we were
4 making the decisions on the modified ESP II plan, we
5 looked at it holistically, we looked at it in
6 totality, we looked at the balance, and the PWO fund
7 was not in there.

8 Q. I understand.

9 MR. MASKOVYAK: I have no further
10 questions, your Honor.

11 EXAMINER SEE: Mr. Kutik.

12 MR. KUTIK: Thank you, your Honor.

13 - - -

14 CROSS-EXAMINATION

15 By Mr. Kutik:

16 Q. Mr. Dias, I want to talk to you about
17 your responsibilities as Vice President Regulatory
18 and Finance. You were part of a group or the group
19 that made decisions as to what would be included and
20 excluded from the modified ESP proposal, correct?

21 A. I was part of a group, yes.

22 Q. And you regularly participate in planning
23 for the company filings before various regulatory
24 commissions.

25 A. That's correct.

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1 Q. And you also provide technical direction
2 on regulatory policy, correct?

3 A. That's correct.

4 Q. And that means if people have questions,
5 they come to you about those issues.

6 A. That's correct.

7 Q. And you also provide leadership on
8 regulatory and strategic plans involving investments.

9 A. Correct.

10 Q. Including investments in facilities such
11 as generating units.

12 A. That would be one of them. One item.

13 Q. And as I understand it, you answered a
14 question from Ms. Grady that you are here today as
15 the company's policy witness, correct?

16 A. Correct.

17 Q. To answer questions with respect to the
18 company's position on important policies that relate
19 to this case, correct?

20 A. Yes. I think Mr. Bob Powers also, we
21 shared some of that responsibility and he dealt with
22 quite a bit too.

23 Q. Okay. So let me ask you about some
24 policies.

25 A. Okay.

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1 Q. Would it be fair to say that AEP
2 acknowledges that competitive markets provide
3 benefits to customers?

4 A. Yes. Maybe I need to have the question
5 reread, please.

6 (Record read.)

7 A. Yes. We believe that competitive markets
8 do provide some benefits to customers.

9 Q. And in a competitive market sellers have
10 incentives to minimize their costs.

11 A. Yes, inherent with competitive markets
12 sellers would look at their inherent costs.

13 Q. And in a competitive market sellers have
14 incentives to pass cost savings along to customers
15 that result in lower prices, correct?

16 A. That depends.

17 Q. Okay. Well, where a supplier is getting
18 access to lower-cost capacity, for example, and does
19 not pass the savings along to customers, in a
20 competitive market a competitor can come along and
21 offer a lower price reflecting that lower cost,
22 correct?

23 A. They could.

24 Q. Okay. One of the benefits of the
25 proposed ESP is the potential for diversity of

1 suppliers, correct?

2 A. That's correct.

3 Q. This means that there will be a range of
4 CRES suppliers and that there will be more choices
5 for customers, correct?

6 A. I agree.

7 Q. It would be fair to conclude that one of
8 the things that customers might get to have a choice
9 about is the prices that they might pay for
10 generation service.

11 A. That would be one of them, yes.

12 Q. Lower capacity prices offered in the
13 proposed ESP, you believe, will lead to or will
14 promote robust shopping alternatives, correct?

15 A. I believe that the discounted capacity
16 that this proposed plan provides will allow for a
17 robust -- a diversity of suppliers that I believe
18 will translate to robust choices for customers, yes.

19 Q. And would it also -- can we equate the
20 word "robust choices for customers" to a term you
21 used earlier I think in response to questions from
22 Mr. Maskovyak that it will lead to robust
23 competition?

24 A. I would hope so.

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

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1 if there is robust competition, one would normally
2 expect lower prices than if there was little or no
3 competition?

4 A. I think that would be the expectation
5 from customers, that they would see lower prices from
6 robust competition.

7 Q. Well, isn't it true that AEP Ohio has
8 told the public that the plan is designed to set a
9 fair price for electricity while strongly encouraging
10 competition that can save you money on your electric
11 bill?

12 THE WITNESS: Would you repeat the
13 question, please?

14 (Record read.)

15 A. Okay.

16 Q. That would sound like a true statement to
17 you?

18 A. It sounds fair.

19 Q. Okay. Now, would it also be fair to say
20 that pricing electricity to allow Ohio to compete
21 globally is another important state policy?

22 A. I agree.

23 Q. And the price of electricity is an
24 important factor, among others, in the global
25 competitiveness of the markets here in Ohio.

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1 A. I agree. It's one of several criteria
2 for competing globally.

3 Q. It's potentially an important factor in
4 site selection for new businesses.

5 A. It would be one of the many criteria that
6 businesses would use, manufacturers would use, in
7 site selection.

8 Q. And it similarly would be a factor that
9 firms would consider or a company might consider in
10 deciding whether it would stay or relocate from Ohio.

11 A. As I said earlier, it's one of the
12 criteria, correct.

13 Q. And, among other things -- well, strike
14 that.

15 All things being equal, would it be fair
16 to say that companies paying higher electric prices
17 may be at a competitive disadvantage compared to
18 customers paying lower electric prices for -- lower
19 prices for electricity?

20 A. I'd have to say that depends, again.
21 There's a lot of criteria that goes into that. The
22 competitive advantage or disadvantage is going to be
23 exactly that. Who are they competing with within
24 their sector?

25 Q. But my question asked you to assume all

1 things being equal. One firm that has higher costs
2 than another firm is at a competitive disadvantage,
3 correct?

4 A. You know, I don't know if I'll go to that
5 as a competitive disadvantage because you've got to
6 look at, in business, and I said that very clearly in
7 my testimony that, for example, just using our
8 business, if our revenues were not adequate, we would
9 look at costs.

10 So if one company had a higher electric
11 bill, and let's say it was in FirstEnergy's
12 territory, compared to an equal competitor in
13 AEP Ohio's territory that has lower rates, are you
14 suggesting that the FirstEnergy company would be at a
15 disadvantage, the company in FirstEnergy's territory
16 would be at a disadvantage?

17 I think they'd look at their costs and
18 perhaps they could remove a cost that could get them
19 competitive.

20 MR. KUTIK: Your Honor, may I approach?

21 EXAMINER SEE: Yes.

22 Q. Mr. Dias, I'd like to have you look at
23 your deposition. You have it, do you?

24 A. I do, if you will tell me the page
25 number.

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1 Q. I will in a second.

2 If I could have you turn to page 41. Are
3 you there, sir?

4 A. Yes, I am.

5 Q. Specifically let me direct you to line
6 16. You testify as follows "Question: Okay. And,
7 all things being equal, customers that pay -- in
8 other words, companies that pay higher electric
9 prices may be at a competitive disadvantage than
10 companies that pay lower electric prices, correct?

11 "Answer: Generally I'll agree with you,
12 but are there many things that go into play with
13 where a customer sites its business."

14 A. That's pretty consistent with what I just
15 said.

16 Q. All right. Now, you're also aware, are
17 you not, that there is a state policy that favors
18 reasonably priced retail electric service?

19 A. I'm sorry. Can you try one more time?

20 Q. Sure.

21 MR. KUTIK: May I have it read, your
22 Honor?

23 EXAMINER SEE: Yes.

24 (Record read.)

25 A. Yes, I am, amongst other criteria in that

1 policy.

2 Q. And you would agree with me, would you
3 not, that a price that is just and reasonable would
4 further the state policy of having reasonably priced
5 retail electric service?

6 A. I'll, again, generally agree with you,
7 but the term "just and reasonable," I think of it in
8 context of a cost-of-service kind of regime. We're
9 in a different regime today here in Ohio, and I think
10 of the policy which says "reasonable." It dropped
11 the "just," but it talks about "reasonable."

12 So I think generally, or in Mr. Powers'
13 words, directionally correct.

14 Q. I'd rather have you use your word, sir.

15 A. I will.

16 Q. Thank you.

17 Now, where a regulatory commission has
18 determined that a price is just and reasonable, that
19 would further the state policy of promoting
20 reasonably priced retail electric service, correct?

21 A. Again, I'll generally agree with you.

22 Q. Thank you.

23 Now, another state policy that you're
24 aware of is the policy that militates against
25 discriminatory rates, correct?

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1 A. Can you point me to that policy, please?

2 Q. Okay. Are you aware of whether there's a
3 policy that militates against discriminatory rates?

4 A. I think generally we are -- yes, but I
5 don't know if it's in one of the 4928.02.

6 Q. Well, are you aware of something in, say,
7 chapter 4905 that might prohibit --

8 A. That sounds more familiar.

9 Q. -- militates against discriminatory
10 rates?

11 A. I'll agree.

12 Q. Now, the company here is proposing to
13 price capacity for shopping customers at two
14 different levels, correct?

15 A. It's proposing two different levels of
16 pricing for capacity to CRES providers.

17 Q. Fair enough. And other than the price,
18 there's no difference in the capacity sold to one
19 tier of CRES providers versus another tier of CRES
20 providers, correct?

21 A. Other than price?

22 Q. Yes.

23 A. Yeah, it's not like -- it's not like
24 distribution service where you may have a pocket of
25 an area that has a quality of service issue because

1953

1 of the infrastructure or vegetation to a metropolitan
2 area that may not have the same level. I think of
3 capacity as capacity.

4 Q. And so certainly the cost to provide
5 capacity to one tier is the same as the cost to
6 provide capacity to the other tier, correct? Because
7 capacity's capacity.

8 A. Our cost is the same.

9 Q. Yes.

10 A. \$355.72.

11 Q. So the cost is the same whatever the
12 figure is. And, obviously, the parties disagree
13 about the figure. We can agree that the cost,
14 whatever it is, is the same, correct?

15 A. For AEP Ohio.

16 Q. Yes.

17 A. Yes, the cost is the same.

18 Q. Now, you talked with Mr. Maskovyak at
19 length about another policy which is for protecting
20 at-risk populations, correct?

21 A. Yes.

22 Q. And I believe you defined "at-risk
23 populations" as residential customers that have
24 difficulty paying their electric bill in conjunction
25 with the necessities of life, correct?

1954

1 A. With the other necessities of life, yes.

2 Q. And would it be fair to assume that those
3 customers in that group would have relatively more
4 difficulty keeping current on their bills?

5 A. I don't know how to get to that
6 conclusion.

7 Q. Well, if folks are having difficulty
8 paying their bills, you would assume that some of
9 those folks might have arrearages on those bills,
10 correct?

11 A. Possibly.

12 Q. Now, you were in the room, were you not,
13 during the examination of Mr. Allen?

14 A. I was here on and off.

15 Q. Okay. Did you hear Mr. Allen discuss
16 with me an organization called AEP Ohio Choice?

17 A. I remember the AEP Ohio Choice. I'm not
18 sure it was an organization.

19 Q. Fair enough. There is a group within
20 AEP, the AEP companies --

21 A. Yes.

22 Q. -- called AEP Ohio Choice.

23 A. Yes.

24 Q. And one of the things it does is it
25 provides communications to CRES providers.

1 A. I think that's one of their
2 responsibilities.

3 Q. In terms of how CRES customers may be
4 handled, CRES bills or billing for CRES customers --
5 billing for CRES customers, payments to CRES
6 providers and so forth, those are the types of
7 subjects that AEP Ohio Choice Operations would
8 communicate with regarding -- with CRES providers,
9 okay?

10 A. Okay. Is that what Mr. Allen said?

11 Q. Well, is that your understanding?

12 A. I think that's generally right but I'm
13 really not real close to that group.

14 Q. Okay.

15 MR. KUTIK: Your Honor, may I approach?

16 EXAMINER SEE: Yes.

17 MR. KUTIK: Your Honor, I would like to
18 have marked as Exhibit FES 119 a two-page document,
19 one of which is an e-mail from AEP Ohio Choice
20 Operations and the other is the attachment to that
21 e-mail.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 Q. Mr. Dias, I've handed you what's been
24 marked for identification as FES 119, correct?

25 A. Is there a mark on here? I need to mark

1956

1 it?

2 Q. If you could, please. Thank you.

3 A. Okay.

4 Q. For your benefit and mine.

5 A. Okay.

6 Q. And this appears to be, does it not, an
7 e-mail from AEP Ohio Choice Operations?

8 A. It says from
9 OhioChoiceOperations@AEP.com.

10 Q. Turn to the second page. It says
11 "AEP Ohio on May 16th will be begin reassigning
12 Choice customers back to the company's Standard Offer
13 Service if they have a 60-day delinquency of more
14 than \$50. AEP Ohio will continue to remit any
15 payments received from these customers to their
16 selected provider for 80 days after the drop has
17 taken place. After 80 days it will be the
18 responsibility of the CRES Provider to collect any
19 additional past due charges. Customers will not be
20 allowed to select another CRES provider until past
21 due amounts are paid."

22 Did I read that correctly?

23 A. You read it correctly.

24 Q. And when this is talking about Choice
25 customers, those are customers that are receiving

1957

1 retail electric service from CRES providers?

2 A. I believe that's correct.

3 Q. And what this is saying is that AEP Ohio
4 is going to basically reassign those customers from
5 the CRES provider back to AEP Ohio for standard
6 service offer service.

7 A. That's right.

8 Q. And were you aware that this policy was
9 underway?

10 A. I generally was, yes.

11 Q. And with this policy in effect, once the
12 customer was reassigned back to the standard offer
13 service, that customer could not shop, correct?

14 A. Until the past-due amounts are paid.

15 Q. Is that your understanding?

16 A. That's what I'm seeing here. I wasn't
17 intimately involved in it, but folks within my group
18 and others were involved in this discussion.

19 Q. Would these customers be subject to the
20 12-month stay requirement?

21 A. You know, I think the 12-month stay
22 requirement I believe is for nonresidential
23 customers, so I'm not sure.

24 Q. So you don't know.

25 A. I don't know.

1 Q. But, certainly, until the -- at least
2 it's your understanding, sitting here today, that
3 these customers will be limited in their ability to
4 shop until they paid their arrearages.

5 A. That's correct. This -- I hate to use
6 the word "policy," but this process was implemented
7 relatively recently with a collaborative discussion
8 with CRES providers, including FES, staff, I think
9 all the CRES providers were involved in the
10 discussion, and everything was vetted within these
11 groups.

12 Q. Okay. So is it fair to say that there's
13 nothing in the proposed modified ESP that would
14 change or alter this policy? Correct?

15 A. I haven't thought about it.

16 Q. Okay. Let's move to a discussion -- from
17 a discussion of the policies that you know of to a
18 discussion of some of the benefits in your proposed
19 ESP.

