

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of the :
Application of Ohio Power :
Company for Authority to :
Establish a Standard Service :Case No. 13-2385-EL-SSO
Offer Pursuant to \$4928.143, :
Revised Code, in the Form of :
an Electric Security Plan. :

In the Matter of the :
Application of Ohio Power :Case No. 13-2386-EL-AAM
Company for Approval of :
Certain Accounting Authority.:
- - -

PROCEEDINGS

before Ms. Greta M. See and Ms. Sarah J. Parrot,
Hearing Examiners, at the Public Utilities Commission
of Ohio, 180 East Broad Street, Room 11-A, Columbus,
Ohio, called at 9:00 a.m. on Friday, June 6, 2014.

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VOLUME IV

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On behalf of the Staff of the Public
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1 Friday Morning Session,
2 June 6, 2014.

3 - - -

4 EXAMINER SEE: Let's go on the record.
5 Let's do brief appearances of the parties starting
6 with the company.

7 MR. NOURSE: Thank you. On behalf of
8 Ohio Power Company, Steven T. Nourse, Matthew J.
9 Satterwhite, Daniel R. Conway.

10 EXAMINER SEE: OCC.

11 MR. SERIO: Morning, your Honor. On
12 behalf of OCC, Joseph Serio and Maureen Grady.

13 EXAMINER SEE: Let's continue around the
14 table, please.

15 MR. YURICK: Your Honor, thank you. On
16 behalf of the Kroger Company, Mark Yurick, Zach
17 Kravitz with the law firm of Taft, Stettinius &
18 Hollister.

19 MR. PRITCHARD: Good morning, your
20 Honors. On behalf of IEU-Ohio, Matt Pritchard and
21 Frank Darr.

22 MR. PARRAM: Good morning, your Honors.
23 On behalf of staff, Devin Parram, Werner Margard, and
24 Katie Johnson.

25 MR. KURTZ: For Ohio Energy Group, Mike

1 Kurtz.

2 MS. BOJKO: Thank you, your Honors. For
3 OMA, Kim Bojko, Rebecca Hussey, and Mallory Mohler.

4 MR. McDERMOTT: For FirstEnergy Solutions
5 Corp., Jacob McDermott, Scott Casto, and Mark Hayden.

6 MR. DOUGHERTY: On behalf of Ohio
7 Environmental Council and Environmental Defense Fund,
8 Trent Dougherty and John Finnigan.

9 MR. McDANIEL: For the Environmental Law
10 and Policy Center, Nick McDaniel.

11 MR. SMALZ: For the Appalachian Peace and
12 Justice Fund, Michael Smalz.

13 MR. WILLIAMS: Good morning, your Honors.
14 On behalf of IGS, Greg Williams, Mark Whitt, and
15 Andrew Campbell.

16 EXAMINER SEE: Is there any other counsel
17 for parties seated in the back?

18 (No response.)

19 EXAMINER SEE: Thank you.

20 AEP, you can call your next witness.

21 MR. NOURSE: Thank you, your Honor. And
22 if I could, before Ms. Moore I was going to take care
23 of a housekeeping matter. Worked with OMA counsel to
24 come up with a revised, a legible copy of, and that's
25 "a legible," not "illegible," copy of OMA 3 by

1 substituting a couple of the pages so Mr. Satterwhite
2 is going to distribute that to the authorized
3 parties, and I'll give it to the Bench and the
4 reporter right now.

5 EXAMINER SEE: Thank you.

6 MR. NOURSE: Thank you.

7 And the company calls Andrea Moore.

8 EXAMINER SEE: Miss Moore, if you'd raise
9 your right hand.

10 (Witness sworn.)

11 EXAMINER SEE: Thank you. Have a seat
12 and cut your mic on, please.

13 - - -

14 ANDREA E. MOORE

15 being first duly sworn, as prescribed by law, was
16 examined and testified as follows:

17 DIRECT EXAMINATION

18 By Mr. Nourse:

19 Q. Good morning, Miss Moore.

20 A. Good morning.

21 Q. Can you state your name for the record?

22 A. My name is Andrea Moore.

23 Q. By whom are you employed and in what
24 capacity?

25 A. I'm employed as the Director of

1 Regulatory Services for Ohio Power Company.

2 Q. Okay. Did you file direct testimony in
3 this case on December 20th, 2013?

4 A. I did.

5 MR. NOURSE: Okay. Your Honor, I'd like
6 to mark AEP Ohio Exhibit 13 and submit a copy to the
7 reporter.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 Q. Okay. Miss Moore, do you have
10 corrections, additions, or changes you'd like to make
11 to your testimony?

12 A. I do.

13 Q. And we've prepared an exhibit to
14 facilitate that, correct?

15 A. Correct.

16 Q. Okay.

17 MR. NOURSE: So, your Honor, I'd like to
18 mark AEP Ohio Exhibit 14.

19 (EXHIBIT MARKED FOR IDENTIFICATION.)

20 Q. I believe the parties had been notified
21 through discovery that you were going to submit a
22 revised AEM-2, correct?

23 A. Correct.

24 Q. All right. So can you explain this
25 attachment and what it represents.

1 A. Sure. So Exhibit AEM-2 was for the DIR
2 to lay out the way that the rider mechanisms would
3 work. Workpaper AEM-1 supports the roll forward of
4 the distribution plant and through discovery
5 responses the value that was included in that
6 forecast for the theoretical reserve amortization was
7 actually updated in this corrected version.

8 Q. Okay. So this should be used to
9 substitute for AEM-2 and it also contains workpapers
10 that we're providing as part of this exhibit that
11 were previously provided to the parties, correct?

12 A. That's correct. The workpaper is
13 actually used to set the caps, and so on AEP Exhibit
14 2, page 2, you'll see that those caps decreased by
15 about a million dollars each year based on that
16 adjustment. That's the only difference.

17 Q. Okay. Thank you.

18 Now, with that do you have any additional
19 changes, corrections, or updates to your written
20 testimony this morning?

21 A. I do. On page 10, line 11, the first
22 word is "Positions." It should be "Positioned."

23 Q. Okay. Anything else?

24 A. Exhibit AEM-6, the header on that exhibit
25 should read "AEP Ohio Proposed PPA Rider."

1 Q. Thank you. And is that it?

2 A. That's it.

3 Q. Thank you.

4 MR. SERIO: I'm sorry, could you repeat
5 that last one again?

6 THE WITNESS: Yes. Exhibit AEM-6, and
7 it's just in the title, it should read "AEP Ohio
8 Proposed PPA Rider."

9 Q. Miss Moore, with those corrections and
10 changes if I were to ask you all the questions in
11 your testimony this morning, would your answers be
12 true and accurate to the best of your knowledge?

13 A. Yes.

14 MR. NOURSE: Thank you.

15 Your Honor, I'd move for admission of
16 Exhibits 13 and 14 subject to cross-examination.

17 EXAMINER SEE: Mr. Williams.

18 MR. WILLIAMS: Thank you, your Honor.

19 - - -

20 CROSS-EXAMINATION

21 By Mr. Williams:

22 Q. Good morning, Ms. Moore.

23 A. Good morning.

24 Q. My name is Greg Williams and I'll be
25 asking you a few questions on behalf of IGS.

1 Could you please turn to page 11 and
2 refer to lines 13 through 15 of your testimony,
3 please. Let me know when you're there.

4 A. I'm there.

5 Q. Here you testify to any collection of any
6 over- or underrecoveries based on what is billed to
7 SSO customers versus what is paid to auction winners
8 for the procurement of power; is that correct?

9 A. That's correct.

10 Q. When auction suppliers deliver SSO
11 supply, AEP Ohio pays the suppliers for electricity
12 upon delivery; is that correct?

13 A. That's correct, I believe, yes.

14 Q. Are those deliveries based on estimated
15 customer consumption or actual customer consumption?

16 A. I believe it's actual customer
17 consumption.

18 Q. Please turn to Exhibit AEM-4 which is
19 attached to the end of your testimony.

20 A. I'm there.

21 Q. Bear with me one moment.

22 Is this an example of how AEP Ohio will
23 calculate the reconciliations collected by this
24 rider, the auction cost reconciliation rider? Excuse
25 me.

1 A. It is.

2 Q. And did you conduct the calculations for
3 this example?

4 A. There's no calculations. It was
5 basically to lay out the methodology of how that
6 would work.

7 Q. Okay. So then referring to line 1 of
8 this exhibit --

9 A. Yes.

10 Q. -- how was the incremental auction cost
11 figure determined?

12 A. That was the forecast based on Witness
13 LaCasse for on my testimony page 11 what we talk
14 about in lines 15 through 18.

15 Q. And referring to line 5 of this exhibit,
16 the gross-up factor, could you briefly explain what
17 the gross-up factor is?

18 A. Sure. The gross-up factor includes the
19 PUCO and OCC assessment fees as well as CAT, those
20 are all fees that are associated with the revenue of
21 the company. So any collections that we have from
22 the customer goes to increased revenue. When you
23 increase that revenue, you need a little bit more in
24 order to pay these revenue-based costs.

25 Q. If the rider is approved, who at AEP Ohio

1 will be responsible for calculating the
2 reconciliations in the rider?

3 A. I think me and my group would be
4 responsible for calculating the reconciliations, the
5 data that we get would come from different portions
6 of the company.

7 MR. WILLIAMS: Thank you. I have no more
8 questions.

9 Thank you, your Honors.

10 EXAMINER SEE: Mr. Smalz.

11 - - -

12 CROSS-EXAMINATION

13 By Mr. Smalz:

14 Q. Good morning, Ms. Moore, I just have a
15 few questions.

16 Turning to pages 12 and 13 of your
17 testimony where you discuss the bad debt rider, you
18 also mention in passing the Percentage of Income
19 Payment Plan, or PIPP program, or the PIPP expenses.
20 One component of the bad debt rider proposal is a
21 proposed late-payment fee that would kick in if a
22 payment is more than five days overdue. Are you
23 familiar with the late-payment fee?

24 A. I'm generally familiar, I was in the room
25 when Witness Spitznogle had testified to that, yes.

1 Q. And are you aware that customers enrolled
2 in the PIPP program are not subject to the
3 late-payment fee under the ESP?

4 A. That's my understanding, yes.

5 Q. And do you know if graduate PIPP
6 customers are covered by that exemption from having
7 to pay the late-payment fee?

8 A. I'm sorry, I do not know.

9 MR. SMALZ: I have no further questions,
10 your Honor.

11 EXAMINER SEE: Thank you.

12 MR. SMALZ: Thank you, Ms. Moore.

13 EXAMINER SEE: Mr. McDaniel?

14 MR. McDANIEL: No questions.

15 EXAMINER SEE: Mr. McDermott?

16 Mr. Dougherty, I'm sorry.

17 MR. DOUGHERTY: I don't have any
18 questions, but thank you.

19 MR. McDERMOTT: I was waiting for him.

20 EXAMINER SEE: Now Mr. McDermott.

21 - - -

22 CROSS-EXAMINATION

23 By Mr. McDermott:

24 Q. Good morning, Ms. Moore. I'm Jacob
25 McDermott. I represent FirstEnergy Solutions Corp.

1 Just a couple questions.

2 You are familiar generally with the PJM
3 line items that the company proposes to take on under
4 the BCTR?

5 A. I am.

6 Q. Are you familiar with some of the other
7 PJM line items?

8 A. I am.

9 Q. I specifically wanted to talk about PJM
10 line item 1930, generation deactivation RMR. Just a
11 couple of questions about it to your knowledge.

12 The charge, do you know whether this is a
13 charge that CRES providers can affect or hedge
14 through their activities in the market?

15 A. I believe that this would be a cost-based
16 charge from PJM, and as such, no, the suppliers would
17 not be able to hedge it.

18 Q. Okay. And when you say that these are
19 cost-based charges from PJM that they wouldn't be
20 able to hedge, these are direct charges through the
21 open access transmission tariff that PJM passes
22 through to all load servers?

23 A. I believe that's true, yes.

24 MR. McDERMOTT: No further questions.

25 Thank you.

1 EXAMINER SEE: Thank you.

2 Ms. Bojko?

3 MS. BOJKO: Yes, your Honor, thank you.

4 - - -

5 CROSS-EXAMINATION

6 By Ms. Bojko:

7 Q. Good morning, Ms. Moore. My name is Kim
8 Bojko and I represent OMA.

9 Could you turn to AEM-1, please.

10 A. I'm there.

11 Q. There is the chart reflecting riders that
12 have continue -- riders regarding this ESP, and in
13 the first block this represents riders that will
14 continue without change in the ESP; is that correct?

15 A. That's correct.

16 Q. And then the second block we have riders
17 that will continue with modifications requested in
18 this proceeding; is that correct?

19 A. That's correct.

20 Q. And then in the third block we have
21 riders that will be eliminated through this new ESP;
22 is that correct?

23 A. That's correct.

24 Q. And then the fourth block we have riders
25 that will be established, these are new riders for

1 this ESP; is that correct?

2 A. That's correct.

3 Q. And then, lastly, we have riders that are
4 replacing existing riders or mechanisms; is that
5 accurate?

6 A. Yes.

7 Q. And isn't it true that on this chart, as
8 indicated in block 1, that rider RSR, which is the
9 retail stability rider, is continuing without
10 modification in this new ESP? Is that accurate?

11 A. I think that the company's proposal was
12 to, yes, continue the rider, and I believe that
13 Company Witness Allen talked about the values for
14 that rider to be brought before the Commission in
15 another case, but yes, in this case we would continue
16 the rider.

17 Q. Okay. And when you talk about the values
18 of that rider, what cost does the retail stability
19 rider currently collect in the current ESP?

20 A. I believe those are the deferred
21 capacity -- well, the deferred capacity costs will be
22 what we're talking about in terms of what's on this
23 sheet.

24 Q. Okay. But in the current ESP do you know
25 what kind of costs the retail stability rider

1 collects?

2 A. I'm not sure what all is in there.

3 Q. Okay. Is it fair to say that the costs
4 that this rider collects in the current ESP are going
5 to be different from the costs that will be collected
6 in the new ESP?

7 MR. NOURSE: Your Honor, I object. She
8 just said she doesn't know what all costs are in the
9 current RSR. I would also point out that the current
10 RSR was approved in a separate case and is not the
11 subject of this proceeding.

12 EXAMINER SEE: Did you want to respond,
13 Ms. Bojko?

14 MS. BOJKO: Well, I think it's the direct
15 issue in this case. I believe the witness, if she
16 doesn't know, she can say so, I don't think we need
17 counsel testifying, but she told me that they were --
18 she implied that there was a difference, and that's
19 why I was asking her to confirm that difference, when
20 she said that they're deferred capacity costs in the
21 new ESP but wasn't sure exactly what was in the old
22 ESP. That to me is an inference there's a different
23 cost so that's why I asked the question. She can say
24 if she doesn't know. But she is sponsoring this
25 rider.

1 EXAMINER SEE: Thank you.

2 Answer the question, Ms. Moore, to the
3 extent that you can.

4 A. Again, I did refer to the deferred
5 capacity cost and that was in reference to
6 Mr. Allen's testimony in this case. I think that
7 that was the scope of the RSR rider continuing and at
8 that point it's my understanding it would be deferred
9 capacity costs.

10 Q. So is it your understanding or do you not
11 know whether the costs are the same costs that are
12 currently collected under the RSR?

13 A. Again, I'm not sure what's in the current
14 collection.

15 Q. But on page 4 of your testimony, if you
16 look at line 6, you are testifying in this case that
17 the company's proposing to continue the RSR at the
18 rate in effect as of May 2015 which is the end of the
19 current ESP; is that correct?

20 A. That is correct. And I think that the --
21 that piece of my testimony, in talking about the rate
22 that's in place in May '15 is, again, based on
23 Company Witness Allen's testimony and/or my portion
24 of this, to keep that rate consistent with what's
25 currently in place. But, again, that would take

1 place in a separate proceeding.

2 MS. BOJKO: I'm sorry. Can you reread
3 the answer to her -- or, the response.

4 (Record read.)

5 Q. Just to be clear, what will take place in
6 the separate proceeding, the establishment of the
7 rider is being requested in this ESP; is that
8 correct?

9 A. That is correct. And the value that is
10 going to be collected in those riders, that would be
11 in a different proceeding before the Commission.

12 Q. But, as I understood your testimony, and
13 Mr. Allen's testimony, and your charts connected to
14 your testimony and attached to your testimony, that
15 cost will be collected at the same level, which is
16 \$4 a megawatt-hour; is that correct?

