

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the :
Review of the Alternative :
Energy Rider Contained in :
the Tariffs of Ohio Edison: Case No. 11-5201-EL-RDR
Company, The Cleveland :
Electric Illuminating :
Company, and The Toledo :
Edison Company. :

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PROCEEDINGS

before Mr. Gregory Price and Ms. Mandy Chiles,
Attorney Examiners, at the Public Utilities
Commission of Ohio, 180 East Broad Street, Room 11-A,
Columbus, Ohio, called at 10:00 a.m. on Friday,
February 22, 2013.

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VOLUME IV

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ARMSTRONG & OKEY, INC.
222 East Town Street, Second Floor
Columbus, Ohio 43215-5201
(614) 224-9481 - (800) 223-9481
FAX - (614) 224-5724

- - -

1 APPEARANCES:

2 FirstEnergy Service Company
3 By Mr. James W. Burk
4 and Ms. Carrie M. Dunn
5 76 South Main Street
6 Akron, Ohio 44308

7 and

8 Jones Day
9 By Mr. David A. Kutik
10 and Ms. Lydia M. Floyd
11 North Point
12 901 Lakeside Avenue
13 Cleveland, Ohio 44114-1190

14 On behalf of the FirstEnergy Companies.

15 Bruce J. Weston, Ohio Consumers' Counsel
16 By Ms. Melissa Ranay Yost
17 Mr. Edmund "Tad" Berger
18 Mr. Michael J. Schuler
19 10 West Broad Street, Suite 1800
20 Columbus, Ohio 43215

21 On behalf of the Residential
22 Consumers of the FirstEnergy Company.

23 Williams, Allwein & Moser, LLC
24 By Mr. Christopher J. Allwein
25 1373 Grandview Avenue, Suite 212
Columbus, Ohio 43212

On behalf of the Sierra Club.

Environmental Law & Policy Center
By Mr. Trent A. Dougherty
Mr. Nicholas A. McDaniel
Ms. Cathryn N. Loucas
1207 Grandview Avenue, Suite 201
Columbus, Ohio 43212

On behalf of the Ohio Law & Policy
Center.

1 APPEARANCES (Continued) :

2 Boehm, Kurtz & Lowry
3 By Mr. Michael L. Kurtz
4 and Ms. Jody Kyler Cohn
5 36 East Seventh Street
6 Suite 1510
7 Cincinnati, Ohio 45202-4454

8 On behalf of the Ohio Energy Group.

9 Bricker & Eckler, LLP
10 By Mr. J. Thomas Siwo
11 and Mr. Terrence O'Donnell
12 100 South Third Street
13 Columbus, Ohio 43215-4291

14 On behalf of Mid-Atlantic Renewable
15 Energy Coalition.

16 Bricker & Eckler, LLP
17 By Mr. Frank L. Merrill
18 100 South Third Street
19 Columbus, Ohio 43215-4291

20 On behalf of Ohio Manufacturers
21 Association.

22 Vorys, Sater, Seymour and Pease, LLP
23 By Mr. M. Howard Petricoff
24 and Mr. Stephen M. Howard
25 52 East Gay Street
Columbus, Ohio 43216-1008

On behalf of Interstate Gas Supply.

Mike DeWine, Ohio Attorney General
William L. Wright, Section Chief
Public Utilities Section
By Mr. Thomas Lindgren
and Mr. Ryan O'Rourke
180 East Broad Street, Sixth Floor
Columbus, Ohio 43215-3793

On behalf of the Staff of the Public
Utilities Commission.

1 APPEARANCES (Continued)

2 Brickfield, Burchette, Ritts & Stone, P.C.
3 By Mr. Michael K. Lavanga
4 1025 Thomas Jefferson Street N.W.
Eighth Floor, West Tower
Washington, D. C 20007

5 On behalf of the Nucor Steel Marion, Inc.

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1 Friday Morning Session,

2 February 22, 2013.

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4 EXAMINER CHILES: Let's go ahead and go
5 on the record. The Public Utilities Commission has
6 called for hearing at this time and place Case No.
7 11-5201-EL-RDR, being In the Matter of the Review of
8 the Alternative Energy Rider contained in the Tariffs
9 of Ohio Edison Company, The Cleveland Electric
10 Illuminating Company, and The Toledo Edison Company.

11 My name is Mandy Chiles, with me is
12 Gregory Price, and we are the attorney examiners
13 assigned by the Commission to hear this case. At
14 this time we will waive appearances of the parties.