20 A. Sure.

21 Q. One of the things you cite is the fact
22 that a proposed ESP includes an energy-only
23 competitive bidding process for power delivered
24 beginning January of 2015, correct?

25 A. Correct.

1959

1 Q. And bringing a competitive bidding
2 process to SSO customers you would deem to be a
3 benefit, correct?

4 A. I do.

5 Q. And would it be fair to say that you're
6 not aware of anything within SB 221 that would
7 prohibit AEP Ohio from procuring all of its SSO load
8 through a competitive bidding process for power being
9 delivered beginning June of 2013?

10 A. I'm generally familiar with 221. I'm not
11 an attorney. I don't know whether there's a
12 prohibition from doing what you just asked me, but
13 there are reasons, many of which -- all of which were
14 discussed by prior witnesses and, just to be brief,
15 around the FRR responsibility we have the obligation
16 we have for our load and the pool modifications that
17 have to be done before we can -- by the time we
18 corporately separate.

19 Q. You understood, sir, that my question --
20 I'm sorry, had you finished your answer?

21 A. I'm not sure at this point, but I'll say
22 yes for now.

23 Q. Okay. I apologize if I interrupted.

24 A. That's okay.

25 Q. Is it your -- you understand my question,

1 though, sir, to relate to SB 221, correct?

2 A. Correct.

3 Q. Right. And is it fair to say that,
4 sitting here today, that you can't think of anything
5 that prohibits a full load, full SSO load competitive
6 bidding process for AEP Ohio for power delivered
7 beginning June of 2013?

8 A. Well, I do know that under an MRO I don't
9 think we -- you said "all," and I don't think we can
10 do all of ours under an MRO. Under the ESP the
11 company has to propose a plan, so it's left up to the
12 company to propose a plan of what it intends to do.

13 Q. Right. And so there would be nothing
14 under the -- under Senate Bill 221, if the company
15 wanted to have an ESP with a competitive bidding
16 process for all its competitive load for power
17 delivered beginning June 2013, there's nothing in
18 SB 221 that prevents that, correct?

19 MR. NOURSE: Your Honor, I'll just
20 object. I think Mr. Dias has already explained his
21 understanding of this matter and now Mr. Kutik is
22 trying to get him to give an unqualified, really a
23 legal opinion.

24 MR. KUTIK: I don't think I have an
25 answer on the record, your Honor, and that's what I'm

1961

1 trying to find out.

2 EXAMINER SEE: The objection is
3 overruled.

4 Mr. Dias, you can answer the question.

5 A. As I said earlier, I'm not an attorney.
6 I'm not aware of any prohibition.

7 Q. Thank you.

8 A. I'm not finished.

9 Q. Okay. Go ahead.

10 A. I'm not aware of any prohibition, so I
11 really can't be certain about your answer. I do know
12 that other EDUs have gone faster. Circumstances are
13 totally different.

14 Q. Right.

15 A. I'm finished now.

16 Q. Well, as the individual in the company
17 who provides technical direction on regulatory
18 policy, sitting here today you certainly can't think
19 of a reason under SB 221 that would prevent what I
20 suggested, correct?

21 A. As a layman, that's correct.

22 Q. Now, would it also be fair to say that
23 you're not aware of anything in Ohio law that
24 requires an EDU to use its own generation to provide
25 SSO service? Correct?

1962

1 A. I think this is very similar to my last
2 answer; I'm not aware but I'm not an attorney.

3 Q. Okay. Now, I want to talk to you about
4 another benefit that you discuss a little bit in your
5 testimony, and that's the benefit of transparency.
6 Would it be correct to say or understand that
7 transparency, specifically in terms of rates, might
8 be thought of as rates that are readily understood?

9 A. That could be one of them.

10 Q. Okay. Or rates that are readily capable
11 of being determined or explained?

12 A. No. I think I would characterize it as
13 transparency being rates that are explainable.

14 Q. The capacity prices being proposed here
15 are 146 and 255 dollars, correct?

16 A. Correct, as a discount from our cost.

17 Q. Right. At no time during the term of the
18 ESP will the \$146 be the then-current RPM price,
19 correct?

20 THE WITNESS: I'm sorry, could I ask you
21 to read the question back for me?

22 (Record read.)

23 A. It is the now-current RPM price.

24 Q. I asked you the then-current RPM price.

25 A. Tell me again when is the then-current.

1963

1 Q. Sure. Well, during the term of the ESP,
2 146 will not be the then-current price, RPM price,
3 correct?

4 A. Okay, I understand your question. The
5 RPM price changes, as I understand it, on PJM
6 planning years starting June of every year, so the
7 RPM price is scheduled to change during the ESP.

8 Q. So the answer to my question is "yes."

9 A. The 146 is now-current RPM price.

10 Q. That's not my question. My question is
11 the 146 during the term of the ESP will not be the
12 then-current RPM price.

13 A. Okay, I'll agree.

14 Q. Thank you.

15 Now, the 146 is also not a cost-based
16 rate, correct?

17 A. Oh, it's definitely not a cost-based
18 rate.

19 Q. I thought you'd say that.

20 The 255 is also not a cost-based rate,
21 correct?

22 A. I think you'll anticipate my answer;
23 you're correct, it's not.

24 Q. Nor is it a market-based rate or the RPM
25 rate, correct?

1964

1 A. You know, that's a real interesting
2 question, the cost -- it comes back down to what is
3 market, right? Market is what two parties agree to
4 pay for something. Our cost is 355.72. If somebody
5 agreed to pay for that, that would be a market rate.

6 Q. Let me have you refer to your deposition,
7 sir, page 59.

8 A. Okay.

9 Q. Are you there?

10 A. I am.

11 Q. And did you testify starting on line 11
12 as follows: "Question: Okay. Now, the 255, that
13 price, that's also not a cost-based rate, correct?

14 "Answer: Oh, it sure isn't \$355.72 per
15 megawatt-day. No, it's not cost based for AEP.

16 "Question: Right. And it would also not
17 be considered to be a market-based rate? Correct?

18 "Answer: I'll agree."

19 Did you testify in that way, sir?

20 A. I did, and I just said earlier when you
21 asked me the question, it occurred to me it's a
22 really interesting question, I thought of it when I
23 answered this question, it's not an RPM rate, I
24 agree, but market can be something different than an
25 RPM.

1965

1 Q. Well, my question to you, sir, was simply
2 did I read your testimony correctly.

3 A. You did.

4 Q. Thank you.

5 Now, if the Commission determined in Case
6 No. 10-2929 that AEP Ohio should charge RPM-based
7 rates for capacity, then the capacity prices that
8 AEP Ohio proposes here will not be a discount,
9 correct?

10 A. Now, I do remember that question from the
11 deposition and I was very clear that when I think of
12 a discount, 255 and the 146 are discounts as what AEP
13 is willing to do. The RPM is not what AEP is willing
14 to do, so I wouldn't consider that a discount.

15 Q. Okay. And the same thing for if -- you
16 had the same answer if the Commission in 10-2929
17 determined that AEP's cost was not \$355 per
18 megawatt-day but \$146, your answer would be the same,
19 the prices you're proposing would not be a discount
20 using the definition you just gave, correct?

21 A. Well, we were willing to do 146 as a
22 one-tier, then there's a second part to that.

23 Q. But that's not my question. My question
24 is if the company -- if the Commission said in the
25 capacity case that AEP Ohio's costs were not \$355 per

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1 megawatt-day for capacity, but it was \$146, in that
2 instance the capacity that you're proposing here,
3 let's say in the second tier, the 255, that would not
4 be a discount, correct?

5 A. Yeah, and just to be clear I'm
6 understanding you, Mr. Kutik, you're referring to
7 just a single capacity rate of 146; is that what
8 you're --

9 Q. And the 255. That would not be a
10 discount either.

11 A. You're confusing me.

12 Q. Let me try --

13 A. Start again.

14 Q. -- to clarify that.

15 A. Okay.

16 Q. As I think we understand and agree, there
17 are two tiers being proposed; 146 and 255.

18 A. Correct.

19 Q. And those prices will be the prices for
20 the entirety of the proposed ESP term.

21 A. That's what we've proposed.

22 Q. And if the Commission said, you know,
23 AEP, we find that you have not proven that your costs
24 are 355, but your costs are really less than \$146,
25 then the proposal that AEP has made with this

1967

1 proposed ESP in terms of the capacity prices would
2 not be a discount, correct?

3 A. If they impose -- if the Commission
4 imposes a capacity price that is less than what we
5 have proposed in our modified ESP, that would not be
6 a discount.

7 Q. Thank you.

8 Now I want to talk about another policy
9 that you mentioned. With respect to -- and that is a
10 policy with respect to certainty of charges. That
11 was one of the policies that you pointed out, right?

12 A. Yes. I'm still -- I'm a little troubled
13 with where we were.

14 Q. Well, sir, can you answer my question?

15 A. Okay. Go ahead.

16 Q. You're familiar with the policy that you
17 cite of rate certainty --

18 A. Yeah.

19 Q. -- correct? And that's one of the
20 benefits that you cite with respect to your proposed
21 modified ESP, correct?

22 A. Correct.

23 Q. Now, there are certain parts of the
24 charges that are being proposed that will vary from
25 year to year; would that be fair to say?

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1 A. Yes, there are some that could vary
2 slightly.

3 Q. For example, the FAC; that could vary
4 from year to year.

5 A. The FAC I would expect to vary year to
6 year.

7 Q. The RSR could vary from year to year.

8 A. I would put that in the category as
9 probably some variation but not significant.

10 Q. Okay. And the GRR, that would change
11 from year to year potentially.

12 A. I have no idea what the GRR's going to
13 be.

14 Q. Okay. Now, you also mentioned another
15 benefit is the elimination of the MTR and LFR riders,
16 correct?

17 A. Correct.

18 Q. And the benefit is that those riders
19 aren't being proposed, right?

20 A. That's correct. The MTR and the LFR were
21 the subject of a lot of criticism in our stipulation
22 agreement that caused some groups of customers to see
23 relatively large increases and so in this modified
24 ESP as we were rebalancing the plan, as I spoke with
25 Mr. Maskovyak, the MTR and the LFR fell out.

1969

1 Q. Those two riders, they're not in effect
2 now, correct?

3 A. I don't think they are, Mr. Kutik. That
4 would probably have been a better question for
5 Company Witness Roush, but I don't believe that they
6 are in effect.

7 Q. And those two riders were not in effect
8 at the time the company filed its initial application
9 in this case back in January of 2011, correct?

10 A. The MTR was proposed in the January '11
11 application. It was not in effect, to answer your
12 question.

13 Q. Thank you.

14 A. But it was proposed. And then the LFR
15 morphed into the provisions in the stipulation
16 agreement.

17 Q. So would it be fair to say that, given
18 your answer that they were part of the proposal that
19 was made in the application filed in January 2011 and
20 morphed into the stipulation, that the only time
21 those two riders were in effect was between the time
22 that the Commission initially accepted the modified
23 ESP or modified stipulation and the time that the
24 Commission rejected the stipulation?

25 A. I think that's correct. Again, I would

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1 have -- I think Company Witness Roush would have been
2 the best subject-matter expert on those two items.

3 Q. I'm asking you, and you have answered my
4 question, thank you.

5 A. Yeah.

6 Q. Now, another benefit that you cite is
7 folding the current EICCR charge into the base G
8 charge, correct?

9 A. That's correct.

10 Q. And the benefit here includes the fact
11 that should environmental costs go up, the risk of
12 that cost increase will be on the company, correct?

13 A. That's correct.

14 Q. And this risk, you would agree with me,
15 is the same risk that any generation owner bears in a
16 competitive market.

17 A. I guess that would depend if the
18 competitive bidder had generation.

19 Q. Well, I said "generation owner." Any
20 generation owner.

21 A. Generation owner?

22 Q. Yes.

23 A. Yes; I think that's correct.

24 Q. Thank you. So that would include
25 wholesale suppliers who own generation who bid into

1971

1 an SSO process, competitive bidding process.

2 A. Yeah, and it would make up --

3 Q. They would bear that risk.

4 A. They would bear that risk depending on
5 what their fleet looked like, the composition of
6 their fleet.

7 Q. Fair enough. And you had the same
8 question for CRES providers if they owned generation.

9 A. Right.

10 Q. Same answer.

11 A. Correct.

12 Q. Now I want to talk to you about
13 Mr. Maskovyak's favorite subject, apparently, the
14 RSR.

15 THE WITNESS: Your Honor, before we get
16 into that can we take a quick health break?

17 EXAMINER SEE: Yes.

18 THE WITNESS: Five minutes, or less than
19 five minutes?

20 EXAMINER SEE: We can take ten.

21 THE WITNESS: Thank you.

22 (Recess taken.)

23 EXAMINER SEE: Let's go back on the
24 record.

25 Mr. Kutik.

1972

1 MR. KUTIK: Thank you, your Honor.

2 Q. (By Mr. Kutik) Obviously, we've had a
3 break and I want to go back and talk about something
4 now other than the RSR. I want to go backwards. We
5 talked a little about the policy with respect to
6 Choice customers that have arrearages. Do you
7 remember that?

8 A. I just remember you asking me if some of
9 those customers would have -- could have arrearages.

10 Q. Right. But you recall we talked about
11 the policy that was announced by AEP Ohio Choice
12 Operations; do you remember that? That's part of
13 Exhibit --

14 A. Oh, yes.

15 Q. -- 119.

16 A. Uh-huh.

17 Q. Is that a "yes"?

18 A. I remember us talking about that, yes.

19 Q. Okay. Those customers would be
20 residential customers?

21 A. I think that's correct, Mr. Kutik. Our
22 terms and conditions address this whole issue and
23 that's what prompted us to move forward with
24 discussing this change in process or moving forward
25 with this process, because it was contained within

1973

1 our terms and conditions, and I think that is related
2 to residential but I'm not 100 percent sure.

3 Q. To the extent they were residential
4 customers, would they be subject to a summer stay
5 requirement?

6 A. I don't know.

7 Q. Okay. Well, if they were subject to some
8 minimum stay requirement, would AEP Ohio be in favor
9 of waiving any minimum stay requirements as long as
10 the bills were paid? The arrearage was paid.

11 A. Mr. Kutik, I can't negotiate that kind of
12 an item on the stand here with you. I mean, I know
13 as we were implementing or discussing this process
14 with CRES providers, I would hope this could have
15 been raised at that point in time, but I can't
16 negotiate that with you.