17 A. That is the company's proposal, yes.

18 Q. Okay. So in this ESP you're requesting
19 from the Commission to continue RSR rider at the
20 level of \$4 a megawatt-hour; is that correct?

21 A. Yes.

22 Q. Okay. And it's your understanding, I
23 believe you just said, that it is going to collect
24 the capacity deferrals in the new ESP; is that
25 correct?

1 A. In the new ESP, that's correct.

2 Q. And, also, Miss Moore, will the rate
3 design and the cost allocation be the same in the new
4 ESP as it is currently in the current ESP?

5 A. That would be --

6 EXAMINER SEE: Before you start, I'm
7 sorry. Cut your mic back on, they went out. And
8 could you cut your mic back on, please.

9 Thank you.

10 MR. NOURSE: Your Honor, if there's a
11 question pending on that, would you -- were you
12 completed with your question?

13 MS. BOJKO: I thought so but we could
14 reread it.

15 MR. NOURSE: I thought so too, and I
16 object. Your Honor, the RSR rate design, again, is
17 completely related to ESP 2, that's the subject of a
18 separate proceeding like she said in her testimony,
19 like Mr. Allen said in his testimony, like the
20 application indicated.

21 The separate RSR case is strictly an
22 outgrowth of ESP 2 and only because the Commission's
23 filing requirements for this case requires to show
24 all the rate impacts did we even include it as a part
25 of the current rates. It's not an issue in this case

1 and certainly the rate design for the RSR in that
2 separate case is not part of this witness's testimony
3 or part of this case.

4 MS. BOJKO: I mean, your Honor, I --

5 EXAMINER SEE: Just a moment. Just a
6 moment.

7 (Record read.)

8 EXAMINER SEE: You wanted to respond,
9 Ms. Bojko?

10 MS. BOJKO: Yes. I mean, it's on the
11 charts of Miss Moore as a rider that's continuing in
12 this case. It's my understanding they have to get
13 authority for that rider through this ESP case. So
14 it is an exact issue in this case.

15 If the company is suggesting that they
16 don't need to seek authority in this case for that
17 ESP rider, then we would be happy to pull it out of
18 this ESP case and not seek -- they should not seek
19 authority for approval of it in this case.

20 The witness here is testifying that this
21 rider continues with no change and I am trying to
22 understand for her attachments the Duke calculations
23 and how this rider was calculated in the new ESP.

24 MR. NOURSE: Your Honor, ESP 2 order
25 specifically indicates that the RSR will recover the

1 capacity deferrals remaining at the end of ESP 2 for
2 the three years hence, and so that order already
3 provides authority for recovery.

4 Again, as this witness has indicated
5 several times, Mr. Allen testified on that, we
6 explained it in the application, and there will be a
7 separate case to implement that portion of ESP 2.
8 It's only included here because the SSO filing
9 requirements require us to talk about current rates
10 and show the total rate impact.

11 EXAMINER SEE: The objection is
12 overruled.

13 MS. BOJKO: Thank you, your Honor.

14 EXAMINER SEE: Answer the question as
15 best you can, Miss Moore.

16 THE WITNESS: I'm sorry. Can I have the
17 question read back, please?

18 EXAMINER SEE: Certainly.

19 (Record read.)

20 A. Yeah. And I think that I tried to be
21 clear on that before where it is our proposal that
22 the rate design and everything would be the same and
23 it would be consistent, and I think that that's what
24 we did to provide for Dave Roush on the overall bill
25 impacts of this ESP.

1 Q. Thank you.

2 And your understanding of that same
3 treatment would be that it's allocated on a demand
4 basis and recovered through an energy charge; is that
5 correct?

6 A. That's correct.

7 Q. Miss Moore, on page 9 of your testimony
8 you talk about certain riders that the company is
9 requesting to be eliminated. Were you in the room
10 yesterday -- I had "yesterday" in my questions but I
11 think it was two days ago now, were you in the room
12 when some of the questions about the elimination of
13 the IRP schedule were punted to you?

14 A. I don't know if I was or not.

15 Q. Well, let's try. There were some
16 questions punted to you, so you've probably heard
17 them before if you were here in the room.

18 It is my understanding, that's correct,
19 that the company's proposing to eliminate the IRP
20 rider; is that correct?

21 A. That's correct.

22 Q. And how many customers take service on
23 the IRP rider?

24 A. I believe at the time this was filed
25 three, but I think that number's currently two.

1 Q. Okay. And that's a clarification because
2 I think Mr. Vegas said two and then Mr. Spitznogle's
3 chart in his testimony says three. So during the
4 term of the ESP, so 2012 through '14, how many
5 customers were taking service on the IRP schedule?

6 A. Repeat that. So from --

7 Q. Do you know when the one customer dropped
8 off?

9 A. It would have been from the time we made
10 the filing to now.

11 Q. Okay. So at least December 2013 there
12 were three customers and then after that time at some
13 point in time before discovery was issued one of
14 those customers no longer takes service; is that
15 right?

16 A. I believe that's correct.

17 Q. Okay. And it's your understanding that
18 AEP is eliminating this IRP because, as stated in
19 your testimony and Mr. -- the reference to
20 Mr. Spitznogle is that the generation type service
21 is -- in AEP is now a wires company, that the program
22 is better suited for CRES providers to offer. Is
23 that your understanding?

24 A. That is my understanding, yes.

25 Q. And for those who take service from the

1 IRP, they receive a fixed IRP credit of \$8.21 a
2 kilowatt-hour; is that correct?

3 A. That's correct.

4 Q. And currently where are those IRP credits
5 collected from customers?

6 MR. DARR: Excuse me, before we go on,
7 could I get that last answer reread, please?

8 (Record read.)

9 Q. It's your understanding that this is a
10 generation-type service and given that AEP is now a
11 wires company, that the program would be better
12 suited for a CRES provider offering; is that correct?

13 A. I did answer yes to that before but I
14 didn't get the CRES piece in there, so I think that
15 the interruption would be on the PJM demand response
16 type programs or, again, through the company
17 potentially limited demand response mandates as I've
18 also stated.

19 Q. Okay. Thank you.

20 And I'm not sure if we asked and answered
21 this question or not, but the IRP credits are
22 currently collected through the EE -- the energy
23 efficiency peak/demand response rider; is that
24 correct?

25 A. That's correct, per the ESP 2 order.

1 Q. Miss Moore, are you familiar with the
2 tariff filing that AEP made in Case 14-0873-EL-RDR to
3 adjust its energy efficiency and peak demand response
4 riders?

5 A. I am.

6 MS. BOJKO: Your Honor, at this time I'd
7 like to have marked as OMA Exhibit --

8 EXAMINER SEE: OMA 5?

9 MS. BOJKO: Thank you.

10 -- OMA Exhibit 5 an application by AEP in
11 Case No. 14-0873-EL-RDR that was filed with the
12 Commission on May 15th, 2014.

13 EXAMINER SEE: The exhibit is so marked.

14 (EXHIBIT MARKED FOR IDENTIFICATION.)

15 MS. BOJKO: May I approach, your Honor?

16 EXAMINER SEE: Yes.

17 MS. BOJKO: Please let the record reflect
18 I am handing the witness the application filed for
19 AEP in 14-0873.

20 Q (By Ms. Bojko) Is this the application
21 you just stated that you were familiar with that the
22 company filed in that case, Miss Moore?

23 A. I believe this is it, yes.

24 Q. Can we turn to Attachment 1 of the
25 application.

1 A. Schedule 1?

2 Q. Well, first it's -- it's Schedule 1 to
3 Attachment 1; is that correct?

4 A. Yeah, I apologize. I'm there.

5 Q. And if you look at the bottom left-hand
6 side, the second block of numbers, it's titled "IRP
7 Credits." Do you see that?

8 A. Yes.

9 Q. And do you see the total number on the
10 bottom of that? Is that the total cost of the IRP
11 credits in the magnitude of \$45.7 million?

12 A. It's the total cost for the IRP credits
13 for two years and a forecast of that third year so
14 that would be the actuals for '12-'13 and forecast
15 for '13-'14, yes.

16 Q. Thank you for that clarification. The
17 term coincides with the ESP 2 term.

18 A. I don't think so. The ESP 2 term goes
19 through May of 2015. This one is just based on the
20 EE/PDR plan. It's a '12 through '14 plan.

21 Q. Thank you for that clarification. So
22 this is for calendar year 2012 through 2014, or two
23 years' actual, part of a year of forecasted.

24 A. Correct.

25 Q. And through this Attachment 1 it

1 demonstrates that the cost, the rider cost on all
2 customer bills is the number reflected, .001074
3 dollars per kWh; is that correct?

4 A. Yes.

5 Q. And if you could turn to Schedule 4 of
6 that same attachment. Are you there?

7 A. Yes.

8 Q. Okay. The allocation of the
9 \$45.7 million is demonstrated to be allocated between
10 residential, all other C&I, and then a GS4/IRP
11 category; is that correct?

12 A. Correct.

13 Q. And for -- the GS4 and IRP customers pay
14 approximately 9.4 million in total for the total of
15 the 2012 to '14 period; is that correct?

16 A. I'm sorry. You're on Schedule 4 or
17 Schedule 1? The number seems accurate from Schedule
18 1, but --

19 Q. If you look at Schedule 4 at the very
20 bottom, the first block is actual costs allocated to
21 the different rate schedules. The second is the
22 forecasted of the 2014 half actual -- or, four
23 months' actual, eight months' forecasted, and then
24 the very bottom is the total for the 2012-'14 period.
25 Do you see that?

1 A. I do.

2 Q. Okay. So if we look at the very bottom
3 block, so I'm looking at the total for the whole
4 period, residentials pay approximately 15.6 million;
5 is that correct?

6 A. Correct, yes.

7 Q. Okay. And then the GS4/IRP customers pay
8 approximately 9.4 million. Do you see that?

9 A. Yes.

10 Q. And then is it correct that the rest of
11 the C&I class pays approximately 20.7 million?

12 A. Correct.

13 Q. And if the IRP is continued as some are
14 suggesting in this proceeding, would you recommend
15 that the costs continue to be collected through the
16 energy efficiency rider as it is today?

17 A. I don't know that I would recommend that.
18 I think that that was the Commission's order in the
19 ESP 2.

20 Q. Okay. Do you know under the current IRP
21 program as it's currently drafted, does the current
22 tariff prohibit IRP customers from also entering into
23 reasonable arrangements or economic development
24 arrangements?

25 THE WITNESS: I'm sorry. Could you read

1 that back?

2 (Record read.)

3 A. I don't believe it does.

4 Q. Do you know whether any of the current or
5 the -- we'll talk about the three since for the
6 period there were three IRP customers. Do you know
7 whether the three IRP customers currently are on
8 reasonable arrangements?

9 A. Two of the three were on reasonable
10 arrangements.

11 Q. And as currently drafted would the
12 current IRP tariff prohibit an IRP customer from
13 opting out of an energy efficiency rider, if that was
14 a possibility?

15 A. I'm sorry. I'll have to have it read
16 back.

17 (Record read.)

18 A. I don't believe so.

19 Q. And if an IRP customer is allowed to opt
20 out of paying the energy efficiency rider, which is
21 where these IRP credits are collected, isn't it true
22 that then the remaining part of the allocation would
23 have to be picked up by other C&I customers?

24 MR. NOURSE: I'm sorry, Ms. Bojko, are
25 you referring to the current process under the

1 current law or the opt-out process under Senate Bill
2 310 which doesn't apply until the future? Can we
3 clarify that?

4 MS. BOJKO: Well, I guess I'm not sure of
5 your last statement. I was trying to ask her if the
6 current IRP continues as it is today into the future,
7 how these other pieces and parts would play into this
8 IRP.

9 MR. NOURSE: But my question is whether
10 you're asking about the opt-out process in current
11 law, the exemption process, or you're talking about
12 the Senate Bill 310 process.

13 MS. BOJKO: I wasn't trying to be that
14 specific because I didn't know -- I was asking what
15 would happen if any kind of opt-out is allowed. But
16 that's a good distinction, I could ask both of those
17 questions, thank you.

18 Q (By Ms. Bojko) So, maybe I'll rephrase my
19 question, under the current allocation methodology
20 that you have in front of you you just stated that
21 you don't believe that the IRP tariff prohibits a
22 customer from opting out or prohibits a customer from
23 opting out of an EE if that's a possibility for them.
24 Would the costs be collected from other customers
25 under that scenario?

1 A. As the rider stands today, I think that
2 that would be true. I think it would take a
3 Commission order to change -- to change that.

4 Q. Okay. So to Mr. Nourse's point, under
5 current law if a customer is allowed to opt out of
6 paying the energy efficiency rider per a mercantile
7 self-direct program, then those costs would be picked
8 up by other customers; is that correct?

9 A. Absent a change in this rider that would
10 address anything new that would come out of that,
11 then I think that that would be correct.

12 Q. Okay. And the self-direct mercantile
13 program exists today; is that correct?

14 A. That's correct.

15 Q. Okay. So that would be, if that happened
16 today, then that would be the case today.

17 A. As this methodology, this rider is paid
18 by all customers that are subject to the rider, so if
19 a customer's not subject to the rider, then they
20 would not pay for the rider fees.

21 Q. And if under my hypothetical this IRP
22 continued into the future and, say that there was
23 another -- a different opportunity to opt out such as
24 under Senate Bill 310 opt-out provisions, then
25 similarly your answer would be the same that if the

1 current tariff continued, there was nothing that
2 would prohibit those customers from being able to opt
3 out of the energy efficiency rider and, thus, pay
4 the -- opt out of paying IRP credits; is that
5 correct?

6 A. I don't know --

7 MR. PRITCHARD: Objection. There's no
8 foundation for the terms in Senate Bill 310 in the
9 record, so there's no foundation for the question and
10 answer.

11 MS. BOJKO: Your Honor, I'll take a step
12 back.

13 You're right, Counsel, because of Counsel
14 Nourse's injection of that term I picked up on it and
15 went with it before laying the proper foundation, so
16 thank you for that.

17 Q. Miss Moore, are you familiar with Senate
18 Bill 310 and -- that's recently passed and the
19 industrial opt-out provision that's contained therein
20 that allows certain industrial customers to opt out
21 of paying an energy efficiency PDR rider?

22 A. I don't have a broad understanding of
23 that. I haven't had a chance to read it and to get
24 all of the ins and outs, so...

25 Q. Okay. So but under my hypothetical

1 scenario if the IRP tariff would continue, you do not
2 know of anything contained in the current IRP tariff
3 that would prohibit any customer, just as they do
4 from the self-direct program, of opting out of energy
5 efficiency riders.

6 MR. PRITCHARD: Objection. Same basis.
7 The witness has stated that she doesn't have a
8 familiarity with the provisions of 310 so under a
9 hypothetical asking the witness what's going to
10 happen if 310 is implemented, the witness said she
11 doesn't have an understanding of Senate Bill 310.

12 MS. BOJKO: Your Honor, actually I didn't
13 even use 310. I said if there's a similar opt-out
14 like there is today for the mercantile self-direct
15 would her answer be the same.

16 EXAMINER SEE: The objection is
17 overruled. Answer the question, Ms. Moore.

18 THE WITNESS: I'm sorry. Could you have
19 it read back?

20 EXAMINER SEE: Sure.

21 (Record read.)

22 A. Again, I think I answered that the
23 current tariff, to my understanding, for
24 interruption -- interruptible customers does not have
25 a provision that would prevent them from opting out.

1 Q. Thank you, Miss Moore.

2 Let's turn our attention to the DIR
3 rider, and bear with me because you made a
4 modification today on the stand so I want to make
5 sure that -- or through discovery, that we
6 incorporate into my question.

7 On page --

8 MR. DARR: Before you go on, Ms. Bojko,
9 could I ask to have that marked, put a mark at this
10 point. Thank you.

11 MS. BOJKO: I'm sorry?

12 MR. DARR: I asked the court reporter to
13 put a mark in the transcript at this point.

14 MS. BOJKO: Oh.

15 MR. DARR: Thank you.

16 Q. (By Ms. Bojko) On page 6 of your
17 testimony was where the DIR cap levels are set on
18 lines 18 through 20; is that accurate?

19 A. Yes.

20 Q. Okay. I think I heard in your testimony
21 earlier on the AEM-2 update that those cap levels
22 might change now?

23 A. Yes. It's page 2 of AEM-2. The 156 on
24 page -- or, I'm sorry, line 19 of my testimony
25 becomes 155, the 192 becomes 191, each number comes

1 down by \$1 million.