15 Is there anything to hear on the record
16 before we begin with testimony today?

17 All right. Hearing nothing, Mr. Siwo.

18 MR. SIWO: Third times a charm. Thank
19 you, your Honor.

20 Mid-Atlantic Renewable Energy Coalition
21 calls Mr. Bruce Burcat to the stand.

22 (Witness sworn.)

23 EXAMINER CHILES: Thank you. You may be
24 seated. I would ask that you please turn on your
25 microphone as well.

1 THE WITNESS: Fourth time is a charm.

2 - - -

3 BRUCE BURCAT

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

6 DIRECT EXAMINATION

7 By Mr. Siwo:

8 Q. Mr. Burcat, would you please state your
9 name and business address for the record.

10 A. Sure. It's Bruce Burcat, business
11 address is P.O. Box 385, Camden, Delaware 19934.

12 Q. And by whom are you employed?

13 A. The Mid-Atlantic Renewable Energy
14 Coalition.

15 Q. On whose behalf will you be providing
16 testimony today?

17 A. On behalf of the that entity.

18 Q. And was the testimony that was filed on
19 January 31, 2013, in this proceeding prepared by you
20 or at your direction?

21 A. Yes.

22 MR. SIWO: Your Honor, at this time I
23 would offer Mid-Atlantic Renewable Energy Coalition
24 Exhibit 101, the Direct Prefiled Testimony of
25 Mr. Burcat.

1 EXAMINER CHILES: So marked.

2 (EXHIBIT MARKED FOR IDENTIFICATION.)

3 Q. Mr. Burcat, do you have a copy with you
4 of what's just been marked as Mid-Atlantic Renewable
5 Energy Coalition Exhibit 101?

6 A. Yes, I do.

7 Q. Do you have any changes or additions to
8 make to that exhibit?

9 A. No.

10 Q. And if I were to ask you the same
11 questions today as what is in that exhibit, would
12 your answers be the same?

13 A. Yes, they would.

14 Q. And they are true and correct to the best
15 of your knowledge and belief?

16 A. Yes.

17 MR. SIWO: Your Honor, at this time I
18 move for the admission of Mid-Atlantic Renewable
19 Energy Coalition Exhibit 101, subject to
20 cross-examination, and Mr. Burcat is available for
21 cross-examination.

22 EXAMINER CHILES: Thank you. We will
23 reserve ruling on your motion until we are finished
24 hearing testimony.

25 Let's begin with Mr. Allwein.

1 MR. ALLWEIN: I have no questions. Thank
2 you, your Honor.

3 EXAMINER CHILES: Mr. McDaniel.

4 MR. McDANIEL: No questions, your Honor.

5 EXAMINER CHILES: OCC.

6 MS. YOST: No questions, your Honor.

7 EXAMINER CHILES: Ms. Kyler.

8 MS. COHN: No questions, your Honor.

9 EXAMINER CHILES: And Ms. Floyd.

10 MS. FLOYD: Thank you, your Honor.

11 - - -

12 CROSS-EXAMINATION

13 By Ms. Floyd:

14 Q. Good morning, Mr. Burcat. My name is
15 Lydia Floyd, and I represent the companies.

16 A. Good morning.

17 Q. You are not here to testify regarding
18 whether the companies' cost of procuring RECs in 2009
19 to 2011 were prudently incurred, correct?

20 A. Correct.

21 Q. You are not here to testify regarding the
22 reasonableness of the companies' actions of procuring
23 RECs in 2009 to 2011, correct?

24 A. Yes.

25 Q. You are not offering an opinion regarding

1 whether any of the costs incurred by the companies
2 for the purchase of RECs through 2009 through 2011
3 should be disallowed, correct?

4 A. That's correct.

5 Q. It's fair to say that the one purpose of
6 your testimony is to offer a proposed immediate order
7 of calculating the 3 percent mechanism under Section
8 4928.64, correct?

9 A. That's correct.

10 Q. Your recommendation is prospective,
11 correct?

12 A. Correct.

13 Q. You are recommending that a price
14 suppression benefit should be factored into the
15 calculation of the 3 percent provision, correct?

16 A. That's correct.

17 Q. You are not recommending, however, how to
18 calculate the price suppression benefit, correct?

19 A. Well, I'm not recommending a particular
20 way to calculate it, just the fact that it's -- it
21 would have to be dealt with at some future date by
22 the Commission in some kind of proceeding to
23 determine how to calculate that price suppression
24 effect.