17 Q. I didn't ask you to negotiate it. I said
18 would this be something that AEP Ohio would be
19 willing to do.

20 A. I don't know. I was not intimately
21 involved in this. I just knew this from a management
22 perspective.

23 Q. And do you know whether AEP Ohio would
24 being willing to allow customers to, if they had tier
25 1 status when they were assigned back to AEP Ohio's

1974

1 standard offer service, whether they could retain
2 that tier 1 status once they paid their bill?

3 MR. NOURSE: Your Honor, I object. I
4 think that question goes to changing the existing
5 rules and procedures that are in place and it doesn't
6 relate to his testimony or what's being proposed in
7 this case. I agree, it is negotiating on the stand.

8 MR. KUTIK: Your Honor, this witness is
9 the company's policy witness. He's someone who is in
10 charge of the regulatory policy, as he mentioned,
11 providing technical guidance and leadership.

12 The issue with respect to switching, the
13 issues with respect to how the detailed
14 implementation plan are all fair game for me to
15 discuss with company witnesses including a witness of
16 this witness's stature.

17 EXAMINER SEE: What was the last part of
18 that?

19 MR. KUTIK: "Of this witness's stature."

20 MR. PETRICOFF: Your Honor, we would join
21 with FES on this and just point out that no
22 discussion of at-risk populations is complete without
23 a discussion of what do you do with people in
24 arrearage.

25 MS. THOMPSON: IGS joins as well.

1975

1 MR. NOURSE: Your Honor, I'll respond to
2 that. I don't think any of the prior questions about
3 at risk was asked -- were asking Mr. Dias to agree or
4 make a commitment as he sits on the stand that's not
5 found in the plan or in the filing, that is not
6 required by current rules, so there's no
7 justification for negotiating on the stand.

8 MR. KUTIK: We're not negotiating, your
9 Honor, and we're talking about how the detailed
10 implementation plan is going to work and how those
11 rules and other rules of the company will affect
12 at-risk populations as defined by this witness.

13 EXAMINER SEE: The objection is
14 overruled. The witness said he wasn't intimately
15 involved with developing the process that's in FES
16 119.

17 I'm sorry, did I misspeak? Let me go
18 back, let me correct that.

19 The objection is sustained. The witness
20 said he wasn't intimately involved with developing
21 the process that's reflected in FES Exhibit 119.

22 Q. (By Mr. Kutik) Do you know, sir, whether
23 under this process that's been spelled out in FES
24 Exhibit 119, whether a customer has the potential of
25 losing the tier 1 status?

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1 A. I don't know.

2 Q. So it's possible that that would be the
3 case.

4 A. I don't know.

5 Q. Now let's move to the RSR. The RSR,
6 would it be fair to say, is designed, among other
7 things, to assist the company to recover its
8 generation-related costs or certain of its
9 generation-related costs?

10 A. I would characterize it as the RSR is --
11 provides the company to collect a preestablished
12 level of generation revenue.

13 Q. Fair enough. Now, that generation
14 revenue will help to recover certain
15 generation-related costs, correct?

16 A. Fair.

17 Q. It would be fair to say that AEP Ohio is
18 currently long on capacity in terms of serving its
19 native load.

20 A. I believe that's correct.

21 Q. And you're not aware of any plants other
22 than the Turning Point project that are currently
23 designed to come on line in the next three years.

24 A. That's correct, I'm not aware of any
25 plants. And just to be clear, Turning Point, I don't

1977

1 consider it a plant but it is a generation
2 resource --

3 Q. Okay.

4 A. -- solar project.

5 Q. And other than potentially Turning Point,
6 depending on how we might characterize that, you're
7 not aware of any plants that AEP Ohio might own that
8 will begin construction in the next three years.

9 A. That's correct, I'm not aware.

10 Q. And you're not aware of any plants that
11 were not approved for investment because AEP Ohio
12 would not -- would not recover or had the possibility
13 of not recovering its embedded costs.

14 MR. NOURSE: I'm sorry, Mr. Kutik. When
15 you say "approved for investment," are you referring
16 to capital maintenance or something different?

17 Q. Mr. Dias, do you understand my question,
18 sir?

19 A. I was thinking about it because I didn't,
20 actually.

21 Q. Okay. Let me ask you this: You're not
22 aware of any plants that were not approved for
23 investment because of the possibility that AEP Ohio
24 would not recover its embedded cost.

25 A. So assuming you do mean capital

1978

1 investment in this. With every capital investment
2 there's O&M that goes with it too.

3 To answer your question, I'm not aware of
4 decisions being made to not invest in a generation
5 plant because there is no mechanism to recover its
6 embedded costs. We make decisions to invest or not
7 invest for a variety of reasons.

8 The discussion we had earlier around the
9 risks associated with the EDU making -- it was a
10 discussion that you asked me questions about earlier,
11 Mr. Kutik, about folding the EICRR into the base
12 generation and you were comparing the EDU's situation
13 with a CRES provider or a wholesale supplier bidding
14 into -- whether they would have those same risks.

15 I mean, we have a unique risk as an EDU
16 because of our POLR obligation. We have to be
17 standing ready to supply a customer or a whole host
18 of customers or an aggregated community that gets
19 pushed back on us because the CRES provider walked
20 away for us.

21 We have this unique POLR risk that you've
22 got to always keep in mind. So our decisions to
23 invest always at the forefront takes into
24 consideration the POLR risk and our obligation to
25 serve those customers, the default customers.

1979

1 Q. Turn to your deposition, please, sir,
2 page 39.

3 A. What page?

4 Q. 39. Are you there?

5 A. I am.

6 Q. On page 39, line 3, I asked you a
7 question "Are you aware of any plants that were
8 not" -- then the transcript says "improved for
9 investment because of the possibility that AEP Ohio
10 would not recover its embedded cost for those
11 plants?" And then there was a colloquy and we
12 realized the word "improved" should have been
13 "approved."

14 A. Yeah.

15 Q. After you got that question on line 20
16 your answer reads "I don't know." Is that correct?

17 A. That's correct. And it's very consistent
18 with my answer right now. Just for --

19 Q. Did I read it correctly?

20 A. I'm not finished, sir.

21 Q. Sir, did I read it correctly? That's all
22 I'm asking.

23 MR. NOURSE: Your Honor.

24 EXAMINER SEE: Let him finish his
25 response, Mr. Kutik.

1980

1 Answer the question, Mr. Dias.

2 A. To be responsive, Mr. Kutik, you did read
3 it correct, and I'm putting context around the answer
4 that I want to finish, and that is I don't know of
5 any decisions being made because of just recovering
6 the embedded cost. That's what I said earlier.

7 We make a lot of decisions for a lot of
8 reasons, and I went to a great length to explain to
9 you that POLR is a significant reason as to why we
10 would make decisions.

11 Q. So I read it correctly.

12 A. Yes, with all of the --

13 Q. Thank you.

14 A. -- context I gave you.

15 Q. Now, earlier in conversation with
16 Ms. Grady she pointed out to you that there were two
17 sentences, one in your supplemental testimony and one
18 in your direct testimony that were the same. Do you
19 remember that?

20 A. Yeah, she ran me through some language
21 and I explained to her that I was not surprised the
22 language was the same because I expanded on it in my
23 supplemental.

24 Q. And I think you described it as a
25 coincidence?

1 A. I used the word "coincidence."

2 Q. Do you believe in coincidence?

3 A. I don't know if I believe in
4 coincidences.

5 Q. But they happen.

6 A. But I understand the word "coincidences."

7 Q. Coincidences happen from time to time,
8 correct?

9 A. Sure.

10 Q. Now, the RSR revenues that are proposed
11 to be recovered, would it be correct to say it would
12 not entirely go just to AEP Ohio during the term of
13 the ESP? Correct?

14 A. That's correct. We have a -- we will
15 have to have a contract with the GenCo to continue
16 this POLR obligation we have through the end of the
17 ESP before we get to auctions, after we've
18 corporately separated, that would pass those revenues
19 as we keep that capacity available under our FRR
20 obligation. So that's correct, those revenues would
21 stay with AEP Ohio until such time that contract is
22 in place.

23 Q. Okay. And it's AEP Ohio's intent after
24 the transfer of the generation assets to remit all
25 the RSR revenues to AEP Generation Resources,

1982

1 correct?

2 A. I believe that's what the subject-matter
3 experts prior to me testified to.

4 Q. Now, notwithstanding the sharing of RSR
5 revenues with AEP Generation Resources, would it be
6 fair to say that you claim that without the RSR
7 AEP Ohio will suffer, quote, financial duress, end
8 quote?

9 A. That's correct.

10 Q. And financial duress, as far as you're
11 concerned, means a result that produces an ROE of
12 less than 10.5 that you would recommend.

13 A. Company Witness Powers described, I think
14 he may have mentioned Company Witness Allen's
15 analysis around an RPM outcome for capacity, and the
16 fact that a company would lose 600 to 650 million
17 dollars, I remember seeing that number, I think we
18 talked -- we may have not used that number but I
19 mentioned that very same analysis in our deposition,
20 that would produce a return on being equity, and this
21 was in the capacity case, Company Witness Allen had
22 presented that analysis, I believe, that showed a
23 2.4 percent return on equity. I consider that
24 financial duress.

25 Q. That's not my question. My question is:

1983

1 Would you consider financial duress to be anything
2 other than the 10.5 percent ROE that you proposed?
3 That's how you define it, is it not?

4 A. No, I don't know if that's how I define
5 it.

6 Q. Let me have you refer to your deposition,
7 sir.

8 A. Sure.

9 Q. Page 75.

10 A. What page?

11 Q. 75.

12 A. Okay. Let me get there.

13 Q. Are you there?

14 A. I am.

15 Q. And on line 9 I asked the question:

16 "Question: How would you define the phrase,
17 financial duress?

18 "Answer: It would -- financial duress in
19 my opinion would be a result that returns on equity
20 in an acceptable range.

21 "Question: What would be an unacceptable
22 range?

23 "Answer: Less than 10-1/2 as we
24 proposed."

25 That was your testimony, correct? Sir?

1984

1 A. Mr. Kutik, I'm looking --

2 Q. Is that your testimony?

3 A. Can I just have a moment to look at my
4 testimony, my deposition.

5 Q. I want to know, did I read it correctly?

6 MR. NOURSE: Your Honor, he's able to --

7 EXAMINER SEE: Give him a moment.

8 MR. NOURSE: -- look at the quote and
9 look at the context before he answers.

10 A. You selectively picked one Q and A and
11 read it correctly but I have to help you read the
12 rest of the context.

13 Q. Well, did I read it correctly?

14 A. I'm not finished with my answer.

15 Q. Did I read it correctly? Sir.

16 A. You read one Q and A correctly and I have
17 to complete the rest of the context.

18 Q. Well, sir, your lawyer can --

19 A. And rest of the context is --

20 Q. Your lawyer can do that on redirect, sir.
21 I want to ask you, sir --

22 A. I'm not done with the --

23 Q. -- was the company in financial duress as
24 of the end of 2011?

25 A. So the rest of the context was --

1985

1 Q. Sir, was the company in financial
2 duress --

3 EXAMINER SEE: Off the record.

4 (Discussion off the record.)

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

7 Q. Mr. Dias, my question to you was: Isn't
8 it true that the company was not in financial duress
9 as of the end of 2011?

10 A. I would agree with you that at the end of
11 2011 I would not consider us in financial distress,
12 and I will go on to say that I define "financial
13 distress" as taking -- that we weren't in financial
14 distress in 2011. Less than 10-1/2 would be leading
15 us to financial distress. And you asked me how would
16 you define "financial distress." And you said
17 that -- and I said it would be an ROE in an
18 unacceptable range.

19 I'll be brief and I'll stop there.

20 Q. Thank you, sir.

21 Now, at the end of 2011, sir -- do you
22 need to talk to your lawyer?

23 MR. NOURSE: Your Honor.

24 MR. KUTIK: Well he was looking over,
25 your Honor. I don't know if he needed to talk to his

1986

1 lawyer.

2 MR. NOURSE: He doesn't have to look at
3 Mr. Kutik.

4 EXAMINER SEE: Move on, Mr. Kutik.

5 MR. KUTIK: All right.

6 EXAMINER SEE: Move on.

7 Q. (By Mr. Kutik) As of the end of 2011 is
8 it fair to say that the company was charging RPM
9 prices for capacity?

10 A. Yes, we were charging RPM prices for
11 capacity while the cases are pending at the FERC and
12 the Commission is establishing the state compensation
13 mechanism.

14 Q. And the company was not in duress as of
15 the end of the first quarter of 2012, correct?

16 A. As I said in my deposition, financial
17 duress would be an ROE in an unacceptable range.
18 We're suffering financial harm but we're not quite in
19 financial duress, but it's heading that direction.

20 Q. Well, isn't it true that the company was
21 not in financial duress as of the end of the first
22 quarter of 2012?

23 A. I just answered the question.

24 Q. Okay. Let me have you refer to your
25 deposition, sir. I want to refer you to page 77.

1987

1 Are you there, sir? Mr. Dias, are you there?

2 A. I am.

3 Q. Thank you.

4 On line 9 you testify as follows:

5 "Question: That's not my question. My question was
6 at the end of the first quarter of 2012 was the
7 company in financial duress?

8 "Answer: I wouldn't characterize it as
9 being in financial duress."

10 Did I read your testimony correctly?

11 A. That's exactly -- yes, you did it
12 correctly, just how I answered the question.

13 Q. Thank you.

14 A. You're welcome.

15 Q. And since 2007 the company has also not
16 been in financial duress, correct?

17 A. Correct, as I've defined "financial
18 duress," an unacceptable ROE we have not been in
19 financial duress but we have been suffering financial
20 harm.

21 Q. And most of the time that you have not
22 been in financial duress the company, through that
23 period of time since 2007 the company has been
24 charging RPM rates for capacity, correct?

25 A. That's correct. And as was described in

1988

1 lots of detail by other company witnesses during the
2 course of these last few days is that this issue
3 around RPM versus costs really became an issue in,
4 on, or around, leading up to 2010 when we made our
5 first application at FERC.

6 Q. Thank you.

7 A. When we saw lots of customer shopping
8 happening.

9 Q. Would it be fair to say that you also
10 can't say that the company would be in financial
11 duress or distress after May 31st, 2015?

