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3 PUBLIC UTILITIES COMMISSION OF OHIO

4 PUBLIC HEARING

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6 CASE NUMBER: 13-2385-EL-SSO

7 AND

8 CASE NUMBER: 13-2386-EL-AAM

9

10 ~ ~ ~ ~

11 Wednesday, May 14, 2014

12 ~ ~ ~ ~

13 In the Matter of the Application of Ohio

14 Power Company for Authority to Establish a

15 standard service Offer Pursuant to R.C. 4923.143

16 in the Form of an Electric Security Plan, case

17 No. 13-2385-EL-SSO

18

19 In the Matter of the Application of Ohio

20 Power Company for Approval of Certain Accounting

21 Authority, Case No. 13-2386-EL-AAM.

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PUCO

2014 MAY 27 AM 9:03

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1 APPEARANCES

2 Greta See, Hearing Officer.

3 Steve Lesser, Commissioner

4 Edmund "Tad" Berger, OCC

5 Matthew j. Satterwhite

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1 MS. SEE: Good evening. If we
2 could get started. My name is Greta See
3 and I'm an attorney examiner with the
4 Commission's legal department. Setting
5 to my left is Commissioner Steve
6 Lesser. Commissioner Lesser and I are
7 going to be presiding over the hearing
8 this evening.

9 Scheduled for hearing at this time
10 and place is Case Number 13-2385-EL-SSO,
11 which is entitled, In the Matter of the
12 Application of the Ohio Power Company
13 for authority to establish a standard
14 service offer pursuant to Revised Code
15 Section 4928.143 in the form of an
16 Electric Security Plan, as well as Case
17 Number 13-2386-EL-AAM, entitled, In the
18 Matter of the Application of the Ohio
19 Power Company for approval of certain
20 accounting authority.

21 In addition to myself and
22 Commissioner Lesser, there are three
23 members of the Commission here, and if
24 have you a question about the
25 Commission's process -- about the

1 process for this case, you can address
2 it to either Lee Gary who is at the back
3 of the room, Jill Coker or Zach Primer.

4 At the time I would like to take
5 appearances of the parties.

6 On behalf of the company?

7 MR. SATTERWHITE: Thank you, Your
8 Honor. On behalf of Ohio Power Company,
9 Matthew Satterwhite, One Riverside
10 Plaza, Columbus, Ohio 43215.

11 I would also like to add that
12 there's representatives from AEP here
13 tonight. If there's questions about the
14 case or something beyond the case, we're
15 more than willing to answer those.

16 MS. SEE: Could you introduce those
17 individuals that are here?

18 MR. SATTERWHITE: I'll let them.

19 MS. JEUNELOT: Michelle Juanelot,
20 J-E-U-N-E-L-O-T, from Gahanna, Ohio.

21 MS. SEE: Next?

22 MS. FLOOR: Terry Flora. I'm with
23 Communications in Gahanna, Ohio.

24 MR. WHEELER: I'm Dave Wheeler,
25 General Manager of Community Affairs for

1 AEP based in Canton, Ohio.

2 MS. SEE: Okay.

3 MR. PARRISH: Dwight Parrish,
4 Customer Service Rep here in Canton,
5 Ohio.

6 MS. SEE: Next?

7 MR. ARMSTRONG: Jim Armstrong,
8 Customer Services Supervisor based in
9 Canton, Ohio.

10 MR. PLOTKIN: Bryan Plotkin,
11 Customer Service Representative,
12 Wooster, Ohio.

13 MS. SEE: Okay. Thank you.

14 Also here on behalf of the Ohio
15 Consumers' Counsel?

16 MR. BERGER: Good evening, Your
17 Honor. Tad Berger for the Consumers'
18 Counsel's office, 10 West Broad Street,
19 Columbus, Ohio, 43215.

20 MS. SEE: Thank you.

21 I would like to note that there are
22 a number of parties who have filed a
23 motion to intervene in this case. There
24 are approximately 30 entities that have
25 filed so far with one application

1 pending. They represent industrial
2 concerns, commercial customers,
3 environmental advocates and low income
4 residential customers. Each of these
5 parties will represent their various
6 constituents in this proceeding, as well
7 as the Commission staff.