25 Q. You would agree, though, that if you add

1 in a price suppression benefit into the 3 percent
2 mechanism, that will result in a higher number,
3 correct?

4 A. A higher number for the cap itself, yes.

5 MS. FLOYD: Thank you. I have no further
6 questions.

7 EXAMINER CHILES: Thank you.

8 Staff.

9 MR. LINDGREN: Yes, thank you, your
10 Honor.

11 EXAMINER CHILES: Mr. Lindgren, could you
12 please use your microphone. Thank you.

13 MR. LINDGREN: I'm not sure it's working.

14 MR. KUTIK: I thought you had it.

15 EXAMINER CHILES: There it goes.

16 - - -

17 CROSS-EXAMINATION

18 By Mr. Lindgren:

19 Q. Good morning, Mr. Burcat. Would you
20 please turn to page 5 of your testimony.

21 A. Sure.

22 Q. On page 5, beginning on line 13 and
23 continuing through line 14, you use the term "price
24 suppression benefits." Could you please explain what
25 you mean by that term?

1 A. Yes. Price suppression benefits reflect
2 the fact that Ohio is part of a regional grid
3 operated by PJM, and as part of that, there are
4 certain ways to markets that are involved in PJM, and
5 it really will depend on what -- what price
6 suppression basically means under that circumstance
7 is that the -- when different types of resources bid
8 into the markets, either day-ahead or on --
9 particularly the spot market, they all bid in and
10 there is a clearing price, which is essentially the
11 last price that's accepted or the highest price
12 that's accepted for bid by PJM through that process,
13 and that particular price sets the price for all of
14 the -- all of the resources that have bid in and that
15 were accepted.

16 What happens is that with wind, in
17 particular on the system, wind energy, when that bids
18 in, it has no fuel cost, and what would happen is
19 that when wind bids in, it typically would replace or
20 displace a higher cost generating resource and,
21 therefore, by doing that, it lowers the clearing
22 price amount and, therefore, the price overall is
23 reduced, and that's called the price suppression
24 **effect of renewables or, in this case, wind as I've
25 described it.

1 Q. Thank you for that explanation. Also on
2 page 5, beginning on line 12, you recommend using the
3 wholesale average price from the previous three
4 years. Can you explain why you -- why you make that
5 recommendation?

6 A. Yes. It's just the prices may vary
7 because -- because of shopping between the three
8 years. So it reflects the average -- reflects, I
9 think, a better or more consistent way of determining
10 what that price is other than using one -- otherwise
11 using one particular year to do that.

12 Q. Thank you. Why use a historic --
13 historical price as opposed to a forward-looking
14 analysis?

15 A. Well, it's historical, but I think it --
16 you are using three years, but you're reflecting what
17 you're -- what you're estimating to be as a future
18 price. So you're using that as a, maybe, the best
19 way, in my opinion, of reflecting the future price.

20 Q. Thank you. Also on page 5 on line 12,
21 you refer exclusively to wholesale price averages.
22 Now, if there were other generation-related riders,
23 would you propose that they also be included in this
24 analysis?

25 A. We're particularly looking at -- at the

1 wholesale price averages for folks that -- or for
2 customers that do not shop so it would be the SSO
3 customers in that case, so I guess maybe I should ask
4 you a question. What other riders would you be
5 talking about including?

6 MR. LINDGREN: May I have a moment?

7 Q. Can you just assume that if there are
8 other -- other -- other riders, or other costs, would
9 they be included in your analysis?

10 A. Well, you'll see in my testimony we're
11 talking about certain costs that we don't think
12 should be included, which are administrative and
13 carrying costs.

14 Q. But other costs should be included then?

15 A. Other costs than that?

16 Q. Yes.

17 A. I guess it would depend. I'm not sure
18 specifically what costs you're talking about.

19 Q. Thank you. Also on page 5, on line 13,
20 you use the term "wholesale price average." Now, by
21 this term are you referring to FirstEnergy's
22 competitive bid results for their SSO load, or are
23 you referring to a -- a more general wholesale
24 market?

25 A. No. I'm talking about the prices that

1 First -- FirstEnergy pays, not the general wholesale
2 market.

3 Q. Thank you. You previously explained what
4 you meant by the term "price suppression benefits."
5 Do you have a recommended methodology that should be
6 employed to calculate these benefits?