12 A. Yes; I don't know whether we will be in
13 financial duress or not, but the way things are
14 heading right now, if it is an RPM outcome, we will
15 be in financial duress a lot sooner than the date you
16 cited.

17 Q. But as of May 31st, 2015, you can't say
18 the company would be in financial distress, correct?

19 A. That's correct. I will not know until
20 the outcome of this case or the capacity case.

21 Q. In fact, you can't say that the company
22 would in financial distress after May 31st, 2015.

23 A. Yes, same answer.

24 MR. KUTIK: I have no further questions.
25 Thank you, Mr. Dias.

1989

1 THE WITNESS: You're welcome.

2 EXAMINER SEE: Mr. Darr.

3 MR. DARR: I'd request to go last, your
4 Honor, because of a questions -- a series of
5 questions with regard to a confidential exhibit.

6 EXAMINER SEE: Okay. Mr. Sineneng?

7 MR. SINENENG: No questions, your Honor.

8 EXAMINER SEE: Ms. McAlister.

9 - - -

10 CROSS-EXAMINATION

11 By Ms. McAlister:

12 Q. Good afternoon, Mr. Dias. Can you hear
13 me?

14 A. Yes. Good afternoon.

15 Q. Okay. You told Ms. Grady and also
16 Mr. Kutik I think that you're the overall policy
17 witness and that you're addressing how the components
18 of the plan support state policy; is that correct?

19 A. That's correct.

20 Q. Are you also the overall sponsor of the
21 application?

22 A. I am one of 12 witnesses sponsoring the
23 application.

24 Q. Okay. And you're the company's last
25 witness on its direct case; is that correct?

1990

1 A. I believe everybody's been through the
2 process, yes.

3 Q. Okay. And if you know, the application
4 hasn't been made an exhibit that's been entered into
5 the record; do you know?

6 A. I don't know.

7 Q. I just want to make clear for the record
8 how your testimony works. You've got black bullet
9 points and those items following the black bullet
10 points represent components of the ESP, and then
11 you've got white bullet points that follow and those
12 are sections from 4928.02 and those are supposed to
13 be the sections from the policy that are supported by
14 the black bullet points; is that correct?

15 A. Yes. I hadn't really thought about the
16 order of the support. The black bullet points, as
17 you describe, Ms. McAlister, are the components of
18 the plan, using my words, and then I associate the
19 white bullet points with the state policies that
20 they're promoting.

21 Q. Okay. And the state policies follow the
22 components of the plan, so it's not the other way
23 around; it's not that you state the state policy
24 first and then those are supposed to apply to the
25 following bullet points.

1991

1 A. I see what you're saying.

2 Q. I'm trying to make sure how it fits
3 together.

4 MS. GRADY: Your Honor, could she speak
5 up? There's a loud fan here. I'm having a hard time
6 hearing her. Maybe pull the microphone closer to
7 your mouth.

8 MS. McALISTER: Will do. Thank you.

9 A. Yeah, so the best way to look at it is,
10 it's interesting how we all see things differently,
11 but the best way to look at it is if you go to page 4
12 where I start this whole process of the bullet points
13 and on line 7 I say "including, but not limited to:"
14 and then the black bullet point starts first, okay?
15 So then I discuss the nonfuel generation and then the
16 policy follows that.

17 Q. Okay. Now on footnote 1 on page 4 you
18 say that you added some of the sections from 4928.01.
19 Should that say "02"?

20 A. I'm sorry could you point me again?

21 Q. Sure, page 4, footnote 1.

22 A. Good catch.

23 Q. So it --

24 A. It should be "02."

25 Q. Okay. And I want to make clear, you say

1992

1 "some of the points." Is your testimony complete?
2 Meaning might there be other parts that you did not
3 include after the black bullet points that should be
4 included?

5 A. Yes. No, my testimony is complete.
6 Again, on line 7 I say "including, but not limited
7 to," so what I did, Ms. McAlister, is I went through
8 the application, I was involved in the development of
9 the modified ESP plan, I looked through all the
10 testimonies as they were being developed and I tried
11 to associate at the same time this was all being put
12 together what state policies were being promoted.

13 So I identified those that just jumped
14 out at me and in that process that's how I
15 inadvertently left out policy 11 on the at-risk
16 customers. So there could be others that you could
17 see just like we were discussing how different folks
18 see different things that I've not included, and
19 that's why I said "including, but not limited to."

20 Q. Okay. You've talked quite a bit with
21 other counsel about the state policy, and I'm going
22 to try not to retread the same ground but I want to
23 touch base on a few things.

24 You talked about transparency in your
25 testimony.

1993

1 A. Yes.

2 Q. Are you generally familiar with AEP Ohio
3 bills?

4 A. You know, I see them periodically, but I
5 don't -- day-to-day I'm not involved with them.

6 Q. Are you aware that on customer bills the
7 nonbypassable riders are included in the distribution
8 costs and they're provided only as a single number
9 without any reference to the riders that are
10 included?

11 A. Yeah, I'm familiar with that discussion
12 that base distribution charges include -- have
13 embedded in there some riders from legacy bill
14 formats.

15 Q. And do you know what peak load
16 contributions are?

17 A. Generally.

18 Q. You're aware that AEP Ohio develops those
19 numbers for individual customers?

20 A. I don't know about developing them. I
21 mean, I think those are actual reads, correct, from
22 the meter? Maybe I don't -- maybe I don't understand
23 what you're referring to.

24 Q. Okay. We'll move on.

25 Okay. Also touching briefly on diversity

1994

1 of electric supplies, you talked quite extensively
2 with Mr. Kutik, just a little bit more on that. Are
3 you aware that there may be different components in
4 the ESP that limit customers' opportunity to shop?

5 A. No. I'm not aware. I didn't believe
6 there was any provisions in the ESP that limited
7 customer shopping.

8 Q. Well, would you agree with me that the
9 uncertainty around what a customer's specific
10 capacity price may be could make it hard for some
11 customers to shop?

12 A. No, I don't agree with your statement
13 that it would make it hard for customers to shop.
14 Customers will shop for whatever economic reasons
15 they find suitable to them that potentially will beat
16 our SSO offer, so the two, like for example the
17 capacity, those are prices that CRES providers will
18 pay and it's not an issue, it's not a charge we
19 charge a customer.

20 Q. Okay. But customers would have to know
21 certain facts, for example, where they are in the
22 queue, to know or estimate what their capacity price
23 may be under your two-tiered proposal; is that right?

24 A. That's correct. And Witness Allen,
25 Company Witness Allen provides the guidance, he

1995

1 authored the DIP and the group that updates the
2 queuing process, updates that, it's transparent, it's
3 on the website, et cetera.

4 Q. Now, if you were negotiating with a CRES
5 provider for your own service and you were deciding
6 whether to enter into a competitive contract,
7 wouldn't you want to know what the price of a
8 component that could make up to 15 percent of the
9 total cost or more would be before signing on to such
10 a contract?

11 A. I think I would look at my SSO price and
12 what is the overall comparable price that a CRES
13 provider is offering me. And I'd look at lots of
14 other issues like the term of the agreement, could
15 the CRES provider pass on other costs to me, you
16 know, what is the discount the CRES provider is
17 offering me in reality. There's lots of fine print
18 in that that I've seen. I'd look at a lot of things.

19 Q. Those are all things you would want to
20 know before you enter into a competitive supply
21 agreement.

22 A. Yes. Yes.

23 Q. And would you agree that a customer who's
24 subject to a 12-month stay would also have an
25 obstacle or delay before being able to shop?

1996

1 A. No; I think Company Witness Allen talked
2 about that at length and I don't have anything new to
3 add. I agree with what I heard his views of it.

4 Q. Okay. You're aware that there are TV ads
5 about AEP's capacity costs and shopping?

6 A. I've seen them, yes.

7 Q. And do you think those TV ads could have
8 created confusion for customers that might have made
9 them think twice about shopping?

10 A. No. Again, I think I heard some of these
11 questions and answers of Company Witness Allen and I
12 agree, I think if anything it certainly raised a lot
13 of awareness of customer choices.

14 Q. And that was the purpose of the ads in
15 your mind?

16 A. No, I -- I was not involved in the
17 purpose of the ads. My understanding as I watched
18 the ads were it was making aware the unlevel playing
19 field that some CRES providers are trying to
20 accomplish.

21 Q. Okay. So as a customer, from a customer
22 perspective watching the ads, if you are hearing that
23 the ad is saying there's an unlevel playing field
24 with regards to competition, might that make you
25 think twice about shopping?

1997

1 A. No, because I think it's raising the
2 awareness that this is something that has not been
3 decided yet. There are two sides of this, it's
4 clearly there's a debate going on and I think the
5 customers' awareness is that there is customer choice
6 available or in the process of being available and
7 it's piquing their curiosity.

8 Q. Okay. And in response to a question from
9 Mr. Kutik you talked about a hypothetical where I
10 believe that you said that there were two customers
11 who were located in different service territories and
12 I think you used FirstEnergy and said in the
13 hypothetical they would have higher costs for that
14 customer, and AEP having lower costs, and the
15 FirstEnergy company wouldn't necessarily be
16 disadvantaged, and they should look at their costs
17 and see where the costs could be reduced to be
18 competitive with the AEP Ohio customer. Do you
19 remember that discussion with Mr. Kutik?

20 A. Yeah; it had some context around it.

21 Q. Okay. Do you have any expertise of the
22 cost components of manufacturing customers?

23 A. I don't have expertise like the
24 manufacturers themselves, but in prior job
25 responsibility experiences I was -- I've been

1998

1 involved in many discussions and even in some
2 negotiations with large manufacturing customers that
3 were either interested in relocating to Ohio or
4 expanding their operations in Ohio, and we got into
5 discussions around their key cost components.

6 Q. Okay. So you understand that one of
7 those cost components could be labor?

8 A. Yes.

9 Q. And would you agree that a customer who
10 may have to reduce its costs, as you suggested, that
11 could result in the customer operating at a loss?

12 A. Yeah, so I do need to frame up the
13 context again in case you missed it while Mr. Kutik
14 and I were discussing it. The context was does it
15 create a competitive disadvantage for one versus the
16 other. And I said I can't agree with that because
17 you would need to look at other cost components. And
18 I stopped there.

19 Q. I think you said that they should look at
20 their costs and could perhaps reduce them.

21 A. Okay. Yeah, I agree.

22 Q. That's what I'm asking you right now.

23 A. Fair. Fair.

24 Q. Would you agree with me that another
25 option for that customer, the hypothetical

1999

1 FirstEnergy customer, could be to close the
2 higher-cost location rather than examine their costs
3 and try to reduce them?

4 A. I'm sorry, could you please speak up?

5 Q. Sure. I'm sorry. The question was
6 another option for that customer, the hypothetical
7 FirstEnergy customer with higher costs, might be to
8 close its operations.

9 A. I guess that's always an option, or
10 relocate to another area. Again, the context of what
11 this is is that we were talking about the competitive
12 advantage or disadvantage, but there are other
13 options too besides looking at their costs.

14 They could also look at their electric
15 costs and, as you know, Ms. McAlister, we've got I
16 think four large manufacturing customers that have
17 special contracts with them that were -- that came
18 into being to make them competitive in this economy.

19 Q. Yeah, I'm aware of the number of
20 customers that you have with reasonable arrangements.
21 And I know that you've been involved in those cases.
22 Do you know how long it takes from start to finish to
23 litigate one of those cases, approximately?

24 A. Oh, yeah, it takes a while, and that's
25 another reason why we have got a provision in this,

2000

1 coming back to the balance we tried to create in this
2 ESP around the interruptible tariff, we've offered
3 and proposed that the interruptible credit for
4 customers that either have IRP-D or potentially
5 adjust their load to take advantage of IRP-D or even
6 use it as an economic development tool to attract
7 customers into our territory at a credit of \$8.21 per
8 kW.

9 So recognizing the fact, to your point,
10 I'm sorry, the long-winded answer is we also do
11 recognize special contracts do take some time.

12 Q. Okay. I'm not sure that I got an answer
13 to the question about whether you would recognize
14 that one of the options for that customer would be to
15 close operations.

16 A. Oh, yeah, I am aware that's an option,
17 and hopefully there's other ways to keep that from
18 happening.

19 MS. McALISTER: Okay. I have no further
20 questions. Thank you, Mr. Dias.

21 THE WITNESS: You're welcome.

22 EXAMINER SEE: Mr. Stinson? Do you have
23 any questions?

24 MR. STINSON: Yes, I do.

25 - - -

2001

CROSS-EXAMINATION

By Mr. Stinson:

Q. Mr. Dias, if I could turn your attention to your supplemental testimony, that would be Exhibit 119, at page 8, lines 14 and 15 --

A. I'm sorry, what page, 8?

Q. Page 8.

A. Would you please speak up just a little bit, or get the mic closer?

Q. Okay.

A. Thank you.

Okay, I'm on page 8, line?

Q. 14 and 15.

A. Got it.

Q. And there you state "These activities include payroll taxes associated with thousands of Ohio jobs; purchases of Ohio goods and services; taxes that provide critical funding for Ohio schools...." And there you're talking about the economic development rider. I want to ask you what you meant by the word "critical."

A. The choice of words "critical" was just emphasizing the funding that Ohio schools through rate base, through our plant-in-service, our infrastructure, our asset investments, gain through

2002

1 property taxes that they're counting on for their
2 operations.

3 Q. Do you also mean that schools rely almost
4 solely on taxes for their funding to operate?

5 A. Oh, no.

6 Q. Do you agree that they do?

7 A. I don't believe they rely solely on
8 taxes, but I think that's one of them. I'm not sure
9 where all their funding sources come from but that
10 would be a significant one I would think.

11 Q. Do you know of any other funding sources
12 for primary or secondary schools in Ohio?

13 A. Like I just said, I don't know all of
14 their sources of funding.

15 Q. But you would agree that taxes are a
16 primary source of funding.

17 A. Yes, I'm agreeing.

18 Q. And what type of taxes are you talking
19 about?

20 A. Property taxes. I mean, there are all
21 sorts of taxes that go into our presence in these
22 communities with not only our asset investments,
23 which would be tax based in those counties or
24 communities that result in property taxes that go
25 back ultimately to schools; there's income taxes both

2003

1 from the corporate earnings and then also the
2 employees of the corporation earnings -- I'm sorry,
3 earnings of the employees. Those are just a few that
4 I mentioned.