2 Q. Okay.

3 MR. SERIO: Excuse me. Your Honor, does
4 that apply to lines 19 and 20 or just line 18?

5 EXAMINER SEE: I'm sorry, speak up,
6 Mr. Serio.

7 MR. SERIO: I'm sorry, your Honor. I
8 just want to get a clarification on the witness's
9 answer if that \$1 million reduction only applied on
10 line 18 of her testimony or if it also applied to the
11 numbers on lines 19 and 20.

12 THE WITNESS: I'm sorry. It does, Joe,
13 yeah.

14 MR. SERIO: Thank you.

15 Q (By Ms. Bojko) So that would be a proper
16 errata or correction to your testimony here today?

17 A. Yes.

18 Q. Based on AEM-2's updated numbers?

19 A. Yes.

20 Q. Okay. So on your testimony through AEM-2
21 and then on page 6 with that update, the DIR rider
22 caps are increasing from the current ESP 2 levels; is
23 that correct?

24 A. Yes, that's correct.

25 Q. And currently it's your understanding

1 that DIR is -- or, is intended and does recover only
2 the incremental revenue requirement associated with
3 increases in the net distribution plant since the
4 last date certain in the last rate case; is that
5 accurate?

6 A. I'm sorry. Can you say that again?

7 Q. Sure. Currently the cap only recovers
8 the incremental revenue requirement associated with
9 increases in the net distribution plant since the
10 last date certain in the last rate case, which is
11 August 31st, 2010; is that accurate?

12 A. Excluding some other net plant for riders
13 in which we get collection of that, but yes.

14 Q. You mean such as gridSMART?

15 A. Correct.

16 Q. And that collection goes through May
17 31st, 2015, as it currently stands; is that
18 correct?

19 A. That's correct.

20 Q. And through the rider that you're
21 proposing is it AEP's proposal to continue the
22 recovery of only the incremental revenue requirement
23 that I just discussed? In the new ESP going forward.

24 A. The company didn't make any proposed
25 changes to the way the rider is today with the

1 exception of the two things that I mention in my
2 testimony, and that would be to roll in the gridSMART
3 Phase 1 assets and to include a general plant
4 component.

5 Q. Okay. So -- I'm sorry. Go ahead.

6 A. That's it. Also we talk about, a little
7 bit, the difference in the calculation and that's on
8 page 6, lines 4 through 12.

9 Q. Okay. So putting aside the calculation
10 methodology piece first, and putting aside the
11 rolling in of the two new categories, the intent
12 though is still just to recover the incremental
13 revenue requirements associated with the increases in
14 the net distribution plant since the last rate case,
15 or would it be since a different date?

16 A. It would be since the last rate case.

17 Q. Okay.

18 EXAMINER SEE: Ms. Bojko, your mic is off
19 again.

20 MS. BOJKO: It must be dead.

21 Q. In a DIR case does the Commission look at
22 the utility's total distribution revenues, expenses,
23 and a return on distribution rate base?

24 A. The total distribution revenues and the
25 total return? No.

1 Q. And that's because, as Mr. Dias
2 testified, that the benefit of a DIR versus a rate
3 case is the regulatory lag or a streamlined
4 collection of costs and the reduction of frequency of
5 base distribution rate cases; is that correct?

6 A. You're going to have to ask it again, I'm
7 sorry.

8 Q. I'm sorry. The reason why the company
9 doesn't look at that in a DIR case is because they
10 look at that in a distribution rate base case; is
11 that correct?

12 A. I think that that would be one component
13 of a distribution rate case, yes, but I think that
14 the DIR is included as a rider, and Witness Dias did
15 talk to the things that you talked about, and I think
16 that he was clear that the company is not opposed to
17 a base D case but these types of things are probably
18 better served in a rider.

19 Q. Okay. And he said one of the benefits is
20 to eliminate regulatory lag and to streamline the
21 collection of costs; is that your understanding?

22 A. I think that the elimination of
23 regulatory lag is, as Witness Dias actually testified
24 to, is to allow him to increase the amount of capital
25 on the system to improve benefits for customers.

1 Q. And in your calculations of the rider in
2 this proceeding is AEP proposing a reduction in the
3 proposed ROE to account for the reduction of this
4 regulatory lag, or will it continue the same ROE?

5 A. The ROE that we're proposing is based off
6 of Witness Avera's testimony, you'll have to ask him
7 any questions.

8 Q. Thank you.

9 And as you just pointed out a minute ago,
10 in addition to the existing DIR, the company is
11 proposing to collect some additional distribution
12 riders; is that correct?

13 A. Propose new riders?

14 Q. Yes.

15 A. Yes.

16 Q. Okay. And those distribution riders
17 would be the skilled workforce rider and the NERC
18 rider and then Phase 2 gridSMART costs but that will
19 all be rolled over into the DIR rider; is that
20 correct?

21 A. And the bad debt rider, yes.

22 Q. And the bad debt rider.

23 A. I'm sorry. Did you say the Phase 2 costs
24 will be rolled into the DIR?

25 Q. Yes.

1 A. That's not correct.

2 Q. Is that a separate rider then?

3 A. Correct.

4 Q. Phase 2 costs is a separate rider.

5 A. That's correct.

6 Q. So the piece that's getting rolled over
7 into the DIR rider are the Phase 1 gridSMART costs
8 and -- is that it?

9 A. The fully audited Phase 1 gridSMART
10 assets, that's correct.

11 Q. And the bad debt rider, would you
12 consider that a distribution rider?

13 A. I would.

14 Q. Okay. Now, if we could turn to AEM-5,
15 AEM-5 represents the sustained and skilled workforce
16 rider that we just talked about; is that correct?

17 A. That's correct.

18 Q. And this is a new rider proposed by AEP
19 in this ESP?

20 A. Correct.

21 Q. And on this rider it proposes that in
22 2015 the revenue requirement is 1.6 million; is that
23 correct?

24 A. That's correct.

25 Q. And that's grossed up for the factors

1 that I believe you explained this morning to
2 Mr. Smalz maybe?

3 A. On line H, yes.

4 Q. And then the page 2 is the 2016 rider
5 which is the \$4.9 million; is that correct?

6 A. Correct.

7 Q. And the next page, page 3, is the 2017
8 cost and that revenue requirement is 7.7 million?

9 A. Yes.

10 Q. Okay. And then on page 4 you have
11 3.3 million for 2018; is that correct?

12 A. Correct.

13 Q. Okay. And just so we're understanding,
14 2015 it was 50 employees and then in 2016 the numbers
15 were a hundred employees? Actually, strike that.
16 Let's not talk about the employees.

17 First, I want to understand the
18 difference. Do you have Mr. Dias's chart in front of
19 you by chance in his testimony?

20 A. I do.

21 Q. Is that what you were just turning to?

22 A. Yes.

23 Q. Okay. Mr. Dias's chart reflects
24 \$8 million for 2018. Could you explain the
25 differential from the 3.3 on page 4 of your AEM-5

1 versus the 8 million reflected on Mr. Dias's chart?

2 A. Mine only represents 5 of the 12 months
3 for the ESP period that will end on May 31st of
4 2018. It's five-twelfths of the number.

5 Q. Okay. So his is the annual number --

6 A. Correct.

7 Q. -- and yours is only the five months?

8 A. Correct.

9 Q. Okay. So on page 4 when it says "2018,"
10 that's only the five months of 2018.

11 A. Correct.

12 Q. Okay. Thank you for that clarification.

13 Okay. Now let's go to the number of
14 employees. It's your understanding that in 2015 it's
15 to collect 50 employees, the cost for 50 employees?

16 A. I mean, that's referenced in Witness
17 Dias's testimony, yeah. I can find it if we need
18 them.

19 Q. Well, my question is in 2016 it's a
20 hundred and in 2017 it's 150 and in 2018 it's 150.
21 So in 2017 your numbers show the revenue requirement
22 being 7.7 million, but for the same number of
23 employees in 2018 the annualized number is 8 million,
24 and I guess do you know why there's an increase
25 between the two years when it's regarding the same

1 number of employees?

2 A. I don't know why there's a difference. I
3 just took the numbers straight from what was given to
4 me. I would imagine there are just a few nuances in
5 the calculation. Company Witness Kyle may be able to
6 address that.

7 Q. Okay. So just so I understand what
8 you're saying is that Company Witness Kyle gave you
9 the overall revenue requirement and then you
10 allocated it for rider purposes or --

11 A. Correct.

12 Q. Okay.

13 A. It may not have been Company Witness
14 Kyle, I may have gotten it out of Company Witness
15 Dias's testimony, but the nuances between the
16 calculation, I wouldn't have that. They just give me
17 the value.

18 Q. You wouldn't have had a part in arriving
19 at that value.

20 A. Correct. Not for this. I was just given
21 the number, and I did the methodology from that.

22 MS. BOJKO: Okay. Those are all the
23 questions I have. Thank you very much for your time,
24 Miss Moore.

25 EXAMINER SEE: Mr. Kurtz?

1 MR. KURTZ: Thank you, your Honor.

2 - - -

3 CROSS-EXAMINATION

4 By Mr. Kurtz:

5 Q. Good morning, Miss Moore.

6 A. Good morning.

7 Q. I just want to follow up with a few
8 questions Ms. Bojko asked you. This new filing to
9 recover these EE/PDR costs --

10 A. Yes.

11 Q. -- why did the company -- why is the
12 company proposing to recover three years' worth of
13 costs over a 12-month period? Wouldn't it be better
14 to recover 12 months over 12 months?

15 A. It would, but the filing as we've -- as
16 we've made it is for -- it actually takes the sales
17 for three years as well. So it is taking the 2009
18 and '10 actuals which we're filing for the trueup but
19 it takes into account already any revenue that has
20 been collected. It just shows the total revenue
21 requirement.

22 Q. Okay. The gross interruptible credit
23 costs, do you know if the interruptible capacity is
24 bid into the PJM capacity auctions and credited back
25 to customers?

1 A. I believe that it is bid into the PJM
2 market. I do not believe it's credited back through
3 the EE/PDR rider.

4 Q. Is it credited back some other way?

5 A. Not that I'm aware of. I believe it goes
6 to reduce the company's FRR obligation.

7 Q. Okay. Now, these interruptible customers
8 also have 200 hours of buy-through obligation under
9 the IRP tariff; is that correct?

10 A. Correct.

11 Q. When they buy through at very high market
12 prices, is that money credited back to the EE/PDR
13 rider?

14 A. I don't believe that it is.

15 Q. You don't believe.

16 So that money is sort of retained by the
17 company?

18 A. I believe so, yes.

19 Q. Okay. The interruptible customers are
20 subject to emergency interruptions for up to 200
21 hours per year; is that correct?

22 A. Bear with me, I'm trying to find the
23 schedule. I'm checking because I don't know that the
24 emergency interruptions are limited. I believe that
25 the discretionary interruptions are limited.

1 Q. So the emergencies are unlimited?

2 A. Just give me one second, let me find the
3 schedule here.

4 MS. BOJKO: Your Honor, if the witness is
5 looking for the IRP rate schedule, I do have copies
6 if that would be helpful.

7 EXAMINER SEE: Miss Moore, would it help
8 you if you had a copy?

9 THE WITNESS: It's actually in my
10 testimony, I'm just trying to flip through trying to
11 find the page.

12 EXAMINER SEE: Take your time.

13 THE WITNESS: If you guys can do it
14 quicker than I can --

15 MR. DARR: What's the tariff page?

16 MS. BOJKO: The tariff page is 427-1.

17 A. Yeah, I don't believe that the emergency
18 interruptions have a limit and they do not count
19 towards the discretionary interruption on the tariff.

20 Q. Okay. That's helpful.

21 How many megawatts of interruptible load
22 does AEP have? AEP Ohio. About 150, is that close?

23 A. I believe it's a little more but close.

24 Q. Okay. When was the last time AEP Ohio
25 called an emergency interruption that forced those

1 customers to shut down?

2 A. I know that there were emergency
3 interruptions that were called in the first quarter
4 of 2014, but I don't know if there were any called
5 after that. And in addition, the data request
6 provided the emergency interruptions for those
7 customers for 2012 and 2013.

8 Q. So during the first quarter of '14 during
9 the polar vortex did having the ability to interrupt
10 more than 150 megawatts of load help the company
11 provide -- prevent blackouts?

12 MS. BOJKO: Objection, your Honor.

13 EXAMINER SEE: On what basis, Ms. Bojko?

14 MS. BOJKO: I don't think there's any
15 foundation for at least three statements made in
16 Mr. Kurtz's question. Whether the witness knows of a
17 January event, whether --

18 MR. KURTZ: Your Honor, she just said --

19 MS. BOJKO: -- if anybody was
20 interrupted.

21 MR. KURTZ: She just said during the
22 first quarter there were physical interruptions, she
23 said there's more than 150 megawatts of interruptible
24 load, and I'm asking her did the ability to
25 physically interrupt these customers help provide

1 reliability on the system and help prevent blackouts.

2 MS. BOJKO: That wasn't his question but
3 that helps clarify so thank you.

4 EXAMINER SEE: The objection is
5 overruled. Answer the question, please, Ms. Moore.

6 THE WITNESS: I'm sorry. Can you read
7 it?

8 EXAMINER SEE: Certainly.

9 MR. KURTZ: I'll rephrase it.

10 THE WITNESS: Okay.

11 Q (By Mr. Kurtz) You have more than
12 150 megawatts of interruptible load, correct?

13 A. Correct.

14 Q. And the most recent physical emergency
15 interruptions occurred in the first quarter of 2014,
16 correct?

17 A. The most recent that I'm aware of. If
18 there were any after that, I'm not sure.

19 Q. Okay. At least as recent as the first
20 quarter of 2014.

21 A. Correct.

22 Q. Correct?

23 A. Yeah.

24 Q. And during what was known as the polar
25 vortex hours/days; is that correct?

1 A. Correct.

2 Q. Was the whole PJM system very close, do
3 you know, to having rolling blackouts during that
4 period?

5 A. I've definitely been hearing
6 conversations and seeing reports as to where they
7 were close to not having enough power, yes.

8 Q. Did having 150 megawatts of emergency
9 interruption help AEP Ohio keep the lights on in
10 Ohio?

11 A. I would imagine that it did. Again, I
12 know that PJM was calling for voluntary curtailment,
13 they couldn't call the emergency event, and as they
14 called for voluntary curtailment because they can't
15 call for interruption, the company did call for the
16 emergency interruption.

17 Q. Let's talk about the difference between
18 your interruptible program that -- the PUCO-approved
19 interruptible program and the PJM limited demand
20 response, which is the primary PJM interruptible
21 program, correct?

22 A. Correct.

23 Q. And that's interruptions during the --
24 physical interruptions for emergencies during limited
25 hours during the summer only, correct?

1 A. I believe the limited is, yes.

2 Q. Okay. Versus the PUCO-approved emergency
3 program which is unlimited hours anytime during the
4 year, correct?

5 A. For emergency, yes.

6 Q. And had the Commission, the PUCO-approved
7 program not been in place, you may not have had that
8 150 megawatts of interruptible load because if it was
9 on the PJM program, it would have been mandatory only
10 during the summer.

11 A. Correct. PJM was calling for voluntary
12 interruptions. AEP Ohio could call for the emergency
13 interruption.

14 Q. And you did, and it provided significant
15 reliability benefits, would you say?

16 A. I would say that's a pretty good chunk of
17 load, yes.

18 Q. Will you turn to your testimony on page
19 9. I want to discuss on lines 11 through 18 the
20 reasons that you're proposing to have the Commission
21 eliminate its interruptible program. I'll paraphrase
22 a little bit, but you say for the most part it's a
23 generation service and AEP Ohio is going to be a
24 wires company and you may not be the best entity to
25 provide the interruptible product going forward. Is

1 that fair?

2 A. That's fair.

3 Q. Okay. Now, under the PPA rider-OVEC type
4 proposal where AEP Ohio would provide stability
5 benefits to customers through the cost-based
6 generation hedge, that kind of takes AEP a little bit
7 beyond a wires company; would you not agree? A
8 wires-only company.

9 A. Not necessarily. I mean, we're hedging
10 market volatility, but we're not serving load. We're
11 not letting the load go towards to reduce any of the
12 usage in the auction. I don't know that that would
13 take us beyond a wires company.

14 Q. I'll let that stand.

15 Now, in terms of who might be a better
16 entity to provide interruptible service, are you
17 referring to curtailment service providers under the
18 PJM program?

19 A. That's what was in testimony, yes, is
20 that it would be for -- through a CSP through the PJM
21 demand response and potentially, again, limited
22 through peak-demand reduction mandates that AEP Ohio
23 is required to fulfill.