7 A. No, I do not. I think that would be
8 something that we -- or that would be subject to a
9 future proceeding by the Commission to determine or
10 maybe an agreement between the parties to determine
11 how to calculate that.

12 Q. Thank you. Also on page 5, on line 17,
13 you refer to the annual cost of renewable gen --
14 generation. Can you clarify whether you are
15 considering the cost of RECs required for a
16 compliance in the calendar year as opposed to
17 considering the costs included in the rider?

18 A. We were considering the costs included in
19 the calendar year.

20 Q. Thank you. Would you please turn to page
21 6 of your testimony. Beginning on line 5 and
22 continuing through line 7, you recommend an annual
23 calculation be done. What time of year would you
24 propose that calculation be -- be performed?

25 A. We don't have a specific recommendation

1 on that, so that was not part of our testimony. It's
2 something we would certainly -- I mean, there would
3 probably be based on a -- I guess a -- I mean, we are
4 really looking for a one-year period, but we're not
5 specifying what that time period is.

6 Q. Thank you. Could you please now turn to
7 page 7. Beginning on line 4, you recommend excluding
8 such items as carrying costs and administrative costs
9 from the 3 percent calculation. Can you explain why
10 they should be excluded?

11 A. Well, in looking at the Goldenberg
12 report, my recollection is that they suggest that
13 those not be included in that part of the
14 calculation, and we agree with that assessment.

15 Q. Thank you. Then you go on to make the
16 statement that "simply because these items should not
17 be included in the mathematical calculation does not
18 mean that carrying costs or administrative costs
19 should not be eligible for cost recovery by a
20 utility." Do you think they should be eligible for
21 cost recovery?

22 A. Yes, we do think that. We think it's
23 fair to the utility in that situation since they do
24 incur those costs.

25 MR. LINDGREN: Thank you. Thank you. I

1 have no further questions.

2 EXAMINER CHILES: Thank you.

3 Mr. Siwo, redirect?

4 MR. SIWO: No questions, your Honor.

5 EXAMINER CHILES: I have no questions for
6 you, so thank you. You are excused.

7 THE WITNESS: Thank you.

8 MR. SIWO: Your Honor, at this time I
9 move to renew my motion for admission of Mr. Burcat's
10 testimony, Exhibit 101.

11 EXAMINER CHILES: Are there any
12 objections to the admission of Exhibit 101?

13 Hearing none, Exhibit 101 will be
14 admitted.

15 MR. SIWO: Thank you.

16 (EXHIBIT ADMITTED INTO EVIDENCE.)

17 EXAMINER PRICE: We are going to at this
18 time make a ruling on the motion for protective order
19 that FirstEnergy made on the first day of our
20 hearing. In order to do that it's going to be
21 necessary to go to the confidential portion of our
22 hearing, so I would ask that any party that does not
23 have a confidentiality agreement with FirstEnergy to
24 please excuse themselves.

25 MR. KUTIK: Well, your Honor, if you

1 might recall, for purposes of this discussion only,
2 although we want to maintain confidentiality from the
3 public, we were not seeking to exclude any party from
4 participating in the discussions.

5 EXAMINER PRICE: I was actually most
6 concerned about the witness.

7 MR. KUTIK: Yes.

8 EXAMINER PRICE: He's fine?

9 MR. KUTIK: No. The witness should be
10 excused.

11 EXAMINER PRICE: Okay.

12 MR. KUTIK: I was just talking about
13 counsel.

14 EXAMINER PRICE: Thank you. Thank you
15 for the clarification.

16 (CONFIDENTIAL PORTION.)
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(PUBLIC RECORD.)

EXAMINER PRICE: At this time we are

1 going to adjourn for today, and we will begin on
2 Monday at 10:00 o'clock where we will hear
3 FirstEnergy's rebuttal witness.

4 Thank you, all.

5 (The hearing adjourned at 10:33 a.m.)

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1 CERTIFICATE

2 I do hereby certify that the foregoing is a
3 true and correct transcript of the public proceedings
4 taken by me in this matter on Friday, February 22,
5 2013, and carefully compared with my original
6 stenographic notes.

7
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9
10 Karen Sue Gibson, Registered
Merit Reporter.

11 (KSG-71512)

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Summary: Transcript in the matter of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company hearing held on 02/22/13 - Volume IV - Public Version electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.