5 Q. Here you're talking about the economic
6 development rider, you're not necessarily talking
7 about the company's plants, but you're talking about
8 bringing in other enterprises that are going to
9 produce those same taxes.

10 A. Let me just take a moment here. You took
11 one sentence out there and I started to get into it.
12 Let me just put this in context, okay?

13 Q. Okay.

14 A. Thank you.

15 Yes, so there are two thoughts here that
16 are in this economic development discussion question
17 that starts in 4, and line 7 in my answer refers to
18 the economic development cost recovery rider, EDR,
19 for reasonable arrangements.

20 It discusses the facilitation of the
21 state's effectiveness in economy by keeping these
22 businesses healthy, it discusses the mercantile
23 customers that retain and increase Ohio jobs, and
24 then starting on line 10 I talk about the proposed
25 ESP supporting ongoing investment in Ohio, and at

2004

1 that point in time I'm kind of digressing into the
2 continuation of what AEP and AEP Ohio and the other
3 subsidiaries that are located in Ohio provide to the
4 state of Ohio in benefits.

5 Q. But the question that is asked "Please
6 explain the benefits of the economic development cost
7 recovery rider...."

8 A. Okay.

9 Q. Now, are the property taxes, income taxes
10 that you mentioned, are those required to hire
11 teachers and staff?

12 A. You know, I talk about the taxes that
13 provide critical funding for the Ohio schools and
14 their infrastructure. I'm aware that staff,
15 teachers, are an integral part of the schools.

16 Q. Right. You need taxes to hire teachers
17 and to hire staff.

18 A. I'm sorry?

19 Q. A school, a public primary or secondary
20 school needs to obtain tax revenues to hire teachers
21 and staff.

22 A. Correct.

23 Q. And to buy equipment and other materials.

24 A. Correct.

25 Q. Okay. Have you read the prefilled direct

2005

1 testimony of the Schools' witness Dr. Howard Fleeter?

2 A. I don't think I have.

3 Q. Are you otherwise aware that he testified
4 that during the State's fiscal year 2012-2013 that
5 public primary and secondary schools will have
6 \$2.8 billion less in state and federal funding than
7 if fiscal year 2011 funding were maintained?

8 A. No, I'm not aware, and I think this is
9 a -- if he has, in fact, done that testimony, I think
10 that's what this modified ESP is precisely trying to
11 do is maintain the financial health of AEP Ohio so
12 that we continue to have a strong presence in Ohio
13 both from an investment standpoint and a jobs
14 standpoint.

15 Q. Do you have any reason to dispute his
16 calculation that there would be \$2.8 billion less in
17 funding?

18 A. I have not seen his testimony, I have not
19 reviewed it, as I said earlier.

20 Q. So you would have no reason to dispute
21 it?

22 A. I've not seen it.

23 Q. So you would have no reason to dispute it
24 at this point.

25 A. I don't know how to answer that question.

2006

1 I've not seen it.

2 Q. You discuss that the property taxes would
3 include local property taxes. Earlier we were
4 talking about the critical nature of the schools
5 taxes, you stated they came from property taxes and
6 income taxes.

7 A. Correct.

8 Q. Those would be local property taxes at
9 the local level?

10 A. Could be, yeah.

11 Q. And are increases, to your knowledge,
12 increases in local property taxes dependent upon the
13 vote of the people?

14 A. I don't know how property taxes are set,
15 and it may vary across the state.

16 Q. Have you ever voted for a school levy
17 here in Ohio?

18 A. In the district I live in, but my answer
19 is I don't know how it's done across the state.

20 Q. But you are aware of school districts on
21 the ballot for property tax increases.

22 A. I'm aware, yes.

23 Q. And are you also aware that income taxes,
24 their distribution will be dependent upon the will of
25 the legislature here in Ohio?

2007

1 A. No. I'm not an expert on how school
2 funding is done.

3 Q. I'm just asking in general about if
4 someone pays income taxes to the general fund,
5 doesn't the General Assembly, through its budgetary
6 process, determine how those funds are spent?

7 A. I don't know.

8 Q. Now, in describing the benefits of the
9 economic development rider, you're not guaranteeing,
10 are you, that new businesses will move into each
11 school district in your service territory?

12 A. I think your key word is "guaranteeing."
13 No, I don't have any guarantees.

14 Q. And you don't have any -- have you done
15 any calculations concerning the amount of taxes that
16 will be -- that the schools will obtain through the
17 EDR during the ESP?

18 A. Can I have the question reread, please?

19 Q. Let me try to rephrase it.

20 What I'm questioning is just the fact
21 that you stated that the ESP will be providing
22 critical funding for the Ohio schools. Have you done
23 any calculation as to the amount of that funding that
24 would be provided by the ESP to the Ohio schools?

25 A. No, I haven't. My testimony around this

2008

1 Q and A that you're asking me questions about is
2 broadly talking about investment in Ohio both from
3 large manufacturing that would potentially have
4 special contracts with the company, it's talking
5 about the investments of AEP Ohio, AEP Corporation,
6 and other subsidiaries that have investment like
7 transmission, for example, in the state of Ohio, and
8 the benefits from those investments and related jobs
9 collectively on funding for schools.

10 All of that, broadly speaking, is
11 positive for schools and it provides critical funding
12 for schools.

13 Q. But to answer my question, you did state
14 that no, you haven't done any calculations.

15 A. Yeah, you're right, I have not done any
16 analysis.

17 Q. You also stated you didn't know whether
18 increased business activity caused by the EDR would
19 be in every school district. I believe you said you
20 could not guarantee that.

21 A. That's correct. I mean, the way I look
22 at it is that when you got healthy companies in Ohio,
23 whether it's manufacturing, commercial, a utility
24 company like AEP Ohio, it's good for the state. It
25 crosses all counties, all school districts,

2009

1 et cetera. It's just healthy in general.

2 Q. Does the ESP application contain any
3 benefits specific to Ohio's public primary and
4 secondary schools?

5 THE WITNESS: Could I have the question
6 reread again, please?

7 (Record read.)

8 A. Oh, yes.

9 Q. What is the specific benefit to the
10 schools?

11 A. Schools that are in our service territory
12 would have access to -- if they choose not to shop,
13 would have access to frozen generation rates, they'd
14 have modest, I talked about approximately
15 2.8-something percent on average increases, and I'm
16 using SSO customers here, and it also applies to
17 customers that shop, but discounted capacity for
18 those customers that choose to shop, that's a benefit
19 off our cost; faster pace to market-based SSO
20 pricing; delayed implementation of the PIRR.

21 There's been a whole lot of benefits
22 talked about during the course of the last several
23 days that apply to schools.

24 Q. Yeah, that wasn't really my question. My
25 question focused on the specific benefit to Ohio

2010

1 schools. Is there something that Ohio schools
2 received in the ESP application that no other party
3 or entity would.

4 A. I think you're asking me if we
5 discriminated or put a special provision for schools;
6 is that what you're asking me?

7 Q. I'm asking if there is a special
8 provision for schools in the ESP.

9 A. No. We did not discriminate against any
10 of the customer classes, it was a total package deal,
11 total package proposal that provides benefits to all
12 customers, including schools.

13 Q. Are you aware of the school service
14 tariff of the Ohio Power rate zone?

15 A. I'm aware there is one. I don't know the
16 details of it.

17 Q. Well, you had a hand, I believe, in
18 determining what was in the former ESP application
19 filed in January of 2011 and then what would be
20 included in the modified ESP application; is that
21 correct?

22 A. Correct. I was involved with a group of
23 folks.

24 Q. And are you aware that in the
25 January 2011 ESP application that the special school

2011

1 rate was eliminated?

2 A. I don't remember that specific provision,
3 but I don't have any reason to doubt you.

4 Q. And that the special school rate was
5 reinserted into the modified ESP application.

6 A. I'm just not familiar with that. That
7 would have been a good question for Company Witness
8 Roush, he's the company expert on -- subject-matter
9 expert on the tariffs.

10 Q. Don't you provide technical direction
11 to -- for state filing requirements in retail
12 electric tariffs?

13 A. Yes, when asked I do. But we've got a
14 strong group of experts, subject-matter experts, that
15 for the biggest part can proceed when they need
16 technical direction, that's what my role is.

17 Q. Have you ever seen the school service
18 tariff for the OPco rate zone?

19 A. No; I think I told you earlier I'm aware
20 of them and I think I've probably seen them, it's
21 just not something I deal with on a day-to-day basis,
22 so I can't give you any recollection on details.

23 Q. Do you have a copy of Mr. Roush's
24 testimony, his Exhibit DMR-5?

25 A. Let me look and see. I've got some

2012

1 things here but I don't know whether I have that one.

2 MR. NOURSE: Mr. Stinson, is that the
3 tariff exhibit that's hundreds of pages?

4 MR. STINSON: Yeah.

5 A. I'm sorry, I don't have them with me.

6 MR. STINSON: Can counsel provide him
7 with a copy?

8 MR. NOURSE: I don't have one, it's too
9 heavy to carry around every day.

10 MR. STINSON: If I can approach, your
11 Honor.

12 EXAMINER SEE: Yes.

13 MR. NOURSE: We're going to dig one out
14 here, Mr. Stinson.

15 MR. STINSON: Okay.

16 MR. NOURSE: Somebody else carried it
17 around.

18 A. Can you point me to where you'd like me
19 to look?

20 Q. Yes. Mr. Roush has that marked as
21 Exhibit DMR-5, it's page 112 of 238.

22 A. What page is that?

23 Q. 112.

24 A. Yeah, I see Schedule SS.

25 Q. Yes, that's it.

2013

1 Have you finished reviewing --

2 A. Yes, I just glanced at it.

3 Q. I was just waiting until you're finished.

4 A. Okay, I'm finished.

5 Q. Okay. That refresh your memory any as to
6 your understanding as to whether this rate schedule
7 was included in the January 11, 2001, application?

8 A. No, it really doesn't. I'm sorry to do
9 that to you that but it really doesn't.

10 Q. I'm trying to refresh your memory.

11 A. I appreciate that.

12 Q. Mr. Dias, if you would look at page 112
13 of this SS schedule and then on page 54 of the same
14 exhibit, Schedule GS2.

15 A. I'm on page 54, Schedule GS2.

16 Q. Would you agree with me that the
17 generation rates in the Schedule SS are lower than
18 those for Schedule GS2?

19 A. Sir, I'm not the subject-matter expert on
20 these tariffs. Company Witness Roush would have been
21 best.

22 Q. But you do have experience with tariffs,
23 though, don't you, Mr. Dias? If someone comes to you
24 to ask you a question, you give them the answer, you
25 know how to read a tariff.

2014

1 A. It depends on which tariff. Like I said,
2 there are a lot of tariffs in here. We have folks
3 that work with tariffs day in and day out. I don't
4 deal with tariffs day in and day out. Mr. Roush,
5 Company Witness Roush deals with tariffs day in and
6 day out.

7 Q. Now, based upon your knowledge of tariff
8 requirements and filings, wouldn't you agree that at
9 some point in time the Schedule SS was supported by a
10 cost-of-service study?

11 A. I don't know when Schedule SS came into
12 effect.

13 Q. Neither did Mr. Roush. But because it is
14 a separate schedule, wouldn't it at some time have
15 been supported by a cost-of-service study?

16 MR. NOURSE: Your Honor, I think the
17 witness has already stated the extent of his
18 knowledge. He's referred it to Mr. Roush and I
19 believe Mr. Stinson asked similar questions already
20 of the subject-matter expert, Mr. Roush.

21 MR. STINSON: Well, your Honor, I can
22 certainly ask this witness a question, who has
23 extensive experience in tariff matters, as to his
24 understanding, and that if there is a specific
25 service in a tariff, whether -- were there to be a

2015

1 specific rate for a service, it should be supported
2 by a cost-of-service study. I think the witness is
3 qualified to answer that.

4 MR. NOURSE: He's asking to speculate and
5 he's already stated the extent of his knowledge, your
6 Honor.

7 MR. STINSON: I don't think it's
8 speculation at all. I think it's just a process.

9 EXAMINER SEE: To the extent that he
10 knows the answer, I'm going to allow the witness to
11 answer the question.

12 THE WITNESS: And may I have the question
13 reread, please?

14 EXAMINER SEE: Sure.

15 MR. STINSON: I can restate.

16 Q. (By Mr. Stinson) Isn't it the process for
17 a rate schedule and rate to be contained in a tariff
18 and approved by the Commission under -- isn't it --
19 let me start over.

20 Isn't it the process for a rate schedule
21 and tariff to be approved as a part of a tariff
22 that's supported by a cost-of-service study?

23 MR. NOURSE: Your Honor, I just, I
24 object. This is asking about a generation service
25 tariff and I think Mr. Stinson is referring to the

2016

1 bygone era of cost-of-service regulation for a
2 traditional rate case and whatever happened two
3 legislative regimes ago I don't think is relevant
4 here.

5 MR. STINSON: Well, I think it is
6 relevant. If we refer back to Mr. Roush's testimony
7 that all of the rates contained in the tariff at some
8 point in time were cost-of-service based, then the
9 rates were then morphed in 1999 and thereafter
10 through the various ETPs, RSPs, ESPs, his testimony
11 was that there was cost basis at some point for these
12 rates.

13 So my question, based upon that, is from
14 Mr. Roush at some point there was a cost-of-service
15 study done for the rates and for the schedules. My
16 question to Mr. Dias is that -- not the same
17 question, but his understanding that this rate
18 schedule was supported by a cost-of-service study.

19 MR. NOURSE: Your Honor, again, he's
20 asking him to explain Mr. Roush's testimony and
21 Mr. Roush would have been the perfect person to
22 answer that question.

23 EXAMINER SEE: The objection is
24 sustained.

25 Move on, Mr. Stinson.

2017

1 MR. STINSON: I have no further
2 questions.

3 EXAMINER SEE: Mr. Sugarman?

4 MR. SUGARMAN: Thank you, your Honor.

5 - - -

6 CROSS-EXAMINATION

7 By Mr. Sugarman:

8 Q. Mr. Dias, good afternoon.

9 A. Hello, Mr. Sugarman.

10 Q. Early-evening. You are, are you not,
11 sir, the -- by title, the most senior Ohio Power
12 employee who's testifying in these proceedings?