24 Q. Now, are you aware of this recent court
25 decision that Mr. Allen discussed at length where the

1 federal circuit court for the DC circuit vacated one
2 aspect of the PJM demand response program?

3 A. I'm aware, yes.

4 MR. KURTZ: Your Honor, if I could have
5 this marked as OEG Exhibit No. 1, I'll ask the
6 witness some questions.

7 (EXHIBIT MARKED FOR IDENTIFICATION.)

8 Q. Now, are you familiar with this court
9 decision at least in part?

10 A. I've read the court decision.

11 Q. You have?

12 A. Yes.

13 Q. Okay. Do you see the, there's a quote
14 from the court decision that I have highlighted in
15 yellow?

16 MS. BOJKO: Your Honors, I'm going to
17 have to object. This isn't a court decision that he
18 just passed out. This is one author's take on the
19 order and it hasn't been established, no foundation
20 that the witness has ever read this article and knows
21 the contents of the article in the whole, and just
22 reading excerpts from the article is not appropriate
23 cross-examination nor is it appropriate -- it's
24 hearsay.

25 MR. KURTZ: Your Honor, this article

1 quotes from the court decision, the witness has read
2 the court decision, and I was going to ask her to
3 comment on the quoted portions.

4 EXAMINER SEE: Let's see -- I'll let it
5 go for now. Go ahead.

6 MR. KURTZ: Thank you, your Honor.

7 Q (By Mr. Kurtz) Do you see the first
8 quoted portion from the decision in yellow?

9 A. Yes.

10 Q. Can you read that, please?

11 A. "Petitioners complain FERC's new rule
12 goes too far, encroaching on the states' exclusive
13 jurisdiction to regulate the retail market. We agree
14 and vacate the rule in its entirety."

15 Q. Now, were you here when Mr. Allen said
16 that in his lay opinion that that logic, that
17 precedent, might be applied to the capacity program
18 as well as the PJM energy program?

19 A. I was here.

20 Q. Do you disagree with him?

21 A. I don't disagree.

22 Q. Okay. If demand response is a retail
23 program that the states only are allowed to
24 implement, then eliminating the IRP program would
25 mean there would be no demand response opportunities,

1 if the court decision, which is the law I guess at
2 this point, stands, only the Ohio Public Utilities
3 Commission could have demand response programs in
4 Ohio, do you agree?

5 MS. BOJKO: Objection, your Honor.

6 MR. KURTZ: Let me rephrase.

7 Q. If PJM-FERC cannot have retail programs
8 like the court said, then it stands to reason that
9 only this Commission could have retail demand
10 response programs --

11 MS. BOJKO: Objection.

12 Q. -- do you agree?

13 MS. BOJKO: Objection.

14 EXAMINER SEE: On what grounds,
15 Ms. Bojko?

16 MS. BOJKO: It significantly
17 mischaracterizes the District Court opinion and if
18 we're going to be talking about District Court
19 opinion, I'm not sure that this witness is the
20 appropriate witness to testify about interpreting a
21 legal opinion from the DC court, but in regards to
22 that there are facts assumed in Mr. Kurtz's question
23 that are just not accurate.

24 MR. KURTZ: I'm not asking for a legal
25 opinion. I'm asking her the very simple logical step

1 that if PJM and FERC cannot have demand response
2 programs because they are retail in nature, as the
3 Federal Court of Appeals for the DC circuit has
4 ruled, then I'm asking the witness does it stand to
5 reason that the only entity in Ohio that can have
6 such programs is this Commission.

7 MS. BOJKO: And, your Honor, that's not
8 what the court ruled. That's my whole point. The
9 court -- even the quote that he just had the witness
10 read into the record talks about a particular rule.
11 It doesn't talk about demand response in the totality
12 nor does it talk about it in such general terms as
13 the underlining assumption of Mr. Kurtz's question.

14 MR. KURTZ: Well, your Honor, the witness
15 has read the court decision and I think she's
16 perfectly competent to comment on my question. If
17 Ms. Bojko wants to characterize the court's opinion
18 in any other way, I guess she's free to do so.

19 MS. BOJKO: Actually, I'm not free to do
20 so --

21 EXAMINER SEE: Thank you.

22 MS. BOJKO: -- that's the problem.

23 EXAMINER SEE: Thank you both.

24 MR. KURTZ: I can rephrase, your Honor,
25 I'll rephrase -- I'll rephrase.

1 MR. SERIO: Your Honor, before he does
2 that could I throw my two cents' worth in? It seems
3 to me that we have a lay witness who read an article
4 testifying about an order that counsel can't agree on
5 and that seems to me to be incredibly inappropriate,
6 period.

7 I know the Commission generally allows
8 regulatory experts to give their opinion as to how
9 interpretations of the law have worked while they do
10 things hands on, but it seems to me on a ruling that
11 just occurred that wouldn't apply to this or any
12 other lay witness, so it seems to me that the whole
13 line of questioning is inappropriate.

14 MR. KURTZ: Well, your Honor, I couldn't
15 disagree more. This testimony suggests that this
16 Commission eliminate its interruptible rate program,
17 since that testimony was filed in December the law in
18 the Federal Circuit Court of Appeals is that only
19 state commissions can have demand response programs
20 and that PJM attempting to encroach on states'
21 jurisdiction is illegal. And so I think it's a
22 significant change of a circumstance since the
23 testimony was filed and I just want to establish her
24 understanding on those very important questions.

25 MR. NOURSE: Your Honor, if I could weigh

1 in since it is -- she is my witness, I think the
2 arguments here maybe have gotten far afield from the
3 question. If I understood the question correctly, I
4 think Mr. Kurtz is simply asking if the FERC, and PJM
5 are considered to be out of bounds on demand response
6 and states are the, you know, the proper
7 jurisdictional entity for demand response, what's the
8 effect on your recommendation and what's the state of
9 affairs.

10 I was assuming he wasn't getting into
11 legal issues. This was more background leading up to
12 that question. If I've misunderstood it, then I
13 guess I would object too, but I believe it's a
14 nonlegal question here.

15 MR. KURTZ: You're correct, Mr. Nourse,
16 nonlegal.

17 MS. BOJKO: Your Honor, I just --

18 EXAMINER SEE: Okay. I know you
19 disagreed, Ms. Bojko, you and Mr. Serio both.

20 MS. BOJKO: And others.

21 EXAMINER SEE: Now, your objections are
22 overruled.

23 Miss Moore can answer the question in
24 light of the fact that you are not an attorney -- are
25 you, Miss Moore?

1 THE WITNESS: No, I'm not.

2 EXAMINER SEE: Okay. With that you may
3 answer the question and based on your understanding.
4 Would you like to have it read back since --

5 THE WITNESS: Yes, please.

6 EXAMINER SEE: -- it was so long ago?
7 Or do you wish to rephrase, Mr. Kurtz?

8 MR. KURTZ: I guess I'll rephrase.

9 Q (By Mr. Kurtz) Just very simply, as
10 Mr. Nourse said, if PJM and FERC cannot have demand
11 response programs because it's out of bounds, if
12 those are state jurisdictional issues, does it stand
13 to reason that only this Commission can have such
14 programs?

15 A. I think that it does. I think that that
16 was what it was talking about, it was talking about
17 the PJM programs that are governed by FERC and that
18 the state and the retail sales is where that type of
19 activity should be governed.

20 Q. Okay. Now, Miss Moore, you're aware that
21 the FirstEnergy utilities, Ohio Edison, Toledo
22 Edison, and CEI, have been -- have had their
23 generation divested for a number of years?

24 A. I'm aware of that.

25 Q. All right. And are you aware that this

1 Commission has repeatedly implemented interruptible
2 rate programs for those utilities while they were, so
3 to speak, wires-only companies?

4 A. I vaguely recall maybe FirstEnergy having
5 an interruptible, I believe the collection of that
6 too was in another rider but I don't know where.

7 Q. Are you aware that Duke-Ohio also has an
8 interruptible program approved by this Commission
9 even though it's had divestiture approved for its
10 generation as well?

11 A. I wasn't aware of that one.

12 MR. KURTZ: Thank you, your Honors. No
13 more questions.

14 EXAMINER SEE: Mr. Pritchard?

15 MR. PRITCHARD: Yes, your Honor.

16 - - -

17 CROSS-EXAMINATION

18 By Mr. Pritchard:

19 Q. Good morning, Miss Moore.

20 A. Good morning.

21 Q. Would you turn to page 8 of your
22 testimony. And would you reference or draw your
23 attention to lines 12 and 13.

24 A. I'm there.

25 Q. And am I summarizing this correctly, that

1 in your opinion the proposed basic transmission cost
2 rider would be consistent with the other electric
3 distribution utilities in the state with their
4 nonbypassable transmission riders?

5 A. Yeah, I think that's what I was
6 testifying to there. AEP Ohio is different in that
7 today all of the transmission costs are bypassable
8 and suppliers in our territory are responsible for
9 all transmission charges and, though we are the only
10 utility in the state that does it that way, the
11 others charge a nonbypassable transmission rider and
12 we're bringing ours more in line with that in that
13 the supplier's auction bidders are going to be
14 responsible for the nonmarket -- I'm sorry, market
15 based and we would only have it as market based.

16 Q. Your use of "consistent" here -- strike
17 that.

18 The proposed basic transmission cost
19 rider for AEP Ohio would not include the exact same
20 charges and credits as the other electric
21 distribution utilities in the state; is that correct?

22 A. I believe that there are a few nuances
23 between not only AEP Ohio and each individual line
24 item that we're proposing to include in our riders
25 but also amongst the other utilities' riders as well,

1 yes. And that was provided in discovery.

2 MR. PRITCHARD: Your Honor, may I mark an
3 exhibit as IEU-Ohio Exhibit 10?

4 EXAMINER SEE: Yes.

5 MR. PRITCHARD: May I approach the Bench,
6 your Honor?

7 EXAMINER SEE: Yes.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 Q. Miss Moore, do you have in front of you
10 what has been marked as IEU-Ohio Exhibit 10?

11 A. I do.

12 Q. And could you identify what IEU-Ohio
13 Exhibit 10 is.

14 A. It's the response to IEU's Interrogatory
15 9-003.

16 Q. And a second ago you referenced that you
17 have provided a discovery response regarding my
18 question regarding the nuance difference between the
19 proposed basic transmission cost rider and the other
20 EDUs' nonbypassable transmission riders. Do you
21 remember that statement?

22 A. I do.

23 Q. And is this the discovery response that
24 shows the differences between the four EDUs -- or,
25 the three EDUs' nonbypassable transmission riders and

1 AEP's proposed basic transmission cost rider?

2 A. Yeah. I don't know that I can testify
3 that these numbers are accurate today. At the time
4 that these were put together this is what the company
5 had for the differences between what would go through
6 these two riders. Our proposal would still be
7 correct, though, if that helps.

8 Q. To your opinion, do you know if the
9 Commission has modified the nonbypassable
10 transmission riders for Duke, Dayton Power and Light,
11 and FirstEnergy since you provided this discovery
12 response?

13 A. I don't know. That's what I was trying
14 to clarify. If there had been any changes, I
15 wouldn't know that.

16 Q. And if we turn to Attachment 1, so
17 it's -- Attachment 1 of this exhibit, this lists the
18 PJM line item charges and credits that AEP Ohio
19 proposes to include in the basic transmission cost
20 recovery rider, correct?

21 A. That's correct.

22 Q. And so the columns and lines where
23 there's a 1, that represents that that utility has
24 included, or in the case of AEP Ohio proposes to
25 include, that specific line item in the nonbypassable

1 transmission rider, correct?

2 A. Yes.

3 Q. And page 1 of 2 shows the specific line
4 items AEP Ohio proposes in the nonbypassable
5 transmission rider and compares that to the specific
6 line items that are included in Duke's, Dayton Power
7 and Light's, and FirstEnergy's nonbypassable
8 transmission riders, correct?

9 A. It compares our line items to those, yes.

10 Q. And page 2 of this attachment shows the
11 specific line items in Duke, Dayton Power and Light,
12 and FirstEnergy's nonbypassable transmission riders
13 and compares that or contrasts that with what
14 AEP Ohio does not propose to include in the basic
15 transmission cost recovery rider, correct?

16 A. Page 2 shows what the other three
17 utilities have in their nonbypassable versus what we
18 do not, yes. I don't know if that's how you stated
19 it, but I think it was.

20 Q. Yes, that was the gist of my question.

21 A. Okay.

22 Q. Now, turning back to page 1 of 2. Are
23 you there, Miss Moore?

24 A. I am.

25 Q. AEP Ohio proposes to include seven

1 specific line items in the basic transmission cost
2 rider, correct?

3 A. That's correct. Yes.

4 Q. And would you reference your Exhibit
5 AEM-3 attached to your testimony.

6 A. I'm there.

7 Q. In the column on the far right of this
8 exhibit there are three items marked with a D and two
9 items marked with an E. Would those five items be
10 the charges that AEP proposes to include in the basic
11 transmission cost rider?

12 A. Yes.

13 Q. And is the difference between the five
14 items listed on AEM-3 and the seven items listed in
15 Attachment 1 to IEU-Ohio Exhibit 10 just referencing
16 the fact that there are multiple line items that make
17 up your individual charges listed on AEM-3?

18 A. Yes, that's correct.

19 Q. For instance, line item 1320 and line
20 item 1450 both reference transmission scheduling, and
21 you just have one item on AEM-3 for scheduling,
22 correct?

23 A. Correct.

24 Q. Okay. So if we wanted the comprehensive
25 list of the specific line items that AEP proposes to

1 include in the basic transmission cost rider, we
2 could reference IEU-Ohio Exhibit 10 and these seven
3 specific line items, correct?

4 A. I don't believe so. I believe these are
5 also laid out in Company Witness LaCasse's testimony
6 through the same type of thing where it has the PJM
7 line item and the description. I don't know if there
8 were additional things that were rolled up maybe from
9 that into this. I haven't done a comparison of the
10 documents, but I think I would use what she had in
11 there, but essentially yes.

12 (Discussion off the record.)

13 Q. I can ask the question I believe more
14 simply. Is it your understanding or do you have any
15 reason to doubt that the seven line items on IEU-Ohio
16 Exhibit 10, page 1 of 2, are not the seven -- are not
17 the line items AEP proposes to include in the basic
18 transmission cost rider?

19 A. I just haven't done a comparison is all.

20 Q. Moving on to a slightly different topic
21 with the basic transmission cost rider, I have a few
22 questions about the cost allocation.

23 A. Okay.

24 Q. PJM assigns network integration
25 transmission service, or NITS charges, to

1 load-serving entities on a 1 CP basis, correct?

2 A. Yes.

3 Q. And PJM assigns transmission enhancement
4 charges to load-serving entities on a 1 CP basis,
5 correct?

6 A. Yes.

7 Q. And PJM assigns point-to-point revenue to
8 load-serving entities on a 1 CP basis, correct?

9 A. Yes.

10 Q. And PJM assigns reactive supply voltage
11 control charges to load-serving entities on a 1 CP
12 basis, correct?

13 A. Yes.

14 Q. And could you describe for the record how
15 PJM calculates this 1 CP? How is the 1 CP
16 calculation done?

17 A. For PJM, I don't think I understand your
18 question.

19 Q. For these charges, what does -- how does
20 PJM calculate the 1 CP to assign these charges to
21 load-serving entities?

22 A. It's based on that load-serving entity's
23 monthly peak usage of the PJM transmission system.
24 So it would allocate it to the load-serving entity
25 based on their 1 CP.

1 Q. And is it your understanding that it's a
2 zonal, transmission zonal 1 CP basis?

3 A. Yes.

4 Q. And would you classify the 1 CP
5 allocation methodology as a demand methodology?

6 A. I would, yes.

7 Q. And the final charge that you proposed to
8 include in the basic transmission cost recovery rider
9 is transmission owner scheduling. And PJM assigns
10 that charge to load-serving entities on an energy
11 basis, correct?

12 A. Correct.

13 Q. And can you describe for the -- how that
14 energy calculation is allocated by PJM?

15 A. It looks at the monthly usage of the PJM
16 system and allocates a portion based on the energy
17 deliveries.

18 Q. And these five charges that we talked
19 about, AEP won't be beginning May 31st, 2015, when
20 this new ESP begins, AEP won't be directly billed by
21 PJM for these five items that you proposed to include
22 in the basic transmission cost recovery rider,
23 correct?

24 A. That's correct. I think that there has
25 to be an agreement signed for AEP Ohio to actually

1 take on the cost, that is correct.