8 A little bit of background about
9 the case: On December 20th, 2013 Ohio
10 Power Company filed an application with
11 the Commission to establish a standard
12 service offer in the form of an electric
13 security plan, or what you may hear
14 referred to as an ESP, to be in effect
15 from June 2015 through May 2018. There
16 have been scheduled five local public
17 hearings. This is the fourth. There is
18 one more scheduled to take place in
19 Marietta, as well as an evidentiary
20 hearing, which is scheduled to commence
21 in Columbus at the Commission's offices
22 on June 3rd.

23 The purpose of this evening's
24 public hearing is to receive comments
25 from the public regarding Ohio Power's

1 application. It's not a question-and-
2 answer session, but it's your
3 opportunity to let the Commission know
4 what you think about Ohio Power
5 Company's application.

6 Tonight's hearing is being
7 transcribed by a court reporter. If you
8 plan to offer testimony, please speak
9 clearly so that the court reporter can
10 accurately reflect your comments on the
11 record. And if you have prepared a
12 written statement, it would be helpful
13 if you would provide a copy to the court
14 reporter when you finish your
15 statement.

16 When you arrived, you were offered
17 an opportunity to sign in to offer
18 testimony tonight. And after I finish
19 the introduction, I will begin calling
20 the witnesses forward that have signed
21 in. I'll ask each witness to come to
22 the table, face the court reporter and
23 raise your right hand to affirm that the
24 information you're about to give is true
25 and state and spell your name for the

1 record, as well as provide us your
2 address.

3 Your testimony will be considered
4 part of the official record in this case
5 and will be reviewed by the Commission
6 before a final decision is made on the
7 application.

8 As well as counsel -- counsel for
9 the various parties that are present
10 tonight will have an opportunity to
11 cross-examine each witness, as well as
12 the bench, Commissioner Lesser and
13 myself.

14 Should you decide not to offer
15 testimony, when I call your name, you
16 can pass. Once you finish your
17 testimony or if you're just here to
18 observe, you can leave at any time.

19 The Commission appreciates your
20 participation in tonight's hearing, and
21 we want to give everyone that elected to
22 do so an opportunity to offer testimony,
23 so after I have called forth the one
24 witness that has signed up, if anyone
25 else chooses to offer testimony, you'll

1 have an opportunity to do so.

2 With that, the first witness that
3 signed up tonight is Susan Misconish.

4 MS. MISCONISH: Misconish.

5 MS. SEE: Thank you.

6 - - - - -

7 SUSAN MISCONISH,

8 After having been first duly affirmed, as
9 hereinafter certified, was examined and testified
10 as follows:

11 MS. SEE: State and spell your name
12 for the record and give us your
13 address.

14 MS. MISCONISH: My name is Susan
15 Misconish, S-U-S-A-N,
16 M-I-S-C-O-N-I-S-H. I work for the
17 Timken Company at 1835 Dueber Avenue
18 Southwest, D-U-E-B-E-R, Canton, Ohio,
19 44706.

20 MS. SEE: Go ahead with your
21 statement.

22 MS. MISCONISH: I did bring
23 copies.

24 Good evening. My name is Susan
25 Misconish and I am a commodity manager

1 at the Timkin Company. I am responsible
2 for purchasing commodities that include
3 energy, transportation, rail, industrial
4 gas, oxygen, nitrogen and argon and
5 electrodes.

6 Timken is a member of the Ohio
7 Energy Group and Industrial Energy Users
8 Ohio, among other organizations. Those
9 groups will likely submit testimony in
10 this proceeding; however, I am here
11 today solely to address Timken's
12 interest in AEP'S proposed ESP.

13 I would first like to provide a
14 little background on the Timken
15 Company. Timken has been manufacturing
16 products in Ohio since 1901 when it
17 opened the bearing and axle plant in
18 Canton, Ohio, now its Worldwide
19 headquarters.

20 Today, the Canton manufacturing
21 complex makes friction-reducing bearing
22 components and specialty alloy steel
23 products, which competes in a worldwide
24 market.

25 The Canton facility is critical to

1 the economic vitality of the State of
2 Ohio. We are the second largest
3 employer in Stark County, directly
4 employing over 3,500 full-time
5 associates, and indirectly support the
6 employment of tens of thousands of
7 Ohioans who work for the scores of Ohio
8 companies who supply the goods and
9 services used at the Canton facility.