13 A. That may be, but I think Mr. Powers is an
14 officer of Ohio Power, so he may outrank me.

15 Q. And I qualified it by saying "as an
16 employee," sir.

17 A. Okay. I'll agree with you, sure.

18 Q. You're employed by Ohio Power Company.

19 A. I am, yes.

20 Q. And in your responsibility for regulatory
21 operations your testimony says that you are also
22 responsible for financial performance related to
23 AEP Ohio; is that correct, sir? And I'm referring to
24 your testimony on page 1, lines 11 through 13.

25 A. That's correct.

2018

1 Q. And in determining the financial
2 performance related to AEP Ohio, you use differing
3 measurements or metrics, do you not, to measure that
4 performance?

5 A. There are a few metrics that I keep an
6 eye on.

7 Q. And what are those metrics, sir?

8 A. One is trending of net income. Another
9 is return on equity. Another one is cash flows.
10 There are metrics around funds from operation, there
11 are ratios, there are industry standards, or at least
12 benchmarks, that AEP helps guide me that I need to
13 pay attention to, so those are just some that I keep
14 an eye on.

15 Q. And do you receive those type of
16 financial performance metrics on a quarterly basis to
17 determine how Ohio Power is performing from a
18 financial perspective?

19 A. Sure I do. I look at some of those even
20 more frequently than quarterly.

21 Q. Which ones would those be, sir?

22 A. Net income, return on equity. A couple
23 of them.

24 Q. In addition to net income and ROE?

25 A. Yeah, then I look at budgets, performance

2019

1 against budgets both from capital and O&M standpoint.

2 Q. And do you use those financial metrics to
3 determine whether or not the company is in financial
4 duress?

5 A. I look to see the performance of how,
6 just as my -- as you read, the financial performance
7 of AEP Ohio.

8 Q. And in the modified ESP plan the only
9 financial performance metric that you're asking the
10 Commission to hold the company to on a go-forward
11 basis is return on equity; is that correct?

12 A. No. I don't think we're asking the
13 Commission to do as you described it. I'm not even
14 sure I can repeat exactly what you said.

15 Q. Well would you like me to rephrase?

16 A. Let's try it again.

17 Q. Okay. In the modified ESP, and you are
18 asking, are you not, the Commission to generate -- to
19 approve a plan that, based upon the analyses
20 performed by the company, would, if met, provide a
21 return on equity of 10.5 percent to the company. Am
22 I wrong on that?

23 A. Yeah, I think you're mischaracterizing.
24 This RSR has been very confusing and that's why I
25 keep coming back to my supplemental testimony and so

2020

1 let me try --

2 Q. Well, I'm not asking only to the RSR,
3 sir. I really, the question was the plan as a whole.

4 A. 10-1/2, can you point me to something
5 that we've said that we --

6 Q. If you don't know, you don't know, and I
7 can move along.

8 A. It's not that I don't know. I don't
9 believe we're asking for a 10-1/2 return on equity.
10 What we're asking for is the 10-1/2 is related to the
11 generation revenues and Company Witness Allen uses
12 10-1/2 as a -- as part of his formula to get to the
13 decoupled generation revenues which ultimately gets
14 to \$929 million -- let me look at that again, it's
15 getting late. I think it's \$929 million.

16 Q. It is.

17 A. And what the RSR is doing is setting a
18 predetermined generation revenue level for the term
19 of the ESP and he uses a 10-1/2 to calculate that
20 929 million. There's no guarantee, there's no
21 request of this Commission to say that we must earn
22 10-1/2.

23 The burden, if we want to achieve 10-1/2,
24 is going to be left to the company to manage its
25 costs to try to get to 10-1/2.

2021

1 Q. So I did not understand you correctly in
2 responding to the questions from Mr. Kutik that if
3 the company experiences a return on equity of less
4 than 10.5 percent on a go-forward basis -- strike
5 that.

6 I had thought I heard, and you can
7 correct me, that in responding to questions about
8 financial duress as used in your prefiled testimony,
9 you said as the company moves below a 10.5 percent
10 return on equity, you would consider that to be
11 moving towards financial duress.

12 A. Right. It was -- I think the context of
13 the discussion was would I be in financial duress. I
14 may have to go back to look at the record --

15 Q. Well, let me ask the question without
16 regard to the record, if I could.

17 A. Okay.

18 Q. Would you consider or are you telling
19 this Commission that based upon the balanced modified
20 ESP that is before this Commission as filed by the
21 company that if you were to -- if you receive less
22 than 10.5 percent return on equity, that would be an
23 unacceptable rate of return?

24 A. No. What I said was that --

25 Q. I'm not asking what you said but, just

2022

1 responding to my question.

2 MR. NOURSE: Let him finish his answer,
3 please, and he will.

4 MR. SUGARMAN: I'm sorry.

5 A. So in answer to your question, what I
6 said was we would be at financial duress when we
7 reach a return on equity that is at an unacceptable
8 level. That was the context I was trying to get
9 Mr. Kutik to understand when he asked me those
10 questions. He left out a whole lot of context in my
11 deposition.

12 Q. I must be having the same problem he is
13 having, but let me move forward in understanding
14 that. Let me see if I can try and flesh it out a
15 little bit.

16 Have you done financial projections with
17 respect to the modified ESP at ROEs at different
18 levels and what impact that would have on the company
19 under the next three years?

20 A. I have not.

21 Q. Has anyone within Ohio Power at your
22 direction or to your knowledge performed such
23 analyses?

24 A. The only analysis that I'm aware of is
25 the analysis that Company Witness Allen did around an

2023

1 RPM outcome beginning June 1, and the results were
2 that we would have revenues that would drop off in
3 the 600 to 650 million-dollar range annually that
4 would translate to about a 2-something percent,
5 2.4 percent return on equity. And that would have
6 been financial duress. An unacceptable level --
7 unacceptable level.

8 Q. Before filings are made with the
9 Commission, in your capacity as Vice President
10 Regulatory and Finance do you have to review and
11 approve filings made before the Ohio Commission?

12 THE WITNESS: I'm sorry, could I have the
13 question reread, please?

14 (Record read.)

15 A. You know, I generally in my position try
16 to keep up with as many of these filings that are
17 made at the Commission. I definitely review, I don't
18 know if I would call "approve," we generally review
19 and we approve as a management team.

20 I'd be involved in most of the
21 significant filings, but there are filings that are
22 made over here at the Commission that I may not be
23 involved in at all. I said earlier we've got a lot
24 of subject-matter experts that are very good at what
25 they do.

2024

1 Q. And are you aware of the filing made on
2 April 19th of 2012 in Case No. 12-1296-EL-AIS which
3 is the application of Ohio Power Company for
4 authority to issue short-term notes and other
5 evidences of indebtedness?

6 A. I believe I'm aware that that application
7 was made.

8 Q. And are you aware that as part of that
9 application made by Ohio Power that there was an
10 Exhibit A to that application which represented to be
11 financial statements including a balance sheet,
12 statements of income, and retained earnings of Ohio
13 Power company as of December 31, 2011?

14 A. I'm aware that the application was made.
15 I'm not aware of the details of the content of that
16 application.

17 MR. SUGARMAN: May I approach, your
18 Honor?

19 EXAMINER SEE: Yes.

20 MR. SUGARMAN: And I'd ask that I'll mark
21 for identification as NFIB-Ohio Exhibit No. 105.

22 EXAMINER SEE: Okay.

23 (EXHIBIT MARKED FOR IDENTIFICATION.)

24 Q. So, Mr. Dias, let me know when you are
25 ready.

2025

1 A. I am.

2 Q. Okay. I have the entire application if
3 you want to verify it, but I'll make the professional
4 representation to you that this is a copy of Exhibit
5 A which is attached to the application that I just
6 referenced, sir.

7 A. Okay.

8 Q. And do you recognize these pages of
9 Exhibit A to, in fact, be -- to be the consolidated
10 statements of income and other headers that I
11 described in identifying the exhibit when I was
12 marking it, sir, as part of the application?

13 A. Like I said, I don't know the content of
14 the application. You represented that this was an
15 attachment to the application and I'll accept that.

16 MR. SUGARMAN: If I could approach, your
17 Honor.

18 EXAMINER SEE: Yes.

19 MR. SUGARMAN: Your Honor, I did not make
20 copies of the entire application because it is filed
21 and in the record, but to verify the authenticity of
22 the excerpt I brought it so the witness could satisfy
23 that.

24 THE WITNESS: I'm satisfied. I didn't
25 check everything but I'm satisfied.

1 Q. Contextually as well you're satisfied?

2 You mentioned you wanted to know the context of the
3 application.

4 A. No, I said I didn't know the contents of
5 the application.

6 Q. Oh.

7 A. I don't know if you want me to read this
8 entire application.

9 Q. I absolutely do not.

10 A. Okay. Good.

11 Q. Nor does anybody else here.

12 A. Trying to move things along.

13 Q. You would agree with me, sir, that in
14 your role and capacity you would be sure filings with
15 the Commission are complete and accurate to the best
16 of your knowledge and ability?

17 A. Like I said earlier, I do look at some
18 filings but not all of them. This is one that I did
19 not look at.

20 Q. As a general matter, sir, would you
21 testify here today that Ohio Power Company does
22 everything it can to ensure that its filings made
23 with the Commission are complete and accurate and
24 truthful?

25 A. Oh, yes, we definitely do that.

2027

1 Q. And does Ohio Power Company utilize the
2 services of an outside accounting firm?

3 A. Yes; we use Deloitte & Touche.

4 Q. And do they perform an annual audit of
5 the financial statements and books and records of
6 your company?

7 A. Sure, they do.

8 Q. And do the pages that appear on
9 Exhibit -- strike that.

10 Do you review the annual audit that's
11 prepared by Deloitte with respect to Ohio Power
12 Company's financial statements?

13 A. Yes, I do. And I also look at sections
14 of the financial statements that are pertinent to
15 AEP Ohio that are filed in the Securities & Exchange
16 Commission Form 10-K.

17 Q. Right. And do you know -- the exhibit
18 has page numbers bearing 189 through 194, and by me
19 having handed you the application you can agree that
20 that particular application is not 194 pages,
21 correct?

22 A. Yes. These look like excerpts that came
23 out of the SEC form, Form 10-K.

24 Q. And that's a form that is filed by the
25 parent American Electric Power, Inc.; is that

1 correct?

2 A. That's correct.

3 Q. And as part of that report, annual report
4 with the Securities and Exchange Commission, the
5 affiliated subsidiaries, including Ohio Power
6 Company, have their financial statements included in
7 that report; is that your understanding?

8 A. That's correct.

9 Q. And there were -- you and Mr. Kutik had
10 quite a bit of testimony concerning the financial
11 duress and the performance of the company, and do you
12 believe, sir, that NFIB Exhibit No. 105 accurately
13 portrays the consolidated statements of income for
14 Ohio Power Company for years ending December 31,
15 2009, 2010, and 2011?

16 A. That was a long -- can I have that
17 reread, please?

18 Q. Maybe I can shorten the question.

19 Do you have any reason to question the
20 accuracy of the performance of the company reflected
21 on NFIB Exhibit No. 105 that is in front of you, sir?

22 A. No, I don't. This is a total company
23 representation of its financial statistics for 2009,
24 '10, and '11, which includes distribution,
25 transmission, generation, there are other revenues

1 affiliated and nonaffiliated. I mean, there are a
2 lot of -- there are a lot of sources of revenue here.

3 Q. Okay.

4 A. But, yes, this is -- I have no reason --
5 I'm not disputing the numbers.

6 Q. And the company to which you referred to,
7 the total company is Ohio Power Company which is the
8 applicant before the Commission in this modified ESP.

9 A. That's correct.

10 Q. And the financial statements have not
11 been restated in any fashion by Deloitte & Touche,
12 have they, to your knowledge, for the years in
13 question reflected by Exhibit 105?

14 A. Not that I'm aware of.

15 Q. Thank you.

16 And the financial performance metrics
17 that you earlier mentioned, including net income,
18 cash flows, fund from operations, can all be
19 discerned for this three-year period from Exhibit
20 105, can they not be, sir?

21 A. Yeah, I think so. I know I looked at --
22 I looked at the return on equities related to net
23 income on the first page, on 189.

24 Q. But, in addition, the other -- some of
25 the other financial metrics are included in this

1 exhibit as well for the Commission, correct?

2 A. I believe so, yes.

3 Q. Inviting your attention, Mr. Dias, to
4 page 4 of your testimony on line 4, the businesses
5 that you're referring to in that context of the
6 sentence, does that refer to all classes of business
7 customers including small business customers of
8 AEP Ohio?

9 A. Yes. I did not distinguish commercial
10 versus manufacturing versus large industrials.

11 Q. And I understand the proposal is the base
12 generation rate remains unchanged through the term of
13 the modified ESP, correct?

14 A. That's correct.

15 Q. And is that the stability that is being
16 referenced on line 4 of page 4 in terms of stability
17 for a business?

18 A. That's part of it.

19 Q. Okay.

20 A. I think the rest of the story is that it
21 adds stability to the planning, and that's what I've
22 talked about to some degree, that it's -- this ESP,
23 this modified ESP is bringing some closure to the
24 uncertainty, so it removes the uncertainty of where
25 AEP Ohio is going.

1 You recall Company Witness Powers talked
2 about the past decade-plus that we've been operating
3 in a very -- in a framework that was different from
4 market and we have not gone to market and there's
5 been this change by the state, by this Commission, to
6 want us to move to market, and it has created a lot
7 of uncertainty, including when we got to the
8 stipulation agreement, and that was revoked.

9 So this modified ESP is bringing
10 certainty to the end state where I talked about
11 earlier and that's getting to market SSO prices, a
12 robust availability of diverse suppliers. So I see
13 all of that as certainty to businesses.

14 Q. Okay. Let me try a tighter question. In
15 terms of certainty to small business customers in
16 terms of the rates that they're going to experience
17 under this modified ESP, if approved, sir, other than
18 the base generation rate what is certain about what
19 they can expect as an outcome from this proceeding
20 under the plan?

21 A. They know what their percent increases
22 are with very close certainty. You'll recall I
23 talked about the average of 3 percent. I can cite
24 specific, they're all in DMR-1, but that's the
25 certainty they bring, again -- they get.

1 Q. I'm sorry, I really don't mean to --

2 A. No, you didn't. You're fine. You're
3 fine. Go ahead.

4 Q. So when you were citing those statistics
5 earlier, was that from exhibits attached to
6 Mr. Roush's testimony, the percentages?