2 Q. And instead PJM will assign those costs
3 first to the SSO auction winners and to CRES
4 providers, correct?

5 A. Correct.

6 Q. And then --

7 A. Um, I don't know about that. I guess I
8 thought that the company would file the agreements
9 with PJM and those line items would be directly
10 billed to AEP Ohio, but I'm not sure on that.

11 Q. And after these five items are assigned
12 to AEP Ohio, regardless of whether it's directly from
13 PJM or there is an intermediate step, once AEP is
14 assigned those costs, AEP will then allocate those
15 costs -- or, in the case of the point-to-point
16 revenue to the customer classes, correct?

17 A. That's correct, in the manner that's
18 shown in Exhibit AEM-3.

19 Q. And for the -- in AEM-Exhibit 3 -- or,
20 sorry, Exhibit AEM-3 the charges that are represented
21 with a D, those will be allocated to customer classes
22 based on the 1 CP methodology?

23 A. Correct.

24 Q. And then the two charges with an E will
25 be allocated on an energy basis to the customer

1 classes, correct?

2 A. That's correct.

3 Q. Is the -- could you explain how the
4 demand allocation will be calculated to the customer
5 classes?

6 A. How the demand allocation. Again, it
7 would take each of the line items, anything that has
8 a demand, we would allocate that based on that
9 customer class's 1 CP.

10 Q. Let me back up a little bit. It was your
11 understanding earlier when we were talking about how
12 PJM assigns or allocates these charges to the
13 load-serving entities that was based on a zonal 1 CP,
14 correct?

15 A. Correct. I think that's right, yes.

16 Q. And would you use the same -- let me back
17 up.

18 So the 1 CP, you calculate the total
19 demand on a given day, or a given hour in PJM's case,
20 and you calculate the demand for that given hour,
21 correct? Is that your understanding of how the 1 CP
22 is calculated?

23 A. I don't know. I thought the 1 CP was
24 just the demand on the system. I'm not sure if it
25 happens hourly or -- by the time it comes to me

1 that's already done through the load research team.

2 Sorry.

3 Q. Fair enough.

4 Is your demand allocation methodology for
5 these demand items going to be the same allocation
6 methodology regardless of how PJM's methodology is
7 calculated? Do you propose to use the same
8 allocation methodology that PJM uses?

9 A. I think what we just went through is that
10 the reactive supply charges are, in fact, billed to
11 the company on a demand basis and the company has in
12 Exhibit AEM-3 where we did not propose any changes to
13 the way the current TCRR works and, as such, we have
14 carried over that energy allocator. So the answer to
15 your question is we just talked about the reactive
16 supply being done on demand and the allocation, and
17 this exhibit is on energy.

18 Q. Understood. And the three remaining
19 items listed on AEM-3 as demand allocation, your
20 allocation methodology to these customer classes
21 would be based on the same allocation methodology
22 that PJM uses.

23 A. The allocation I believe of a 1 CP is
24 consistent, yes.

25 Q. And once these five items are allocated

1 to customer classes, they will be collected from each
2 customer class either through an energy charge or a
3 demand and energy charge, correct?

4 A. Correct. There would be a demand charge
5 for demand metered customers, yes.

6 Q. And the demand charge for customers with
7 a demand meter, would it be based -- it would be
8 based on a customer's monthly -- peak monthly billing
9 demand, correct?

10 A. Correct.

11 Q. And is that peak monthly billing demand
12 the prior month's billing demand?

13 A. No, it would be current month.

14 Q. So the charges for June of 2014 would be
15 based on --

16 A. The read date, whatever the read date was
17 for that customer, the demand that it hit. So I see
18 where you were going with that, if you want to call
19 that "previous." I think we were saying the same
20 things but in a different way, yes.

21 Q. And that monthly billing demand, that is
22 not the same demand measurement or methodology as a 1
23 CP methodology, correct?

24 A. That's correct.

25 Q. Let me back up a minute. When I use the

1 term "CP," do you understand that to mean coincident
2 peak?

3 A. I do.

4 Q. And I have one final line of questions
5 for you. If you will turn to page 12 and 13 of your
6 testimony, you reference here the bad debt rider,
7 correct?

8 A. Yes.

9 Q. And is it your understanding that AEP
10 currently has approximately \$12.2 million of bad debt
11 that it collects through base distribution rates?

12 A. Yes.

13 Q. And for the accounting of this bad debt
14 expense, is it your understanding that it is recorded
15 in FERC account 426.5?

16 A. I don't believe it is 426.5. I think
17 it's 426.0.410 as I reference on page 13, line 5, but
18 if you'll give me one second, I think that we
19 provided this in a discovery response to IEU.

20 Q. If it would help speed up your review,
21 might I draw your attention to your response to
22 IEU-Ohio Interrogatory 5-003. Do you have those
23 responses in front of you?

24 A. I do, yeah.

25 Yes.

1 Q. Did you find the specific response?

2 A. Yes.

3 Q. Would you take a minute and review the
4 interrogatory and your response to that
5 interrogatory.

6 A. INT 5-003, right?

7 Q. Correct.

8 A. Okay. Yes, I'm there.

9 Q. And does this refresh your recollection
10 of -- let me back up.

11 Is it your recollection that the bad debt
12 expenses included in account 426.5.010?

13 A. That's what it says here, I don't really
14 look at the account numbers per se, I just look at
15 the account name. So that account name is for
16 factoring bad debt expense.

17 Q. And is account 426.5.010 an AEP Ohio
18 account number or would that correspond to a FERC
19 system of account number?

20 A. I believe it's a FERC system of accounts.
21 If we need specific account numbers, things like
22 that, I can give you what's in the account, I can
23 tell you what the name is. As far as account numbers
24 in the FERC system, Witness Mitchell would probably
25 be much better for those types of descriptions.

1 Q. Thank you.

2 MR. PRITCHARD: No further questions.

3 Thank you.

4 MR. NOURSE: Your Honor, can we take a
5 brief health break?

6 EXAMINER SEE: Let's go off the record
7 after Mr. Nourse's comment. Let's take a five-minute
8 recess.

9 MR. NOURSE: Thank you.

10 (Recess taken.)

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

13 Mr. Serio.

14 MR. SERIO: Thank you, your Honor.

15 - - -

16 CROSS-EXAMINATION

17 By Mr. Serio:

18 Q. Good morning, Miss Moore.

19 A. Good morning.

20 Q. If you could get AEP Exhibit 14 that you
21 passed out this morning. I had a couple of
22 questions.

23 A. Is that my revision? Okay.

24 Q. Yes. Yes.

25 A. Thanks. Okay.

1 Q. On the first page of your revision, line
2 33, it says "2015 Rider Revenue Cap," and it lists
3 \$157 million. And then if I look at page 2 of your
4 revision, the fourth line down is January through
5 December of 2015 and it says "155 million," and the
6 155 million is also the number you corrected in your
7 testimony on page 6, line 18. So my question is
8 what's the difference between the 157 million and the
9 155 million?

10 A. Yeah, the 157 million must not have been
11 updated. The 155 would be the revenue cap.

12 Q. So on page 1 of AEP 14 that 157 should
13 also be 155?

14 A. That's correct.

15 Q. So on line 33 and on line 35.

16 A. Yes.

17 Q. Okay. Thank you.

18 A. Well...

19 Q. Now, the \$1 million reduction that you
20 have in your revision and that translate into your
21 testimony, what does that account for?

22 A. The workpaper AEM-1 was a forecast of --
23 based on the spend that we have right now proposed
24 for the DIR and that would have been in Company
25 Witness Dias's testimony. It's a forecast and a roll

1 forward of the plant in-service, the accumulated
2 depreciation, all of the calculations that would
3 allow us to have those revenue caps.

4 Through OCC's data responses there was a
5 value in there for the amortization of the
6 theoretical reserve which was incorrect. We
7 corrected that value and then that workpaper now
8 serves to update those caps for that correction.

9 Q. I'm sorry, what I was getting at was what
10 does that \$1 million reduction represent, do you
11 know? Was it anything in particular that is going
12 down a million dollars? What does that account for?

13 A. And that was my explanation. It was a
14 change to one of the assumptions. We had an
15 incorrect value in there for the amortization of the
16 theoretical reserve. We made the correction in the
17 forecast and it had the result of reducing the cap by
18 a million.

19 Q. Okay. Just so I can get an
20 understanding, your understanding in the case today,
21 the purpose of your testimony was to support the
22 riders, correct?

23 A. That's correct.

24 Q. And you work with the riders on a daily
25 basis in your job?

1 A. I do.

2 Q. And part of the reason that the company
3 prefers riders to using base rate cases is that
4 riders permit the company to recover costs on a more
5 timely basis, correct?

6 A. I think there are a lot of reasons that
7 the company thinks that using riders instead of base
8 distribution cases are benefits. I think that that
9 would be -- one is the quicker recovery. I think we
10 heard a lot of testimony as far as the value for the
11 DIR, for example, for Company Witness Dias, the
12 benefits that the company would pass back and then
13 also the transparency for filing riders instead of
14 base distribution cases. But, yes, the timely
15 recovery would definitely be one of those.

16 Q. And another one is the fact that with a
17 rider the company gets a guaranteed recovery versus
18 in a rate case where there's a projection and it
19 depends somewhat on volumes, correct?

20 A. I kind of agree with that statement, yes.
21 And the only reason I say that "I kind of agree" is
22 that the base distribution case is definitely a set
23 the rates and that's it, and in a rider we are truing
24 up any over or under. The only reason that I wanted
25 to put a little qualifier in there is that the riders

1 are audited, and to the extent there were any
2 disallowance, that would come out of a rider.

3 Q. Now, to the extent that the company can
4 use these riders, that is a financial benefit for the
5 company, correct? Versus using a distribution rate
6 case.

7 A. I don't think that there's a financial
8 benefit to a rider versus a base distribution case.
9 If the company can do through a base distribution
10 case what it can do through a rider with the
11 exception of, you know, some of the areas that we're
12 looking to investment in may not happen because of
13 the lag, but the company can certainly continuously
14 file base distribution cases, it would just be the
15 pancaking effect, if you will, to get recovery
16 through a base D rate.

17 Keep in mind in a base D case you can
18 also forecast out known and measurable costs so you
19 could potentially get those types of costs in a base
20 D case as well.

21 Q. Right. But to the extent the company
22 recovers the costs on a more timely basis, there is a
23 calculable financial benefit, correct?

24 A. I think elimination of regulatory lag,
25 yes, there would be a benefit.

1 Q. And the reduced risk to the company as a
2 result of eliminating that lag, do you know if
3 anywhere in the company application that's taken into
4 account with the company's rate of return
5 calculation?

6 A. Again, I got that question, I think, from
7 OMA. You would have to talk to Witness Avera for
8 that, I'm not sure what was in the rate of return.

9 Q. But you're not aware there was any
10 reduction done as a result of the riders and the
11 reduced regulatory lag and the benefit from that.

12 A. I don't know.

13 Q. Now, the numbers that you put in your
14 testimony for the DIR, those include the expansion
15 that the company's proposing for general plant and
16 for the radio system, correct?

17 A. Correct.

18 Q. And do they also include the collection
19 of the gridSMART Phase 1 costs?

20 A. They include rolling the assets
21 associated with gridSMART Phase 1 into the rider DIR,
22 yes.

23 Q. Now, were you in the room during
24 Mr. Dias's cross-examination?

25 A. I was for most if not all.

1 Q. Now, to the extent that you're testifying
2 about the extension and expansion of the riders, that
3 includes the ESRR rider as well as the DIR rider,
4 correct?

5 A. I'm sorry. Can you point me to extension
6 and expansion?

7 Q. Well, the extension and expansion refers
8 to the DIR rider because that --

9 A. Okay.

10 Q. -- is being expanded, correct?

11 A. That helps, yes.

12 Q. And the ESRR is just being extended,
13 correct?

14 A. Correct.

15 Q. Now, when I discussed with Mr. Dias, we
16 had a question about the forestry recovery in the
17 ESRR and the DIR, and are you familiar with the
18 recovery of the forestry costs in both the ESRR and
19 the DIR?

20 A. Yes. So give me a second here. Let me
21 go back to -- you're referring to his testimony and
22 the portions in there that had the plans, what was to
23 be --

24 Q. Yes.

25 A. -- recovered in the DIR? Give me one

1 second.

2 Q. Specifically where he talks about the
3 forestry where it involves the widening of the
4 right-of-way and the removal of trees.

5 A. That's correct, so the ESRR is the
6 company's vegetation management program that we have
7 had since 2009. The portion of the forestry from
8 Mr. Dias's plan would be an additional program that
9 the company is doing for the ash borer mitigation.
10 For that program the company is removing the dead ash
11 borer trees that are outside of the company's
12 right-of-way.

13 Q. Okay. My question to you is is there
14 anywhere in the testimony or the application that
15 shows a distinction or separates what the ESRR
16 forestry does and what the DIR forestry does?

17 A. The Exhibit AEM-2, the portion that we're
18 backing out there on line 13, the incremental
19 vegetation management net plant, that would be any of
20 the net plant that is associated with the ESRR rider.
21 As far as the ash borer mitigation, again, I think
22 that's just one portion of the DIR work plan, but it
23 is separate from this rider.

24 Q. Okay. So you're saying on line 13 that
25 you're reducing the ESRR portion of the forestry

1 program?

2 A. For the enhanced service reliability,
3 that vegetation management, those costs would be
4 reduced from the DIR here.

5 Q. Do you know how much those costs would be
6 that are going to be reduced?

7 A. Currently I -- if the workpaper was the
8 same copies that we provided today --

9 Q. Yes.

10 A. -- in the forestry line right there, that
11 would be the adjustment for the vegetation
12 management.

13 Q. Can you tell me what line number that is?

14 A. There's not a line number on it. It
15 was -- if you look at -- it's OCC RPD-14-061,
16 Attachment 2.

17 Q. Okay. It's page -- it's the second page
18 of your handout this morning.

19 A. Yeah.

20 Q. Okay.

21 A. And unfortunately it's not --
22 unfortunately it's not numbered. It would be the --
23 about the sixth line down.

24 Q. Where it says "Less forestry"?

25 A. Correct. And that forestry is the

1 enhanced service reliability or the vegetation
2 management program.

3 Q. And is that \$110? 110,000? What is that
4 figure?

5 A. I believe this is in thousands, yeah.

6 Q. So that would be 110,000?

7 A. This may be in millions.

8 Q. The zeros do make a difference.

9 A. Yes, they do. They make a big
10 difference.

11 You know, I don't know.

12 MR. SERIO: Your Honor, if --

13 A. I'm sorry, it would be in the millions.
14 You can see at the bottom there in December, if you
15 follow that all the way to the bottom, you would get
16 the 100 and round it up to \$155 million revenue cap.

17 Q. Okay. So the forestry represents
18 1.1 million or --

19 A. 110.

20 Q. 110 million.

21 A. Thousand.

22 Q. 110,000.

23 A. Correct. Just add three zeros.

24 Q. So you're removing \$110,000 because that
25 might be costs that are built into base rates so that

1 you don't have double recovery in the rider, correct?

2 A. Not costs that are base -- or, I'm sorry,
3 not costs that are recovered through base rates, but
4 the capital portion of the enhanced service
5 reliability rider. So it's the same concept, we're
6 just not getting recovery in a base case, we're
7 getting it through the enhanced service reliability
8 rider.

9 Q. Okay. Now, what I was asking you was is
10 there anywhere in your testimony, we'll start with
11 yours first, that explains how there's no duplication
12 in the forestry program in the ESRR versus the
13 forestry program in the DIR?

14 A. No. I think that distinction would come
15 through the audits for the DIR rider as they do
16 today. That's not something that's different. Each
17 of those projects would have very distinctive project
18 ID and work order combination and that project
19 ID/work order combination would allow you to look at
20 the dollars that are being served in the vegetation
21 management rider as well as what's being in the DIR
22 and that's how you could tell there's no double
23 recovery.

24 Q. Is there anything in the application in
25 this case that would show the difference between the

1 two?

2 A. I don't think there's anything that shows
3 the specific difference between those two, but I
4 think on page 6, lines 15 through 16, is where we
5 kind of lay out the mechanism and also put on there
6 that any capital that's being recovered in another
7 rider would not be recovered through the DIR.

8 Q. Let me ask the question this way: If a
9 crew cuts down a tree in the right-of-way and that
10 charge shows up in the ESRR, how do I know that the
11 crew cutting down that tree doesn't appear in the DIR
12 under forestry where it also says cutting down trees
13 in the right-of-way? I mean, both programs say
14 they're for cutting down trees in the right-of-way.
15 How do I know that if work is done in another, that
16 work isn't charged to both?