10 By way of explanation, we purchase
11 in excess of over one billion dollars in
12 goods and services from over 1,600 Ohio-
13 based suppliers. This is what is
14 referred to as the multiplier effect.

15 As we are a large energy-intensive
16 manufacturer, electricity costs
17 represent a significant portion of
18 Timken's total operating costs. Energy
19 is our third largest cost after scrap
20 and labor, consuming in excess of one
21 billion kilowatt hours per year. That
22 is the equivalent of a community with
23 90,000 homes, a city that is slightly
24 smaller than Akron, Ohio.

25 Our annual spend for electricity

1 for our steel operation here in the
2 Canton area is nearly \$60 million per
3 year. Because our operations are very
4 sensitive to any shifts in electricity
5 prices, a mere change of one-tenth of a
6 cent per kilowatt hour impacts our
7 invoice to the tune of one million
8 dollars. We pay careful attention to
9 the Public Utilities Commission of Ohio
10 cases, like the pending AEP's ESP case.
11 The outcome of these proceedings can
12 substantially impact Timken's
13 competitiveness and the global economy.

14 Timken has a long-standing
15 relationship with AEP. We hope to
16 continue this relationship into the
17 future. We currently take service from
18 AEP under a reasonable arrangement that
19 has worked well for us over the past few
20 years. However, our current reasonable
21 arrangement is expected to expire around
22 the end of this year. This makes the
23 outcome of the current AEP ESP case all
24 the more critical to Timken. We have
25 reviewed AEP's ESP application and see

1 some merits in a number of the company's
2 proposals. For instance, we are
3 generally supportive of AEP's request to
4 use its share of the Ohio Valley
5 Electric Corporation Generation as a
6 cost of service hedge for customers
7 against future market volatility.

8 I would note that through OEG, we
9 will recommend some modifications to
10 AEP's proposal; for example, extending
11 the length of the OVEC purchase power
12 agreement over a term longer than three
13 years and to front end load the savings.
14 But as a general matter, we agree that
15 maintaining a cost-based generation
16 hedge could benefit both customers and
17 the utility by protecting against wide
18 fluctuations and future market prices.

19 Before swearing in the new PUCO
20 Chairman Thomas Johnson, Governor Kasich
21 recently expressed concerns about Ohio
22 Utilities moving to full divestiture of
23 their generation assets and relying 100
24 percent on spot market pricing. We
25 share those concerns. Governor Kasich

1 stated that while he's not sure that
2 deregulation was the smartest thing Ohio
3 has ever done, we can't go back and
4 we've got to figure it out moving
5 forward.

6 We think that allowing for some
7 cost-based generation assets to serve as
8 hedges against future market volatility
9 could be a reasonable way to move
10 forward within the context of Ohio's
11 current regulatory environment.

12 One AEP proposal that Timken does
13 not support is the proposal to eliminate
14 the current interruptible credit at the
15 end of AEP's current ESP.

16 As the Commission itself noted in
17 AEP's last ESP case, the interruptible
18 credit provides flexible options for
19 energy-intensive customers to choose
20 their quality of service, further Ohio's
21 effectiveness in the global economy and
22 can be used as an additional resource to
23 meet AEP's capacity obligation. The
24 interruptible customers also help
25 maintain reliability on AEP's system by

1 shedding load or some of the electricity
2 that they are consuming when the
3 electric system is under stress.

4 As the recent polar vortex
5 demonstrated, additional reliability
6 resources, like Timken's interruptible
7 resource, can provide significant
8 value. Such resources will also become
9 increasingly important as more
10 generation units are retired in response
11 to environmental regulations. AEP Ohio
12 announced retirements of 1,635 megawatts
13 in 2015. That's a total of 23
14 generating units at seven plant
15 locations in Ohio, while the entire PJM
16 retirement will be in excess of 22,000
17 megawatts by 2020. Moreover,
18 eliminating the interruptible credit for
19 customers in AEP's territory will place
20 those customers at a disadvantage
21 relative to similar large industrial
22 customers in the First Energy and Duke
23 territories, since both of those
24 utilities continue to offer
25 interruptible programs.