7 A. Yes.

8 Q. Okay.

9 A. That's where I picked that up from.

10 Q. Now, if you look at, for an example, OCC
11 Exhibit 109 that Ms. Grady presented to you earlier
12 today, there's an attachment --

13 A. You'll have to refresh my memory what 109
14 was.

15 Q. Sure. It's the interrogatory responses
16 that you had quite a bit of back and forth on earlier
17 and there was some attachments from the public.

18 A. Oh, yeah, I remember that one, okay.

19 Q. Yeah. I have -- just wanted to direct
20 your attention to Attachment 3, not the public
21 hearings, but this document that is apparently on
22 AEP Ohio letterhead that's entitled -- I'm sorry,
23 yeah, stationery entitled "AEP Ohio's Modified
24 Electric Security Plan."

25 A. Okay. I'm disorganized, or Ms. Grady

1 took it back, I'm not sure which. I'm not sure I
2 have that anymore.

3 Q. I can hand it to you, if the Bench would
4 allow.

5 EXAMINER SEE: Sure, Mr. Sugarman.

6 A. Mr. Sugarman, I'm sorry, I don't have
7 that anymore.

8 Q. No need to apologize, sir.

9 MS. GRADY: I've got plenty of copies,
10 your Honor. Do you want this one?

11 Q. Here's an unmarked one.

12 A. Thank you.

13 Q. So Attachment 3 of OCC interrogatory 174
14 as part of OCC Exhibit 109, is that a document that
15 is on AEP Ohio letterhead, sir?

16 A. It is.

17 Q. And you'll see on the first bullet under
18 "We heard the concerns of our customers," the
19 statement "During the first year, all AEP Ohio
20 customers will see an average increase of 5 percent
21 and a 9 percent overall increase over the life of the
22 plan." Did I read that accurately?

23 A. Yes, you read that accurately.

24 Q. Great. And do you know the source of
25 that, of the content of that statement, sir?

1 A. No, I really don't. The 9 percent,
2 though, you know, if you had 4.5 and then 3.77, .26,
3 I haven't done the math here, we're getting pretty
4 close, but I don't understand the 5 percent
5 [verbatim].

6 Q. Were you here when Mr. Roush testified?

7 A. I was here for part of it.

8 Q. And were you here when he responded in
9 part to questions from Commissioner Porter about
10 ranges of increases that could be experienced by the
11 various classes of customers of AEP Ohio?

12 A. No, I was not here then.

13 Q. But you are aware, are you not, and you
14 responded in part to Mr. Kutik, that the riders that
15 comprise part of the proposed modified ESP are not
16 fixed in their amount to be added to a customer's
17 bill on an annual basis? You understand that?

18 A. No, I don't. Can you --

19 Q. Sure. You understand, for example, that
20 the DIR, distribution investment rider, will change
21 from year to year during the term of the modified
22 ESP, correct?

23 A. That's correct.

24 Q. And you're aware, are you not --

25 A. Depending on the amount of investment we

1 make, yes.

2 Q. It's going to change the amount according
3 to the rider in a magnitude of at least 14.-something
4 percent on a customer's bill; are you aware of that?

5 A. I've not looked at that.

6 Q. Okay. You're aware that it will change
7 on a periodic basis and that it is subject to an over
8 and underrecovery mechanism as contained in the plan,
9 correct?

10 A. That's correct, and depending on how much
11 investment we make in the distribution system.

12 Q. And you also understand, do you not, that
13 the RSR could change from year to year and,
14 therefore, change the amount of the customer's bill
15 from year to year, again, subject to an under --
16 over/underrecovery mechanism as provided in the plan?

17 A. That's correct.

18 Q. And you understand there are other riders
19 contained in the modified ESP proposal that could
20 change from year to year such that a customer bill
21 could increase from year to year as a result of those
22 riders contained in this plan, sir?

23 A. Yes. As I said earlier, I believe
24 most -- those examples that you cited, Mr. Sugarman,
25 I agree with you, they could vary, but I don't see

1 the variations being very significant.

2 Q. Significant to small business owners or
3 significant to large industrial customers?
4 Significant to whom, sir?

5 A. Just in general.

6 Q. They're significant to the company, are
7 they not?

8 A. The changes in the riders?

9 Q. Each of the riders is a significant piece
10 of this modified ESP that's being proposed by the
11 company.

12 A. Yes, the value of those riders as part of
13 this proposal are significant, each component is
14 significant to the company. But the changes you're
15 referring to, the variations, I don't believe they
16 would be significant variations.

17 Q. So you believe that a 5 to 9 percent
18 annual increase experienced in just the electric part
19 of a small business owner's energy cost is something
20 that they could deal with by either raising their
21 price or containing their costs in a more effective
22 manner.

23 A. I don't know whether --

24 MR. NOURSE: Your Honor, I just object to
25 the reference to "9 percent annual increase." I

1 don't think that has any foundation in this case.

2 MR. SUGARMAN: I would disagree, but I
3 can use a different example, if the Bench is
4 uncomfortable with that number.

5 MR. NOURSE: Well, you were referring to
6 page Attachment 3 of OCC Exhibit 109 talks about a
7 9 percent over the three-year period.

8 MR. SUGARMAN: That didn't form any part
9 of the basis of my question, but let me withdraw that
10 question and ask another one.

11 EXAMINER SEE: Okay.

12 Q. I'm not done yet.

13 Assuming even a 5 percent increase for a
14 small business owner in the AEP distribution service
15 territory, sir, do you not think that that single
16 component of an increase in their energy costs on an
17 annual basis is significant to that small business
18 owner?

19 A. Mr. Sugarman, I did not see any forecasts
20 or estimations of what those variations could be.
21 I'm merely speaking from experience related to the
22 types of adjustments that would potentially happen.

23 As I thought about the RSR that Company
24 Witness Allen sponsored, when I -- my understanding
25 of the DIR, I just did not believe that those

1 variations would be significant. That's what I
2 meant. I didn't have a forecast given to me that
3 says 5 percent or any percent for that matter.

4 Q. You didn't have any understanding of the
5 range of rates or the impact upon customers in the
6 various classes at the time of the filing of the
7 modified ESP?

8 A. No; I did, but I'm talking about the
9 adjustments, the trueup mechanisms that you're
10 referring to.

11 Q. Let me ask you this, then, Mr. Dias:
12 Would you agree with me that the only certain portion
13 of the rate that a customer will experience as a
14 result of the modified ESP is in the base generation
15 portion of that customer's bill over the life of the
16 ESP?

17 A. No, I can't agree with that.

18 Q. Why not?

19 A. Because we're giving a very -- on the
20 RSR, Company Witness Roush has levelized or
21 normalized the collection of that revenue, the
22 \$284 million. There are going to be some adjustments
23 to it based on various potential changes.

24 The DIR we've given -- we've given in
25 Company Witness Roush's schedules the forecast of

1 what those increases would be related to the DIR.
2 Yes, there will be an adjustment made, but all of
3 that has been provided and it's certainty to the
4 customer.

5 Q. The certainty -- strike that. I'll frame
6 another question.

7 So you can't agree that the certainty of
8 the rate that the customer will experience as a
9 result of the modified ESP is that the base
10 generation rate will not change over the term of the
11 ESP if it's approved as submitted by the company.

12 THE WITNESS: Could you please reread the
13 question?

14 (Record read.)

15 A. I can agree that base generation rate is
16 not going to change. But there are other pieces of
17 rates that provide certainty to the customers in the
18 transparency we have provided in the modified ESP.

19 Q. And will you agree, sir, that those other
20 nonbase generation rates are susceptible to change
21 throughout the term of the modified ESP?

22 A. I agree.

23 Q. Now, as I understood your definition of
24 "transparency" in response to a question from
25 Mr. Kutik, I heard you say the transparency as used

1 by you in your testimony is that something that is
2 easily explainable rather than something that is
3 easily understood.

4 A. Taken out of context again, Mr. Sugarman.
5 Our conversation, I think Mr. Kutik asked me -- he
6 gave me his -- he asked me if I would agree that
7 certain words were definitions of transparency and I
8 said that's one, there's more, and we went through a
9 couple of them and I said explainable also.

10 I think he used the word "understandable"
11 and I thought about not everything is understandable
12 depending on the sophistication of the customer.

13 So I added "explainable." You can
14 explain it to a customer, so that's what I was
15 thinking about in transparency.

16 Q. And in your answer that you just gave to
17 the prior question are you using transparency about
18 this plan in the same context that it is explainable
19 rather than understandable or easily understood?

20 A. It's a combination of several things,
21 including Company Witness Roush's exhibits, the
22 testimony we've all filed, the application, this
23 hearing, it's all transparent.

24 Q. Let me -- are you a customer of AEP?

25 A. I am. And proud of it.

1 Q. I am too.

2 You get a bill every month, do you not?

3 A. Yes.

4 Q. Easily understood?

5 A. Yes.

6 Q. It is easily understood to you?

7 A. Sure, it is.

8 Q. And you believe it's easily
9 understandable to your customers across all classes
10 of customer lines?

11 A. I'm sure it varies, Mr. Sugarman, by
12 customer and their sophistication with understanding
13 things, and that's why I used the word "explainable."
14 If a customer doesn't understand their bill, we are
15 always ready and we do explain the bill.

16 Q. And how is it this modified ESP is going
17 to address, for example, confusion around the RSR
18 that exists in this room in translating what that
19 means to a customer who receives a bill with that
20 portion of it attributable to an RSR?

21 A. Well, it will be a line item on the bill,
22 we will do everything we can to explain it, in fact,
23 we already are. We've been having various
24 discussions with customers and we've been explaining
25 to them the balance and this modified ESP brings, the

1 end state, what the state of Ohio is asking us to
2 achieve.

3 We've been discussing the leveling of the
4 playing field related to capacity. We're being as
5 transparent as we can around what this modified ESP
6 plan is about.

7 Q. On page 7 of your testimony, Mr. Dias, in
8 the italicized, the bullet in reference to section
9 4928.02(M), as in "Mary," of the Ohio Revised Code,
10 the statute that you cite speaks of encouraging "the
11 education of small business owners in this state
12 regarding the use of, and encourage the use of,
13 energy efficiency programs and alternative energy
14 resources in their businesses."

15 Do you see where I'm reading from, sir?

16 A. Yes, I do.

17 Q. And just focusing on the first part of
18 that statement about the education of small business
19 owners in the state, can you describe what is
20 contained in the modified ESP that addresses that
21 aspect of the statute?

22 A. This modified ESP has numerous components
23 that touch on this policy. I can cite, I know
24 Company Witness Kirkpatrick discussed the footprint
25 of the demonstration project of gridSMART that is

1 available to residential/commercial customers, we
2 have a provision in here on interruptible service.

3 I have discussions around alternative
4 energy related to the solar project. I have a
5 discussion in my testimony further that talks about
6 us meeting the alternative energy requirements.

7 Q. Anything else, sir?

8 A. Not at this moment.

9 Q. If you would turn with me, please, then
10 to page 12 of your testimony, beginning on line 3.

11 A. Line 3?

12 Q. Yes, sir.

13 A. Okay, I'm there.

14 Q. There you reference "the potential to
15 save approximately \$630 million in reduced
16 electricity bills over the life of the programs," and
17 what specifically needs to occur, as you understand
18 it, for those savings to be realized?

19 A. I believe those savings and more have
20 already been realized. In this case, 09-1089, and
21 09-1090, we have exceeded the energy efficiency peak
22 demand reductions that were planned in that case --
23 in those cases, and the potential savings is no
24 longer.

25 We have now filed the last year of that

1 three-year plan at the Commission. I think it was
2 filed sometime between the time I wrote this
3 testimony, and those savings are actually greater
4 than 630 million based on actual.

5 Q. So is the word "potential" here, should
6 that be struck as incorrect? "Potential" suggests
7 future.

8 A. At the time I wrote the testimony, we did
9 not know the results from the last year. We had the
10 first two years. And subsequent to me writing the
11 testimony, we have found the results of it. So it
12 doesn't need to be struck. It's still -- it's still
13 pertinent and relevant at the time I wrote the
14 testimony.

15 Q. Okay. So customers have actually saved
16 \$630 million; is that your testimony?

17 A. Yes, sir.

18 Q. And has there been anything submitted in
19 this docket that you're aware of specifically to
20 address that part of your testimony other than the
21 statement that appears here?

22 A. It has been submitted in the -- in other
23 dockets. I can't cite the docket number but it's the
24 energy efficiency peak demand reduction filings.

25 Q. And, to your knowledge, that hasn't been

1 filed in this particular docket; is that correct?

2 A. I'm sorry, in this particular docket?

3 Q. Yes, sir.

4 A. I don't think it would need to be filed
5 in this particular docket. This is the modified ESP.

6 Q. Were you here throughout the course of
7 Mr. Powers' duration on the witness stand?

8 A. Yeah, it was a long time. I think I was
9 here throughout. I may have stepped out a couple
10 times.

11 Q. And do you recall his testimony about,
12 and you referenced it again today earlier, about
13 potential loss of 600, 650 million dollars in
14 corresponding resulting loss of jobs that may come as
15 a result of that? Did I fairly summarize the
16 testimony with respect to that particular matter?

17 A. Correct. I think it was all in context
18 about the fact that if severe financial harm is
19 caused to AEP, the company would have to relook at
20 its investments and related jobs.

21 Q. You're aware, are you not -- let me ask
22 you this: Is Ohio Power Company participating in the
23 cost reduction initiatives across the AEP system that
24 are resulting from process improvements, streamlined
25 organizational designs, and other efficiencies?

1 A. I don't know.

2 Q. You don't know specifically with respect
3 to Ohio Power Company?

4 A. I don't. What you're describing has just
5 been released internally, that there's a review going
6 on to look at its overall cost structure.

7 Q. And is Ohio Power Company participating
8 in that?

9 A. I don't know. I've not been involved in
10 those discussions.

11 Q. And are you aware -- are you aware that
12 positions have been eliminated across the AEP system
13 in an amount approaching 2,500 positions as a result
14 of process improvements, streamlined organizational
15 designs, and other efficiencies?

16 MR. NOURSE: Your Honor, I'd just object
17 to the lack of foundation and basis for these factual
18 statements that Mr. Sugarman's throwing out there.

19 MR. SUGARMAN: I can hand the witness the
20 AEP 10-K and can hand it to counsel to verify the
21 basis for the factual statement.