17 A. Because the enhanced service reliability
18 rider has a work plan associated with the circuits
19 that the company's clearing for the purpose of that
20 plan. That plan has a specific project ID and work
21 order that would go for all of the work that's being
22 provided under that particular rider for that
23 particular purpose.

24 The ash borer mitigation would not happen
25 within the circuits that are being cleared for the

1 vegetation management. If there were opportunities
2 while the crews were out doing the circuits that
3 they're doing through vegetation management, that
4 would happen. These are actually going outside of
5 the areas in the four-year trim cycle, getting the
6 ash borer mitigation trees, and that work, that type
7 of accounting for that would be specific to a
8 different project ID/work order combination and those
9 two can be laid side by side and looked at to say
10 what work was done where.

11 Q. And is any of that any part of this case,
12 that side-by-side comparison to make sure that
13 there's no double recovery?

14 A. Yeah, it's -- not to my knowledge in this
15 case. I know that it has -- it's an extension,
16 again, as we talked about today, of the current way
17 the DIR works and I do know that is laid out in the
18 DIR plan that we file and also has been addressed in
19 the DIR audit that's been done by an external
20 auditor.

21 Q. Now, you also testify about the extension
22 and expansion of the DIR mechanism, and you're
23 familiar with the Commission's requirement that the
24 company show service reliability improvements from
25 the DIR, correct?

1 A. Yeah, I think that was addressed by
2 Witness Dias, yes.

3 Q. Is there, just to close the loop, is
4 there anything in your testimony that addresses the
5 tie-in between the service reliability improvements
6 and the DIR spending in the current program and also
7 the projected spending in the expanded program?

8 A. There's nothing in my testimony. My
9 testimony is just looking at the mechanics and the
10 methodology for a rider DIR.

11 Q. There's no quantification or anything in
12 your testimony, correct?

13 A. Not in mine. Mine is literally looking
14 at the Form 1 balance and bringing it down through
15 the calculation.

16 Q. Now, you also talk about the NERC
17 compliance rider.

18 A. That's correct.

19 Q. And I believe that you answered a
20 discovery response where you indicated that the
21 timing of recovery is expedited through an NCCR rider
22 versus through a base distribution rate case. Do you
23 recall that?

24 A. I don't recall, but that sounds accurate.

25 Q. Do you have responses to OCC

1 interrogatories with you?

2 A. I may have if you can give me a number.

3 Q. It's Interrogatory 4-058. And if you
4 want, I can show you.

5 A. Say it one more time, 4-058?

6 Q. 4-058.

7 A. Okay, I've got it.

8 Q. And you were the one that prepared this
9 response, correct?

10 A. It was prepared by me or under my
11 direction, yes.

12 Q. And your thought process here was what we
13 discussed previously, that the timing with a rider is
14 better for the company than timing through a base
15 rate case because of the lag, correct?

16 A. I think that that is partially what we
17 discussed, yes.

18 Q. Now, to the extent that the company would
19 have to recover costs for the NCCR under a base rate
20 case instead of a rider, the company could still
21 recover all of its costs, correct? There's nothing
22 that would preclude them recovering costs through a
23 base rate case.

24 A. No. I think that if the company had
25 costs for the NCCR, it would be includable in a base

1 distribution case.

2 Q. And the company has incurred no costs yet
3 for the NCCR, correct?

4 A. Not as yet. I think that is why the
5 company is proposing a rider. If something were to
6 come up in that area, it would allow us to comply
7 with whatever costs that we have to spend and then it
8 would allow us to get recovery of those costs.

9 Q. Now, you also talk about the POR and the
10 bad debt rider in your testimony.

11 A. Yes.

12 Q. With regard to the -- I'm sorry. And you
13 also talk about the late-payment charge, correct? Or
14 you're at least responsible for some of the --

15 A. I don't think I talk about the
16 late-payment charge.

17 Q. If you --

18 A. I'm not recalling that.

19 Q. If you could look for Interrogatory
20 13-312 from OCC.

21 A. Okay.

22 Q. 13-12, 13-13, and 13-15 all indicate they
23 were prepared by you or under your direction,
24 correct?

25 A. 12, 13 --

1 Q. And 15.

2 A. -- and 15.

3 Q. And let me take them one at a time. You
4 don't know how many residential customer bills were
5 not paid on time, correct?

6 A. I do not know.

7 Q. So the company doesn't have any
8 calculation that shows that this many customers pay
9 late and as a result the company incurs this cost,
10 correct?

11 A. We have not ran a calculation for that.

12 Q. And have you run a calculation that would
13 show how many residential customer bills that might
14 have been paid late compared to the date on the bill
15 but were paid prior to the time the next bill was
16 generated so that they were less than 30 days late?

17 A. Not that I'm aware of.

18 Q. And did you do any kind of projection or
19 analysis for the level of operation and maintenance
20 or capital costs associated with implementing the
21 proposed late-payment charge?

22 A. I don't believe so, and I don't believe
23 we had asked for any type of recovery of that.

24 Q. Okay. Now, earlier you used the term
25 "pancaking" rate cases.

1 A. Correct.

2 Q. Can you explain what "pancaking" rate
3 cases is?

4 A. Sure, I mean of all the things that we're
5 talking about today with the riders, the company
6 comes in and makes rider filings, these costs can be
7 collected through a base distribution case. The base
8 distribution cases would just have to be filed much
9 more frequently for the company to have the ability
10 to do the recovering and to do the investments as
11 we're doing it today.

12 I think that the rider filings go through
13 a significant audit by all of the intervenors, and
14 the time that is set forth, it's efficient on the
15 rider side. Pancaking base distribution cases would
16 be litigating, putting together as many -- and filing
17 them as back to back to back as possible.

18 Q. Would a rate case like every year be what
19 you would consider pancaking?

20 A. There are certain -- I'm not sure what
21 the days are, but I believe that there's a, you know,
22 a notice to file, things like that. It would be the
23 option to file as quick as we needed to file.

24 Q. Would you consider a case each year
25 pancaking, in your understanding of what pancaking --

1 A. Yeah, probably.

2 Q. Now, with the riders you have a review,
3 you have a case every year, correct? For each of the
4 riders.

5 A. We have a -- we have a review case, some
6 of the riders are filed more than once a year, some
7 of them are filed quarterly, some are filed
8 biannually, some are filed annually. Each of those
9 riders, me or my team are responsible for, and we go
10 through an extensive audit with either an external
11 auditor or the Commission staff. It goes through a
12 full commenting process, and it goes through a full
13 Commission order.

14 Q. Okay.

15 A. The opportunity to review the cost, to
16 litigate the cost, is there for all intervening
17 parties.

18 Q. Similar to a rate case where all the
19 parties can look at those costs and review them,
20 et cetera.

21 A. Similar to a rate case, but I've been
22 providing some of the audits for these riders since
23 July of 2009 and I think I've spent more time in the
24 courtroom on this in the last three days than I have
25 for those however many years, five maybe, combined

1 with the rider filings. It's efficient.

2 Q. How much time do you spend preparing for
3 each of those rider cases every year?

4 A. Absolutely. The time is spent in the
5 preparation, the time is spent in the auditing.
6 It's -- he -- just as the time is spent in
7 preparation, the litigation process, the timing in
8 here, the process is more efficient through the
9 riders.

10 Q. Now, you also talk about the sustained
11 skilled workforce rider, correct? In fact, let me do
12 it this way.

13 MR. SERIO: Can I approach, your Honor?

14 EXAMINER SEE: Yes.

15 MR. SERIO: I'd like to mark for purposes
16 of identification OCC Exhibit No. 9. It's a one-page
17 document, AEP Response to OCC Discovery Interrogatory
18 4-074.

19 EXAMINER SEE: The exhibit is so marked,
20 Mr. Serio.

21 MR. SERIO: I'm sorry?

22 EXAMINER SEE: The exhibit is marked.

23 (EXHIBIT MARKED FOR IDENTIFICATION.)

24 Q (By Mr. Serio) And this indicates that
25 you prepared this response, correct?

1 A. It does.

2 Q. And this response indicates that the
3 company believes that the ability to recover the
4 costs for training the new employees is better for a
5 rider because of the time it takes in a distribution
6 rate case, correct?

7 A. Just give me one second.

8 Q. Sure.

9 A. Okay.

10 Q. Now, it says here that the plan is not a
11 permanent change in the workforce cost, correct?

12 A. I see that, yes.

13 Q. But the company was going to hire 500 new
14 employees, correct?

15 A. I don't believe that's correct. I think
16 Company Witness Dias testified to that. I think it's
17 more in line with 150 through a span of time. But
18 yes.

19 Q. So it was 50 new employees in 2015, 50 in
20 2016, and then 50 more in 2017; was that it?

21 A. I think that's correct. Yes. It was in
22 Company Witness Dias's testimony.

23 Q. So we're talking about 150 new employees.

24 A. I believe that's correct, yes.

25 Q. But they're not going to be permanent

1 employees?

2 A. I think they are going to be permanent
3 employees.

4 Q. So wouldn't that be a permanent change in
5 the workforce cost?

6 A. I think that the values that are in there
7 for those employees, it's my assumption that those
8 would increase over time for cost-of-living
9 increases, things like that. So I wouldn't think
10 that the value that would be in the sustained and
11 skilled workforce rider would be permanent, no.

12 Q. Okay. I didn't -- what I'm asking is if
13 you're going to hire 150 new employees, doesn't that
14 make a permanent change in your workforce costs?

15 A. I think that question was a little bit
16 different. I mean, the workforce costs will change.
17 I was viewing that as the actual cost. I don't think
18 that the costs that we are laying forward today in
19 the SSWR would remain permanently at that level. I
20 would imagine that the cost of living, et cetera,
21 would have an increase to that value. Maybe I
22 misunderstood.

23 Q. So when you say it's not a permanent
24 change, it's not permanent because it will continue
25 to go up. It's not permanent -- it is permanent in

1 that it's going to take there. It's just not
2 permanent set at that level.

3 A. I believe that the employees that are
4 hired through there would be an increase in the
5 workforce, how about we say that? Does that get us
6 to the same place? It would be a permanent increase
7 in the workforce, but not necessarily a permanent
8 increase in the workforce costs.

9 Q. How can you increase the workforce by 150
10 and not increase the workforce costs unless there is
11 an offset equal to the cost associated with the 150
12 new employees?

13 THE WITNESS: Can you read that back? I
14 didn't follow it.

15 Q. I can reask it.

16 If you add 150 new employees, there's
17 costs associated with them, correct?

18 A. Correct.

19 Q. And those are going to be permanent
20 costs, correct? Because the employees are going to
21 be permanent.

22 A. The employees are going to be permanent.
23 The permanent -- the costs could potentially change.

24 Q. But the costs associated with the 150
25 will be permanent, won't they?

1 A. The costs -- I would argue that the costs
2 are not going to be permanent. The workforce could
3 be permanent. The increase in workforce could be
4 permanent, but the costs could change. The costs
5 associated with those 150 employees could change.

6 Q. Okay. When I say the costs are
7 permanent, if I added "Permanent but they could
8 increase," would you be -- would you agree with me
9 then? They're permanent but they could increase?

10 A. I don't know that I would say they --
11 could they increase? Yes, they could change.
12 Increase -- I don't know what would cause a decrease
13 off the top of my mind, but they could change.

14 Q. So they're permanent costs but they're,
15 and they're costs that could change, correct?

16 A. They're costs that could change, that's
17 correct.

18 Q. All right. Now, your next sentence says
19 "Due to the temporary nature." Mr. Dias indicated it
20 takes at least five years to train an employee so I'm
21 not sure what you mean by the "temporary nature."

22 A. The temporary nature, first of all, I
23 think that the plan was to hire 50 in one year -- I
24 believe our number was 150, so to hire 50 in one
25 year, 50 in another year, 50 in another, that is a

1 temporary in nature to the value or to the amount, I
2 should say, for those employees and I think that also
3 the temporary nature -- yeah, I mean that's basically
4 it.

5 I guess the costs are going to be
6 temporary because the -- the costs are going to be
7 temporary because the 50 employees in one year, if
8 there will be an additional 50 the next year, an
9 additional 50 the next year, the rider itself will be
10 temporary because as those employees are actually
11 added to our workforce, the cost of those would be
12 rolled into our next base distribution case. The
13 rider in itself has the potential to be temporary.

14 Q. Okay. I think this morning with
15 Ms. Bojko you discussed that in 2015 the costs are
16 1.6 million and in 2016 it was 4.9, I think this was
17 out of a chart in Mr. Dias's testimony, and in
18 2016-'17 it was 7.7, and in 2018 it was 8 million.
19 Do you recall that?

20 A. I do, yes.

21 Q. Okay. If there's 50 new employees in
22 2015 and they cost 1.6 million, then you double of
23 number of employees in 2016. Wouldn't it stand to
24 reason that you would double the 1.6 to 3.2? Yet the
25 number in 2016 is 4.9 million. So what's the

1 difference between doubling the 1.6, which would be
2 3.2 million, and the additional 1.7 million to get to
3 4.9?

4 MR. NOURSE: Mr. Serio, could you direct
5 us to the table or reference in Mr. Dias's testimony
6 that you're reading from?

7 MR. SERIO: I was taking the numbers from
8 what the witness discussed with Ms. Bojko this
9 morning, but...

10 MS. BOJKO: It's on page 3 if that helps.

11 MR. SERIO: Thank you.

12 EXAMINER SEE: Page 3 of what?

13 MS. BOJKO: Mr. Dias's testimony.

14 EXAMINER SEE: Page 3 of Mr. Dias's
15 testimony?

16 MR. NOURSE: Page 3?

17 THE WITNESS: Twenty-seven.

18 MR. NOURSE: I see a table on page 27,
19 table 5.

20 MS. BOJKO: My apologies.

21 Q (By Mr. Serio) Okay, yes, the table on
22 page 27. It's line 6, table 5.

23 A. Yeah, I see that. And unfortunately, as
24 I told Ms. Bojko, I did not do the calculation for
25 these. These values were given to me to run through

1 my rider. I think that Witness Kyle or Mr. Dias
2 would have been better to tell how they got these
3 numbers. I'm not sure.

4 Q. Okay. So you don't know what accounts
5 for that difference if you just double and then if
6 you do the same math in 2017, you don't know that, or
7 the increase in 2018.

8 A. I think that that's exactly what I
9 testified to earlier, if there are nuances in there,
10 I don't have that detail.

11 Q. Okay. But I think initially this morning
12 it was the difference between 7.7 and 8 and I'm
13 looking at that larger difference in the earlier
14 years, and you don't know that.

15 A. That's correct.

16 Q. Okay. Now, you talk about the bad debt
17 rider in your testimony at page 12 and you're
18 indicating that the amount of bad debt -- the
19 baseline would be the amount that was set in the
20 11-351 rate case, correct?

21 A. That would be the baseline, yes.

22 Q. And do you know when that case was
23 decided? When that baseline was established?

24 A. The baseline would have been for three
25 months' actual first quarter 2010 and a forecast

1 through the end of 2010.

2 Q. Okay. So the numbers that represent the
3 12.2 million were set in 2010, correct?

4 A. Correct.

5 Q. And they were based on the number of
6 customers that were nonshopping in 2010, correct?

7 A. I need to correct myself. I believe that
8 forecast on the expense side went through May of
9 2011.

10 Q. Okay. Through May 2011. With that
11 correction --

12 A. Yes, sorry.

13 Q. -- my question is so the 12.2 million in
14 bad debt is based on the customers that were not
15 shopping through May 2011, for that year, correct?

16 A. Correct.

17 Q. And if the number of nonshopping
18 customers has decreased from then until now, then
19 would you agree with me that that \$12.2 million is no
20 longer what would be considered a timely or accurate
21 reflection of what the bad debt is today?

22 A. I think that we provided updates to what
23 the bad debt number is today through data requests.
24 And I agree they're different.

25 Q. Is the 12.2 million the level of bad debt

1 that is currently being experienced from nonshopping
2 customers?

3 A. The \$12.2 million of bad debt is the
4 level included in base rates from the last base
5 distribution case.

6 Q. Okay. And you're saying that the company
7 did provide a number that reflects the current bad
8 debt associated with nonshopping customers for a year
9 ending --

10 A. Whichever years -- I believe the data
11 request was for '12-'13. We don't have anything for
12 2014.

13 MR. SERIO: Could counsel make Staff
14 Exhibit 2 available to the witness.

15 Q. Is this the discovery response that you
16 were talking about?

17 A. No. I was talking about the total bad
18 debt expense. This looks like it's the consolidated
19 bill CRES provider receivables. I'm not familiar
20 with the data. I know Witness Gabbard was.