1 Additionally, given current carbon
2 reduction regulations that the US EPA is
3 promulgating, the adequacy of generation
4 supply is certainly questionable, not
5 only on peak demand days, like in
6 January with the polar vortex, but on an
7 ongoing basis as well. As the
8 generation portfolio transforms, market
9 volatility will become more pronounced
10 as seen in the January Day Ahead and
11 Real Time pricing, moving from an
12 average of \$32.90 per megawatt to \$83.80
13 per megawatt, for Day Ahead, an increase
14 of 152 percent, and \$32.05 per megawatt
15 to \$88.90 for Real Time pricing, at 178
16 percent increase. That would more than
17 double the rate for electricity for that
18 month, not only for large electric
19 consumers like Timken, but for every
20 household. Few homeowners' budgets can
21 be withstand the doubling of their
22 utility bills for an essential service.

23 The proposed ESP provides AEP Ohio
24 customers with relatively stable
25 declining rates during the 2015 to 2018

1 time frame. Residential customers using
2 1,000 kilowatt hours of electricity per
3 month would see an estimated monthly
4 rate decrease of \$6.10 for the Ohio
5 Power Company rate zones in this area
6 and a decrease of \$10.80 for Columbus
7 Southern Power rate zone customers
8 beginning in June 2015.

9 Thank you for allowing me to speak
10 today. I greatly appreciate your time
11 and sincerely hope that the Commission
12 will give careful scrutiny to AEP's
13 proposal and their potential impact on
14 large energy-consuming customers like
15 Timken.

16 MS. SEE: Any cross-examination for
17 this witness?

18 COMMISSIONER LESSER: I would just
19 like -- quick question.

20 Timken is split into two different
21 companies?

22 MS. MISCONISH: We are in the
23 process of separating the companies
24 into --

25 COMMISSIONER LESSER: Are you

1 speaking for the combined companies or
2 separate companies?

3 MS. MISCONISH: The separation
4 isn't official until June 1st. Mostly
5 we are speaking on behalf of Timken
6 Steel Corporation.

7 COMMISSIONER LESSER: Okay. Thank
8 you.

9 MS. SEE: Any cross-examination for
10 this witness?

11 MR. SATTERWHITE: Thank you, Your
12 Honor. No questions.

13 MR. BERGER: No questions, Your
14 Honor.

15 MS. SEE: Thank you very much.
16 Thank you for your time. That was
17 the only witness that had signed up to
18 offer testimony this evening. Is there
19 anyone else present that wishes to offer
20 testimony?

21 Okay. With that, the hearing is
22 adjourned. Thank you all for coming out
23 this evening.

24 - - - - -

25 (Hearing concluded at 6:20 p.m.)

1 The State of Ohio,)
2) SS: CERTIFICATE
2 County of Cuyahoga.)

3 I, Katrina L. Dearborn, Notary Public within
4 and for the State of Ohio, duly commissioned and
4 qualified, do hereby certify that the within-
named witnesses were first duly sworn to testify
5 the truth, the whole truth, and nothing but the
truth in the cause aforesaid; that the testimony
6 then given by him/her was by me reduced to
stenotypy in the presence of said witnesses,
7 afterwards transcribed on a computer, and that
the foregoing is a true and correct transcript of
8 the testimony so given by him/her as aforesaid.

9 I do further certify that this arbitration
was taken at the time and place in the foregoing
10 caption specified and was completed without
adjournment.

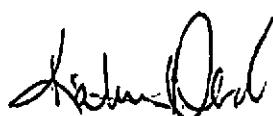
11 I do further certify that I am not a
12 relative, employee of, or attorney for any of the
parties in the above-captioned action; I am not a
13 relative or employee of an attorney for any of
the parties in the above-captioned action; I am
14 not financially interested in the action; I am
not, nor is the court reporting firm with which I
15 am affiliated, under a contract as defined in
Civil Rule 28(D); nor am I otherwise interested
16 in the event of this action.

17 IN WITNESS WHEREOF I have hereunto set my
hand and affixed my seal of office at Cleveland,
18 Ohio on this 23rd day of May, 2014.

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22

Katrina L. Dearborn, Notary Public
In and for the State of Ohio.
my commission expires 11-02-15.

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