22 EXAMINER SEE: All right. Thank you.

23 MR. SUGARMAN: And I'm reading from
24 American Electric Power 2011 Annual Report Appendix A
25 to the proxy statement at page 145 under item 16,

1 Cost Reduction Initiatives. Quote, in its full
2 context: In April 2010 we began initiatives to
3 decrease both labor and nonlabor expenses with a goal
4 of achieving significant reductions in operation and
5 maintenance expenses. A total of 2,461 positions was
6 eliminated across the AEP system as a result of
7 process improvements, streamlined organizational
8 designs, and other efficiencies. Most of the
9 affected employees terminated employment May 31,
10 2010. The severance program provided two weeks of
11 base pay for every year of service, along with other
12 severance periods.

13 Then goes on to talk about the accounting
14 treatment related to those cost reduction
15 initiatives.

16 So that's the foundation and that's the
17 factual basis upon which I asked whether Ohio Power
18 company had participated in these cost reduction
19 initiatives.

20 Q. (By Mr. Sugarman) So you're aware they
21 were ongoing but you're uncertain as to how that has
22 come down at the Ohio Power Company level; is that
23 correct?

24 A. Yeah, that's correct.

25 Q. Okay.

1 MR. SUGARMAN: No further questions, your
2 Honor.

3 Thank you, Mr. Dias.

4 THE WITNESS: You're welcome.

5 EXAMINER SEE: Ms. Thompson?

6 Let's go off the record for a minute.

7 (Discussion off the record.)

8 EXAMINER SEE: Let's go back on the
9 record.

10 Ms. Thompson, you're up.

11 MS. THOMPSON: Thank you, your Honor.

12 - - -

13 CROSS-EXAMINATION

14 By Ms. Thompson:

15 Q. Good evening, Mr. Dias.

16 A. Hello, Ms. Thompson.

17 Q. During your examination with
18 Ms. McAlister she asked you if you were aware of
19 components in the ESP that would limit customer
20 shopping, and you answered you weren't aware of
21 anything; is that correct?

22 A. That's right.

23 Q. You are aware that the 12-month stay for
24 nonresidential customers will still be in place for
25 most of the ESP, correct?

1 A. Correct.

2 Q. And you are aware that the residential
3 customer summer stay will be in place for most of the
4 ESP, correct?

5 A. I think that's correct.

6 Q. And you don't believe those are limits to
7 customer shopping?

8 A. No, I don't. Customers can still shop.
9 Those are customers that have shopped and come back,
10 so they've had the opportunity to shop. That's a
11 feature I know was discussed with Company Witness
12 Allen and I don't subscribe to any thinking that says
13 that's a barrier to shopping.

14 Q. By prohibiting them from shopping it's
15 not a barrier from shopping.

16 A. It's a minimum stay. They can shop, so
17 they've already shopped.

18 Q. I'll move on.

19 You stated during Mr. Maskovyak's
20 examination that the policies listed in Ohio Revised
21 Code 4928.02 were guidelines? I know that was a
22 while ago.

23 A. Yeah. You know, I'm not an attorney, I
24 looked at 4928.02 quite a bit. I identified those
25 policies that I believe this modified ESP promotes.

1 I believe, my opinion is that the Commission would
2 use these policies as a guideline in reviewing the
3 overall plan to determine whether the overall plan is
4 promoting these policies.

5 Q. You just said that the Commission would
6 use the guidelines. Would AEP use those guidelines
7 in preparing its ESP?

8 A. I think we did. I mean, by virtue of the
9 fact that I've identified them here in length at the
10 beginning of my testimony and I cite them, I believe
11 that we have used these state policies as policies
12 towards our modified ESP.

13 Q. And as AEP's policies witness, you
14 compared the programs and riders in the proposed ESP
15 to the state's policies and guidelines in 4928.02.

16 A. Yeah. I compared the overall modified
17 ESP to the state policies.

18 Q. Okay. Do you still have FES Exhibit No.
19 119 there on the stand?

20 A. Which one was that? Oh, yes, I think I
21 do. Yes, I do.

22 Q. Excellent. Would you please turn to the
23 second page.

24 A. I am on the second page.

25 Q. Okay. You may have answered this but I

1 didn't quite hear you correctly. Is the policy
2 listed on the top of page 2 currently in AEP Ohio's
3 Choice tariffs?

4 A. I didn't understand the question.

5 Q. I'll rephrase.

6 Is the policy listed on the top of page 2
7 currently in AEP's tariffs?

8 A. You know, I don't know if I would call it
9 a policy. I think I used the word "process." This
10 is a process that we're going to be using as part of
11 our implementation of some provisions in our terms
12 and conditions that allow us to do this.

13 Q. And if I understand correctly, you said
14 it's a process that's not in the tariffs, correct?

15 A. Our terms and conditions are part of our
16 tariffs.

17 Q. Right, they are, but the process
18 described here at the top is not.

19 A. I wouldn't think it is. I don't know.

20 Q. That's fair.

21 Would you please read the second-to-last
22 sentence of that paragraph? The one that begins
23 "After 80 days."

24 A. "After 80 days it will be the
25 responsibility of the CRES Provider to collect any

1 additional past due charges."

2 Q. Okay. Does that sentence reflect AEP's
3 current policy with all CRES provider accounts
4 receivable?

5 A. Would you please repeat the question and
6 slow down a little bit.

7 Q. Sure. It is late.

8 Does that sentence reflect AEP's current
9 policy with all CRES provider accounts receivables.

10 A. I believe this process will apply to all
11 CRES providers.

12 Q. In this process AEP then remits
13 uncollected accounts receivable to CRES providers.

14 A. I believe the date of this document was
15 May the 14th of 2012, so I think it will be a
16 little while before we'll get to the 80-day process.

17 MR. NOURSE: Your Honor, could I have the
18 question and answer repeated, please?

19 EXAMINER SEE: Yes.

20 (Record read.)

21 A. You're referring to the generation
22 component, correct, of the CRES providers? That's
23 what this is related to. It's the generation
24 component of the bill.

25 Q. I'm actually relating -- this is

1 related -- so this is the charges, if I'm
2 understanding you correctly, these are the charges
3 that CRES providers -- this is part of the supplier
4 charge; is that what you're saying? Or is this only
5 between AEP and the CRES?

6 A. Let's start with a customer shopped to a
7 CRES provider and they have not made their payments.
8 This is related to the payments that's owed the CRES
9 provider, the generation portion of that bill.

10 Q. By a customer of AEP that shopped.

11 A. That shopped, correct.

12 Q. And so currently AEP remits or sends back
13 the amounts that are not collected for the generation
14 portion that are to be paid to a CRES provider.

15 A. I don't know whether we've been doing
16 this portion of returning -- we have the right to. I
17 think -- I just don't know. I'm not sure.

18 Q. Okay. Is it your understanding that AEP
19 currently collects the accounts receivable for CRES
20 providers?

21 A. We collect the amount due for CRES
22 providers.

23 Q. And --

24 A. Or due to CRES providers.

25 Q. And if AEP does not collect that amount,

1 what happens?

2 A. Well, eventually that amount will be
3 returned back to the CRES provider for collection.

4 Q. And it's your understanding that that
5 doesn't happen currently but will happen in the
6 future.

7 A. I said I don't know.

8 Q. You're not sure, okay.

9 A. Yeah.

10 Q. Assuming that AEP currently sends back
11 uncollectible expenses to CRES providers, do you
12 think a program where AEP didn't collect those
13 receivables would be a good thing for CRES providers
14 and customers?

15 A. May I have the question reread?

16 MR. NOURSE: Your Honor, I'll just object
17 to this line of questioning. I think we've got a
18 motion to strike in relating to IGS Witness Parisi's
19 suggestions along these lines and we've argued it's
20 outside the scope of this case, and outside the scope
21 of this witness's testimony.

22 MS. THOMPSON: Your Honor, eventually I
23 will be tying this back to his policy statements that
24 are in here. I just have a few more questions to get
25 there.

1 MR. NOURSE: Your Honor, this exhibit is
2 not part of his testimony and it's not something that
3 he's, you know, there to expand on and say what the
4 company is willing to do in addition to this.

5 MS. THOMPSON: If I may respond, your
6 Honor. This witness did say that he had
7 managerial -- he was in a managerial position and was
8 aware of this policy and those that worked under him
9 were developing it, so I think his general
10 understanding of the policy as well as when I'm going
11 to get to the state policy will bring it all
12 together, and I'd like to ask him those questions.

13 MR. NOURSE: Sorry, your Honor, but I
14 think there's a big difference between factually
15 something that's already happened and he said he was
16 aware of it and asking to commit or expand
17 programs -- the program.

18 You know, if we did this for every issue
19 that related to competitive issues that CRES
20 providers had, we'll be here till December instead of
21 July.

22 EXAMINER SEE: I have not required the
23 witness to negotiate other aspects when asked by
24 other counsel and I'm going to stick to that same
25 policy in this case.

1 Let's move on, Ms. Thompson.

2 MS. THOMPSON: Will do. Thank you, your
3 Honor.

4 Q. (By Ms. Thompson) Mr. Dias, would you
5 please turn to page 13 of your testimony.

6 A. Yes.

7 Q. At lines 8 through 21 you explain the
8 benefits of the generation resource rider.

9 A. Yes.

10 Q. Because you identify the benefits, you're
11 familiar with how the rider works, correct?
12 Generally familiar.

13 A. Actually, no, I'm not familiar with how
14 the rider will work. The generation resource rider?

15 Q. Uh-huh.

16 A. I'm not familiar with how it will work,
17 what I'm testifying to is that we are asking in this
18 modified ESP for the Commission to approve this
19 placeholder which is zero, and that's all I'm
20 testifying to, and around the fact that Turning Point
21 will be the -- likely be the sole project that would
22 populate that rider.

23 Company Witness Nelson and Company
24 Witness Roush would probably have been better
25 subject-matter experts on how that rider would work.

1 Q. Then you're familiar with the Turning
2 Point project.

3 A. I'm generally familiar with it.

4 Q. Okay.

5 A. Not in detail.

6 Q. Sorry.

7 In relation to the GRR, do you know if
8 it's a nonbypassable rider? I know you said you
9 didn't know how it worked.

10 A. Yeah, I do know it is being proposed as a
11 nonbypassable rider.

12 Q. And it's a nonbypassable rider paid by
13 all customers.

14 A. That's the nature of a nonbypassable
15 rider.

16 Q. Just making sure we're all on the same
17 page.

18 A. Yes.

19 Q. You said you were familiar with the
20 Turning Point project, correct?

21 A. That's generally familiar, yes.

22 Q. For the energy that's produced by the
23 Turning Point project it will go to source or to the
24 SSO load of AEP, correct?

25 A. That's correct.

1 Q. And wouldn't you consider that only
2 benefiting those customers?

3 A. No, because the Turning Point project, as
4 the way I understand it, is more than just a
5 generation project, it is an alternative energy --
6 it's part of the alternative energy mandates that are
7 the EDU's responsibility, and all customers pay for
8 that.

9 Q. So it's more than just a generation
10 project because all customers pay for it?

11 A. No. I'm sorry, maybe I misspoke. It
12 also ties into the alternative energy requirement
13 mandates that EDU has responsibility for and those
14 requirements for alternative energy are ultimately
15 the responsibility of all customers.

16 Q. Isn't that the responsibility of the EDU?

17 A. The costs associated with those mandates
18 are passed on to all customers.

19 Q. Okay.

20 If the generation is only going to SSO
21 customers and nonshopping customers are funding that
22 generation, would you consider that a subsidy
23 provided by the nonshopping customers to the SSO
24 load?

25 A. No, I really don't see it that way. And

1 I know there were similar questions of Company
2 Witness Allen yesterday. I heard responses, I don't
3 see it as a subsidy. It's the benefit of all
4 customers whether they shop or don't shop because
5 even those customers that are SSO customers, because
6 they're an SSO customer today does not mean they
7 won't shop tomorrow and vice versa.

8 If you have shopped today, that doesn't
9 mean you won't come back tomorrow. These projects
10 are long-term projects and that's why they are
11 nonbypassable projects.

12 We're getting probably close to the end
13 of my knowledge of this project, I'll just caution
14 you.

15 Q. And if I understand you correctly, you
16 believe this is not a subsidy due to the possibility
17 of SSO customers shopping.

18 A. Customers will come and go, as you would
19 expect.

20 Q. So am I correct? I'm sorry, I didn't
21 quite hear the answer.

22 A. Yes. I can't predict with any certainty
23 when a customer will shop, but I do understand and
24 believe that customers will shop when economic
25 choices are presented in front of them that they see

1 as deemed best in their interests, so they will shop.

2 And once they've shopped there will
3 likely be a circumstance at some point in time that
4 they will want to come back as an SSO, so there will
5 be that constant back and forth between an SSO and
6 CRES.

7 Q. And my final question for tonight, you
8 are aware that Ohio Revised Code 4928.02(H) sets
9 forth the state policy to ensure effective
10 competition by providing retail electric service by
11 avoiding anticompetitive subsidies?

12 A. That's part of a broader policy under
13 (H).

14 MS. THOMPSON: Thank you very much. No
15 further questions.

16 EXAMINER SEE: Let's go off the record.

17 (Discussion off the record.)

18 EXAMINER SEE: Let's go back on the
19 record for a minute.

20 I understand Mr. Yurick, Mr. Barnowski,
21 Mr. Petricoff, Mr. Haque, and staff have questions
22 for Mr. Dias, but given the hour --

23 EXAMINER TAUBER: Mr. Darr.

24 EXAMINER SEE: -- oh, and Mr. Darr, all
25 have questions for Mr. Dias, but given the hour,

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1 we're going to adjourn for this evening and reconvene
2 tomorrow at 8:30 and pick up with cross-examination
3 of the witness.

4 (Hearing adjourned at 6:58 p.m.)

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CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by me in this matter on Thursday, May 24, 2012, and carefully compared with my original stenographic notes.

Maria DiPaolo Jones, Registered
Diplomate Reporter and CRR and
Notary Public in and for the
State of Ohio.

My commission expires June 19, 2011.

(MDJ-4018)

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Case No(s). 11-0346-EL-SSO, 11-0348-EL-SSO, 11-0349-EL-AAM, 11-0350-EL-AAM

Summary: Transcript of the Application of Columbus Southern Power Company and Ohio Power Company hearing held on 05/24/12 - Volume VI electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Jones, Maria DiPaolo Mrs.