21 Q. Do you know what data request you're
22 referring to where the current level of bad debt was
23 indicated?

24 A. It's not coming to me. We answered data
25 requests on the actual level of the bad debt expense

1 for I know years '12 and '13, potentially even 2011.

2 Q. And that would have been a revised number
3 that would be more accurate than the 12.2 million.

4 A. I wouldn't say "a revised more accurate."
5 That would be the current amount of bad debt that we
6 would compare to the 12.2 million to either get a
7 charge or a credit to customers.

8 Q. If the current amount is less than
9 12.2 million, then wouldn't that be a better baseline
10 to use than 12.2 million if you're going forward?

11 A. I'm sorry. Can you ask that -- if the --

12 Q. Sure. The 12.2 million is a number based
13 on 2011 data.

14 A. Correct.

15 Q. If you have a more current number of bad
16 debt and that number is less than 12.2 million,
17 wouldn't that be a better number to use to set as a
18 baseline for the bad debt rider going forward?

19 A. No. The baseline for the bad debt rider
20 should be what is included in the company's base
21 distribution rates as the baseline. Anything above
22 or below that value would be either a charge or a
23 collection at that point. It's not more accurate to
24 update it to a number now, the reason that the 12.2
25 is used is because that's what's included right now

1 today in the company's base distribution rates.

2 Q. The bad debt associated with shopping
3 customers that have shopped from May 2011 till now is
4 bad debt that CRES providers have been responsible
5 for, correct?

6 A. That's correct.

7 Q. Yet if you use the \$12.2 million number,
8 that would include the bad debt associated with
9 customers that previously were in the -- were
10 nonshopping that are shopping today, correct?

11 A. That were previously shopping, not
12 shopping.

13 Q. The 12.2 reflects bad debt associated
14 with customers that were not shopping through May
15 2011 but are shopping today.

16 A. The 12.2 would include any customers
17 taking standard service offer through that point
18 versus who are not today. I'm not sure that I'm --

19 Q. Let me ask it this way --

20 A. Yeah.

21 Q. -- you are aware that there's more
22 residential customers shopping today than were
23 shopping in May of 2011, correct?

24 A. That's correct.

25 Q. In fact, it's a significantly larger

1 number, correct?

2 A. I don't agree with "significant" but
3 there's more, I'll give you that.

4 Q. More than a hundred thousand customer
5 difference?

6 A. I don't know.

7 Q. Would you agree if it was a hundred
8 thousand, that would be a significant number?

9 A. No, I don't know what I would consider
10 significant. Did you say a hundred thousand
11 customers?

12 Q. Yes. Yes. Out of your customer base.

13 A. I don't know what I would consider
14 significant.

15 Q. So we know that there's more customers
16 shopping so there's fewer nonshopping customers then,
17 correct?

18 A. Agreed.

19 Q. Okay. So if the 12.2 is based on the
20 number of nonshopping customers then, and the number
21 of nonshopping customers today is smaller, then
22 shouldn't the baseline for bad debt reflect the
23 current number of nonshopping customers and their
24 associated level of bad debt?

25 A. No.

1 Q. Going to page 6 of your testimony, line
2 20, how is the \$246,000 annualized number determined?

3 A. It was determined, again, through the
4 workpaper AEM-1 which showed the total roll forward
5 for all of the investments.

6 Q. Is it as simple as 102 million is
7 five-twelfths and the difference between 102 and 246
8 is seven-twelfths?

9 A. Yes.

10 Q. On page 7 of your testimony, line 11, you
11 talk about the company should have the data necessary
12 to provide the Commission with the benefits of the
13 gridSMART rider. What information are you talking --
14 or data are you talking about?

15 A. The company was going to provide through
16 the Department of Energy, we actually got funding
17 from the Department of Energy for the gridSMART
18 Phase 1 and through that we have to give a report to
19 the Department of Energy for specific measures,
20 things like that, that they've asked us to provide
21 for that pilot project.

22 Q. And is that going to be information that
23 you file with the PUCO?

24 A. I don't know that it was decided that we
25 would file. It's definitely information that I

1 believe would be available on the DOE's website or we
2 could make it available to the collaborative. Yeah.
3 I'm just not sure if it would be filed.

4 Q. And do you know when that report or that
5 information should be available? Timeline.

6 A. It's my understanding that we have
7 provided a preliminary report to the DOE and any
8 suggestions that they have or changes to be made
9 should be wrapped up fairly soon.

10 Q. So anybody that's a member of that
11 gridSMART collaborative could request that report
12 from the DOE?

13 A. I don't know that you would need to
14 request it from the DOE. I had talked to Karen
15 Sloneker which was running the program and I think
16 she agreed to share it with the collaborative.

17 Q. Now, on page 7, line 16, you talk about
18 the residential distribution credit rider.

19 A. Yes.

20 Q. What is that rider so we have a good
21 understanding?

22 A. The residential distribution credit rider
23 was the rider that was implemented from the base
24 distribution case stipulation.

25 Q. And what was the amount of that? If you

1 know.

2 A. I don't know, I'm sorry.

3 Q. Now, will funding of the continuance of
4 the Partnership With Ohio initiative and bill payment
5 assistance Neighbor to Neighbor be included in that?

6 A. Be included in the residential
7 distribution credit rider?

8 Q. Yeah. I believe that was a million
9 dollar program.

10 A. I don't believe that was actually
11 included in the rider itself. I mean, my testimony
12 is just for the rider and that the rider continued.

13 Q. So that \$1 million program then
14 continues; is that your understanding?

15 A. I don't think that's what I said, no.

16 Q. It does not continue.

17 A. That's my understanding, that it does not
18 continue.

19 Q. Okay.

20 A. My testimony for the residential
21 distribution credit rider is literally the rider that
22 we have today, we would extend it.

23 MR. SERIO: I believe that's all I have.
24 Thank you, Miss Moore.

25 EXAMINER SEE: Staff?

CROSS-EXAMINATION

By Mr. Parram:

Q. Good morning, Miss Moore.

A. Good morning.

EXAMINER SEE: I'm sorry, Mr. Parram.

Mr. Yurick, do you have any questions for this witness?

MR. YURICK: No, thank you very much, your Honor. But I don't have any questions.

EXAMINER SEE: Sorry about that, Mr. Parram. Go ahead.

Q. (By Mr. Parram) Miss Moore, first, I have a couple questions for you regarding the DIR.

A. Okay.

Q. You were present during the cross-examinations of Mr. Dias and Roush, were you?

A. For the most part, yes.

Q. And do you recall questions being asked by counsel for staff about its calculation methodology for the estimated percentage of bill DIR charge?

A. I kind of remember that, yes.

Q. Okay. I think they deferred to you.

A. Okay.

Q. And were you responsible for or are you

1 familiar with the company's methodology for
2 estimating the percentage of billed DIR?

3 A. Yes.

4 Q. And have you reviewed Staff Witness
5 McCarter's prefiled testimony in this case?

6 A. I have.

7 Q. So Ms. McCarter's testimony states that
8 AEP uses a calculation that bases the percentage of
9 bill charge on an average using five months of the
10 current year cap but then seven months of the
11 succeeding year's cap. Is that an accurate
12 description of the company's methodology?

13 A. I think that for -- what I would like to
14 clarify is that the rider calculation itself would
15 continue as it does today and that would be on an
16 annual basis. I think there might have been
17 confusion on AEM Exhibit 2 where we have a column
18 where we're showing the June through May weighted
19 rate, which is looking at five months and seven
20 months. And that was for the purpose of looking at
21 the rider rate in a PJM year. But the rate itself
22 that the company -- if I'm understanding her
23 testimony, and we can get clarity from her, but the
24 rate itself that we're actually asking for approval
25 of, it would be handled the exact same way as it is

1 today. We would do it on an annual basis.

2 Q. On a calendar basis.

3 A. Correct.

4 Q. Thank you for that.

5 Switching topics. In response to some
6 questions from OCC's counsel, Mr. Serio, you
7 responded that you had --

8 (Interruption.)

9 Q. -- you responded that you had responded
10 to some data requests as it relates to the company's
11 actual bad debt expense over the past couple years.
12 Do you recall that conversation with Mr. Serio?

13 A. I do.

14 Q. And do you have copies of Industrial
15 Energy Users Interrogatory 3-038 in front of you?

16 A. I do.

17 Q. And is this the response that you were
18 referring to?

19 A. Yes, it is. This response, what we were
20 doing was trying to look at the value that's in base
21 rates which is the 12.2 million and compare that to
22 that same calculation for these years 2012 and 2013.

23 Q. Okay. And what was the company's actual
24 bad debt for the year of 2012?

25 A. About 14 million.

1 Q. And for 2013?

2 A. About 22.5 million.

3 Q. And it's my understanding that for 2013,
4 around 7.5 million was due primarily to Ormet.

5 A. 7.2, but yes.

6 Q. Did I say 7.5? I apologize.

7 A. That's all right.

8 Q. I apologize, 7.2. So to get a more
9 accurate reflection of what I guess the bad debt
10 expense for the company would be in 2013, you
11 subtract out the 7.2 million; is that correct?

12 A. I agree.

13 Q. And, subject to check my math, that would
14 be about \$15 million after that if you subtract out
15 the 7.2 million?

16 A. Rounded I'd say 15's probably pretty
17 close.

18 Q. Sounds fair? Okay.

19 And I believe you were here yesterday
20 when I had some questions for Mr. Gabbard about the
21 company's collection practices and he indicated --
22 or, counsel indicated that you might be the more
23 appropriate person to answer those questions.

24 A. I was here.

25 Q. Okay. And do you recall responding to

1 any staff data requests as it relates to some of the
2 collection practices of AEP Ohio?

3 A. There were several I remember.

4 Q. And just generally, are you familiar with
5 the collection practices of AEP Ohio?

6 A. I'm generally familiar. Again, I think a
7 lot of the data was in the data request.

8 Q. And are you generally familiar with the
9 fact that AEP Ohio has internal collection practices
10 but then also outsources collections to third
11 parties?

12 A. I'm aware, yes.

13 MR. PARRAM: Your Honor, may I approach
14 the witness?

15 EXAMINER SEE: Yes.

16 MR. PARRAM: Your Honor, I would like to
17 have mark for purposes of identification Staff
18 Exhibit 3 which is AEP's response to staff data
19 request marked Interrogatory 12-006.

20 EXAMINER SEE: The exhibit is so marked.

21 (EXHIBIT MARKED FOR IDENTIFICATION.)

22 MR. PARRAM: Just another point of
23 clarification, your Honor, I have -- the document
24 that I'm handing out has a set of six different
25 attachments which were all attached to the actual

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1 response to the data request. My initial purpose was
2 to just ask Mrs. Moore about Attachment No. 4, but
3 after a discussion with counsel for AEP Ohio, he
4 indicated he wanted -- they would prefer to have all
5 of the attachments handed out. So the initial
6 attachment is Attachment 4 and then the other
7 attachments are 1, 2, 3, 5, and 6 so they're a little
8 bit out of order. I will supplement the record to
9 have them all in order but, for now, I'm going to be
10 handing out copies that appear to be out of order.

11 EXAMINER SEE: Okay.

12 Q (By Mr. Parram) Miss Moore, do you have
13 Staff Exhibit 3 in front of you?

14 A. I do.

15 Q. And are you familiar with this document?

16 A. Generally familiar, yeah.

17 Q. What is this document?

18 A. It's basically the data request from
19 staff, Interrogatory 12-0006 -- or 006, sorry.

20 Q. And this response was prepared by you?

21 A. That's correct, or under my direction.

22 Q. And there are six different attachments
23 that you provided in response to this data request;
24 is that correct?

25 A. Yes.

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1 Q. If you could go to Attachment 4 --

2 A. Okay.

3 Q. -- which relates to collection activity,
4 internal collection activity for AEP Ohio. Are you
5 at Attachment 4?

6 A. Yes, I am.

7 Q. Are you familiar with this document?

8 A. Briefly, yes. It's the number of
9 collection orders by month.

10 Q. And Attachment 4 is four pages, correct?

11 A. Yes.

12 Q. And did you prepare Attachment 4?

13 A. I did not. Our credit group prepared it
14 and sent it to me.

15 Q. Okay. And are you generally familiar
16 with what the information in Attachment 4 means?

17 A. Generally familiar, yes.

18 Q. Okay. So if you can go to the third page
19 of Attachment 4 which at the top of it says
20 "Resolution of Printed Collection Orders."

21 A. Okay.

22 Q. I'm sorry, are you there, Miss Moore?

23 A. I am.

24 Q. Okay. Could you describe to me what
25 exactly does this page represent.

1 A. This page is actually giving the detail
2 behind the summary on the first page. So the number
3 of collection orders and then each of -- each of
4 these lines represent some activity. Unfortunately,
5 I don't know what all of the lines represent.

6 Q. Okay. So when you say "some activity,"
7 what do you mean by "activity"?

8 A. I can see on this that these were the
9 collection orders in -- I'm just going to go to the
10 first page that lays the summary of them out. You
11 can see the disconnected for nonpayment, for
12 instance, would have been the amounts there, or if
13 you add up each of those components, you get to the
14 total orders that were actually worked.

15 Q. And when you are referring to the total
16 numbers that were actually worked, what number are
17 you looking at exactly? Is that the 314,908?

18 A. I think that that's the total in the
19 queue and the total worked would be at the bottom.
20 52,876 on that first one.

21 EXAMINER SEE: I'm sorry. What was the
22 number you said was the total and where is it
23 located?

24 THE WITNESS: I was on the first page of
25 the attachment so at the bottom where it says "Total

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1 Coded as Being Worked." And then over in the "Total"
2 column, I was looking at that top line, it's 52,876.
3 And the 314 he referenced was the first line in the
4 "Total" column.

5 I may be confusing you. It's page 1,
6 right?

7 Q. You're on page 1 now of Attachment 4,
8 correct?

9 A. Did you have them stapled in the right
10 order? I don't know.

11 Q. I believe so.

12 A. Okay.

13 Q. Right. You're on page 1, I'm also on
14 page 1 of Attachment 4.

15 A. Okay.

16 MR. PARRAM: Your Honors, am I okay to
17 proceed?

18 EXAMINER SEE: Go ahead.

19 Q. And back to page 3 of Attachment 4, I'm
20 trying to get an understanding of what some of these
21 categories mean and one in particular says "Unable to
22 Complete." What does that mean?

23 A. I believe that's payments that were made
24 on the account.

25 Q. So "Unable to Complete" means payments on

1 the account.

2 A. Oh, I'm sorry. I apologize, it doesn't.

3 It means that for whatever reason we
4 didn't work the order.

5 Q. So for -- so you were unable -- looking
6 at this particular section, and by section there's a
7 heading that says "Ohio (co 07)."

8 A. Uh-huh. That would be Ohio Power
9 territory.

10 Q. Okay. What would be Ohio co 10?

11 A. Columbus Southern Power territory.

12 Q. Okay. So for Ohio Power territory for
13 2013 approximately \$24 million of work the company
14 was unable to collect approximately that amount?

15 A. I believe that's what that represents,
16 yes.

17 Q. Okay. And that's approximately --
18 \$24 million out of how much?

19 A. For Ohio Power, 58.6 million.

20 Q. Okay. And underneath "Unable to
21 Complete" category there's a blank. What does the
22 blank mean?

23 A. I don't know.

24 Q. And just jumping back up again, so the
25 \$24 million relates to, the way I understood it and

1 correct me if I'm wrong, that is approximately
2 104,000 orders that were unable to be completed; is
3 that correct? I'm looking at 107,166. Is that where
4 that \$24 million comes from?

5 A. I believe that's right, yes.

6 Q. Okay. Are you aware of any particular
7 criteria or standard that AEP Ohio has that -- let me
8 strike that.

9 Well, in AEP Ohio's evaluation of this
10 information is there any particular criteria that is
11 used to determine whether or not their inability to
12 collect a certain amount is too high or is too low?

13 A. Give me one second, please.

14 THE WITNESS: Okay. I'm sorry, can I
15 have the question read back, please?

16 (Record read.)

17 A. I think that the -- I'm not sure what the
18 exact criteria are. I think that the ability to
19 collect on a lot of these and the -- and unable to
20 complete for, say, customer disconnect could be
21 driven by a lot of numerous things such as extreme
22 hot, extreme cold, things like that to where we may
23 not actually work the order.

24 I don't know as far as the comparison. I
25 think that these collection orders continue to roll

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1 forward, if you will. And I don't know what the, you
2 know, criteria is as to whether or not it's too high,
3 too low. I think that we implement the termination
4 policies, disconnect policies, things like that and
5 try to move it forward.

6 Q. Just a point of clarification. The
7 information on Attachment 4, does this relate to all
8 customer classes or a particular customer class?

9 A. I don't know. The data request isn't
10 specific and I don't see anything that would help me
11 answer that in the actual data provided.

12 Q. Are you still reading it? Okay.

13 A. No.

14 Q. But it's possible that it's all customer
15 classes?

16 A. I would think that it is all unless
17 there's something that would tell us differently.

18 Q. Just to wrap up my previous -- your
19 answer to my previous question was you're not aware
20 of any particular criteria? And by --

21 A. I think that there are criteria set in
22 place for, again, we provided the termination
23 policies, things like that, but a lot of times that
24 can't always move forward. I don't know that there's
25 criteria within the balance itself, but there are

1 definitely things that we can do to try to work those
2 orders. I just think that sometimes those can't move
3 forward due to extenuating circumstances like kind of
4 the weather, working with the customers, things like
5 that that we just talked about.

6 Q. Another point of clarification. When I
7 said "criteria," you're not aware of any particular
8 criteria as it relates to assessing the amount of
9 successful collectibles is too high or too low?

10 A. I don't know that.

11 MR. PARRAM: Your Honor, may I approach
12 the witness?

13 EXAMINER SEE: Yes.

14 MR. PARRAM: I'd like to have marked for
15 purposes of identification Staff Exhibit 4, which is
16 AEP Ohio's Response to Staff Data Request
17 Interrogatory 12-005.

18 (EXHIBIT MARKED FOR IDENTIFICATION.)

19 Q. Do you have Staff Exhibit 4 in front of
20 you?

21 A. I do.

22 Q. What is Staff Exhibit 4?

23 A. This one I do know.

24 Q. Okay.

25 A. This is a report that we run that shows

1 the performance of the outside collection agencies
2 that we use. I have some conversations with the
3 staff around this report, what we do with it and
4 basically how we analyze it.

5 Q. So you're a little bit more familiar with
6 this.

7 A. I am, yes.

8 Q. All right then. I feel more comfortable.
9 Can you give me a general description of
10 what exactly -- and this was prepared by you,
11 correct?

12 A. At my request, the Credit Department
13 sends it to me.

14 EXAMINER SEE: Would counsel and
15 Miss Moore both speak up, please.

16 Q. What exactly is this document?

17 A. This is a report. It's my understanding
18 that this is a report that they run that looks at
19 each of the external collection agencies -- or,
20 outside collection agencies, I'm sorry, that we use
21 that's set up for the primary, secondary, and
22 tertiary agencies, it gives a summary of the number
23 of accounts, the amount assigned, and then it also
24 gives the value that's either collected or re-called.

25 Q. And on Attachment A to Staff Exhibit 4 on

1 the column to the far right side is the -- it
2 indicates the percent collected.

3 A. That's correct.

4 Q. And what exactly is that?

5 A. Of the percent that each of the agencies
6 had for the outstanding balance, that's the percent
7 that they were actually successful in collecting.

8 Q. And it looks like there are -- well,
9 there's a number of different outside collection
10 agencies that AEP Ohio was using, correct?

11 A. That's correct.

12 Q. And does AEP Ohio have any particular
13 criteria for determining when it will terminate a
14 relationship with one of its outside collection
15 agencies or when it -- or any particular criteria to
16 determine how successful one of its collection
17 agencies are?

18 A. Yes. One clarification. AEP Ohio, the
19 Credit and Collections is either a member of shared
20 service or Service Corporation, AEP Ohio doesn't have
21 its own -- solely its own Credit Department. This
22 would come from the corporate Credit Department.

23 And it's my understanding that they are
24 viewing this exact report that you're looking at, we
25 provided the report for a couple of years and it lets

1 them look at each of the outside collection agencies
2 and look at their performance. They can then either
3 choose to bring in new outside agencies to see if
4 they can perform better or they can move dollars
5 around if they see performance here.

6 We don't necessarily have any benchmarks.
7 I think that we had provided that. But we do have a
8 tool to look at and to review to see if we think we
9 can be successful by either moving dollars or
10 bringing in and bringing off those outside collection
11 agencies.

12 Q. I think you indicated that you don't have
13 any particular benchmarks but you had provided that?

14 A. No. I'm sorry. I provided this sheet
15 that you're looking at and we had provided it for --
16 the one that we're looking at here is for 2013. I
17 believe we also provided this through data request
18 for 2011 and for 2012.

19 Q. But you do not have any particular
20 benchmarks.

21 A. That's my understanding.

22 Q. Just so I'm clear on what you indicated
23 earlier, who's responsible for looking at information
24 in Staff Exhibit 4 and monitoring it and assessing
25 it? That would not be AEP Ohio?

1 A. It's the Credit and Collections group
2 which would perform these functions for all of the
3 operating companies. So it's not specific to
4 AEP Ohio, it's our corporatewide group.

5 MR. PARRAM: That's all I have. Thank
6 you very much.

7 EXAMINER SEE: Any redirect, Mr. Nourse?

8 MR. NOURSE: Could we have a brief
9 recess, your Honor?

10 EXAMINER SEE: Yes. Let's take ten
11 minutes.

12 MR. NOURSE: Thank you.

13 EXAMINER SEE: Off the record.

14 (Recess taken.)

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

17 Go ahead, Mr. Nourse.

18 MR. NOURSE: Thank you, your Honor.

19 - - -

20 REDIRECT EXAMINATION

21 By Mr. Nourse:

22 Q. Miss Moore, earlier you had a discussion
23 with I believe it was Miss Bojko about the RSR and
24 why you addressed the RSR in your testimony. Do you
25 recall that?

1 A. I do.

2 Q. Okay. And is the company requesting
3 anything in terms of authority or rate design or
4 allocation method or anything about the RSR in this
5 case?

6 A. No, we're not.

7 Q. Thank you.

8 I believe, I'm not sure at what point,
9 but you used -- during your cross-examination you
10 used the term CAT. Can you explain what that refers
11 to?

12 A. Commercial activities tax.

13 Q. Thank you. And I believe you had a
14 discussion with Mr. Serio about nonshopping customer
15 bad debt being reflected in base rates. Do you
16 recall that?

17 A. I do.

18 Q. Okay. And would you also agree that
19 there is a wires charges component with respect to
20 shopping customers that would be appropriate wires
21 company bad debt?

22 A. Yes.

23 Q. Okay. And to an extent that would also
24 be reflected in base rates as well.

25 A. Correct.

1 Q. Okay. I think Mr. Serio also asked you
2 about essentially the regulatory lag discussion we've
3 been having in comparing the DIR and other riders to
4 a base distribution case, and you discussed a --
5 whether there would be any quantifiable financial
6 impact in making that comparison. Do you recall
7 that?

8 A. I do.

9 Q. Okay. And did that example or your
10 answer to that question assume that there would have
11 been an expenditure prior to new rates going into
12 effect through a DIR case?

13 A. Expenditures prior to, yes.

14 Q. Would that always be the case in your
15 understanding?

16 A. Not necessarily. I think we also talked
17 about the opportunity to forecast charges in base
18 distribution cases.

19 Q. So it is possible in a base distribution
20 case to also recover future fixed known and
21 measurable type expenses that are -- that have not
22 been incurred prior to the new rates going into
23 effect; is that correct?

24 A. That's correct.

25 Q. Okay. Then, finally, I want to cover a

1 couple things that you discussed with Mr. Parram from
2 staff.

3 A. Okay.

4 Q. One of your answers referred to a policy,
5 I believe, that the company does not disconnect
6 customers when it's too hot or too cold. Do you
7 recall that?

8 A. I do, yes.

9 Q. Can you elaborate on that situation?
10 First of all, is it a company policy they developed,
11 and why?

12 A. It is an internal company policy, and
13 we've developed that pretty much for safety. So it's
14 my understanding that temperatures fall below
15 25 degrees, it's the internal written policy we would
16 not disconnect. If temperatures are above
17 90 degrees, we would not disconnect.

18 Q. Okay. And I also wanted to refer you to
19 Staff Exhibit No. -- I believe it's Staff Exhibit 3
20 and this is DR-12-006. Do you have that?

21 A. I do.

22 Q. Okay. Couple questions about that. On
23 the attachment, and these pages are not numbered but
24 I believe it's page 3, you have a reference to system
25 cancel costs that you discussed with Mr. Parram and I

1 believe the amount is 21.3 million?

2 A. Yes.

3 Q. Okay. And can you -- can you tell me
4 whether those costs and that activity is reflected on
5 page 1 of the Attachment 4? Does that carry up to
6 the summary page?

7 A. It does not. The system canceled at 21.3
8 shows 146,124 and you can see where that does not
9 carry forward to the totals on page 1.

10 Q. Okay. And another clarification, let's
11 just use I guess the page 1 of Attachment 4 and the
12 total that's in the top, for example, for the OPCo,
13 314,908, do you see that?

14 A. I do.

15 Q. And does that number represent the total
16 accounts, the number of accounts that are involved?

17 A. Yes.

18 Q. Well, does that number include things
19 like if there's -- if it's on the sheet one day and
20 they carry it over to Monday, would that be counted
21 as two in that number?

22 A. I don't know.

23 Q. Do you know, if you know, if there's an
24 order for disconnect let's just say on a Monday and
25 the temperature turns out to be too hot or too cold

1 under the policy you described earlier, do you know
2 if that number would show up as twice, for example,
3 if they go back the next day?

4 A. I understand. Yeah, I do believe it
5 would. Sorry, I didn't understand what you were
6 asking me.

7 Q. Okay. So it --

8 A. Yes, that order would have to be worked
9 again. Yes.

10 Q. Okay. And go back to my prior question
11 then, does that refresh your recollection about how
12 it works as far as going out on Friday afternoon and
13 then coming back on Monday as well even if it's a
14 regular temperature day?

15 A. Yes.

16 MR. NOURSE: Okay. And I just want to --
17 the Bench will probably go back to their questions
18 later but this is the witness I believe that can
19 answer your question, Examiner See, that you posed
20 yesterday.

21 That's all the redirect I have, though,
22 thank you.

23 EXAMINER SEE: Recross, Mr. Williams?

24 MR. WILLIAMS: No, your Honor.

25 EXAMINER SEE: Mr. Smalz?

1 MR. SMALZ: No, your Honor.

2 EXAMINER SEE: Mr. Dougherty?

3 MR. DOUGHERTY: No, your Honor.

4 EXAMINER SEE: Mr. McDermott?

5 MR. McDERMOTT: No, thank you, your
6 Honor.

7 EXAMINER SEE: Ms. Bojko?

8 MS. BOJKO: I do quickly, a
9 clarification, thank you.

10 - - -

11 RECROSS-EXAMINATION

12 By Ms. Bojko:

13 Q. Miss Moore, do you have the company's
14 application in front of you?

15 A. I don't.

16 Q. It was AEP Exhibit 1.

17 MR. NOURSE: We can provide it.

18 MS. BOJKO: Exhibit 1, yes.

19 Q. Isn't it true that the RSR is scheduled
20 to terminate May 31st, 2015? Is that correct?

21 A. Are you talking about the application?

22 Q. Well, I'm just asking a general question
23 first. I wanted to make sure you had the application
24 in front of you.

25 A. I mean, I think that the RSR was approved

1 in the ESP 2 and as the ESP 2 expired we would come
2 back before this Commission and apply for that rider
3 to continue.

4 Q. And, as you state in your testimony, that
5 date that it would terminate is May 31st, 2015; is
6 that correct?

7 A. I would think the end of the ESP 2, yes.

8 Q. Now, if you could turn to page 7 of the
9 application, Roman numeral IV states "Standard
10 service offer rate provisions of the proposed ESP."
11 Is that right?

12 A. I'm sorry, page 7?

13 Q. Yes.

14 A. Okay. I apologize. Yes.

15 Q. That's the title of that section --

16 A. Okay, yes.

17 Q. -- of the application?

18 A. Yes.

19 Q. And then under that it has an A which is
20 generation rates, and it has generation riders listed
21 under that.

22 A. Yes.

23 Q. And then if you turn to page 9, you'll
24 see B is distribution rates and under the
25 distribution rates it has, well, it talks about a

1 reliability plan, and then it has little a is the DIR
2 rider, b is the ESRR, c is the gridSMART; is that
3 right?

4 A. Yes.

5 Q. Okay. And then it continues into, if you
6 look at page 12, the big letter C is transmission
7 rates, and then if you turn the page to 13, you find
8 D which is entitled "Other nonbypassable wires
9 charges."

10 A. Yes.

11 Q. Do you see that?

12 A. Yeah.

13 Q. And then under that that's where we find
14 the EE and PDR as number 1 and number 2 is the
15 economic development rider.

16 A. Correct.

17 Q. Three is the bad debt rider, and then 4
18 talks about continuation of statutory and existing
19 miscellaneous riders; is that correct?

20 A. That's correct.

21 Q. And it's in that No. 4 is where the
22 company talks about continuing the collection of the
23 retail stability rider, the RSR; is that right?

24 A. That's right.

25 Q. And in that section it says "the company

1 plans," and I'm just going to summarize for
2 expediency, but the company plans to continue
3 implementing other riders during the term and while
4 many of the riders, proposed riders and terms and
5 conditions of the proposed ESP are being submitted as
6 part of a package, there's independent authority for
7 these statutory riders and the company reserves the
8 right to pursue continued collection. Is that
9 correct? Of the riders outside of the context of the
10 ESP.

11 A. In general that's what the paragraph
12 says, yes.

13 Q. Okay. In the context of the RSR, then,
14 the company goes on to say that the company plans to
15 continue collecting the RSR through the term of the
16 ESP 3 consistent with the Commission's decision in
17 the ESP 2 proceeding; is that right?

18 A. That's what it says, yes.

19 Q. And then the next sentence talks about
20 something we talked about earlier on direct which was
21 that the purpose of the RSR during this ESP 3 term
22 will shift to collect capacity charge deferrals; is
23 that right?

24 A. I'm sorry. You repeat the question?

25 Q. Sure. It says in the last paragraph on

1 page 4 that the purpose of the RSR during the ESP 3
2 is to shift costs and collect different costs and
3 it's the recovery of the capacity charge deferrals;
4 is that right?

5 MR. NOURSE: Your Honor, I think we're
6 getting into an area that goes beyond the redirect.
7 She's asked a ton of foundation questions, I guess,
8 leading up to something, but I don't think that
9 statement -- it goes back to what she did in her
10 cross, not to what I did in redirect.

11 MS. BOJKO: Your Honor, on redirect he
12 asked if the rider was part of this ESP and I'm
13 asking the witness questions to demonstrate that it's
14 clearly part of the filing.

15 MR. NOURSE: No, I asked whether we were
16 requesting, the company was requesting, any authority
17 or to address any rate design or allocation issues in
18 this case, and the answer was "No." And I can
19 guarantee you none of the language in the application
20 is inconsistent with that statement.

21 MS. BOJKO: I think that's debatable.
22 That's the question.

23 EXAMINER SEE: Get to your point,
24 Ms. Bojko.

25 Q (By Ms. Bojko) Well, I'm asking her if

1 the language in the application talks about the
2 purpose of the RSR during the ESP term.

3 A. It talks about the RSR during the ESP
4 term.

5 Q. And it also talks about that AEP intends
6 to file a separate application but the rider will be
7 incorporated into the rate impacts submitted as part
8 of this case; is that correct?

9 A. It states that in a separate case we will
10 propose to continue the RSR at rates in effect as of
11 May 21st, 2015.

12 Q. No, but it also says that as a part of
13 this case, this ESP proceeding, that you have
14 incorporated the projected rate impacts in this ESP
15 case; is that correct?

16 A. I think that's correct. The same as we
17 would have the Universal Service Fund rider, anything
18 else. That was the purpose of it being in there.

19 Q. Okay. And in your exhibits attached it
20 does include a continuation of the \$4 a megawatt-hour
21 charge for the RSR; is that correct?

22 A. For bill impact purposes, that's correct.

23 Q. And has the company filed a separate
24 application at this point as we sit here today for a
25 different RSR or a modified RSR?

1 A. That has not happened.

2 MS. BOJKO: Thank you. I have nothing
3 else.

4 EXAMINER SEE: Mr. Kurtz?

5 MR. KURTZ: No questions, your Honor.

6 EXAMINER SEE: Mr. Pritchard?

7 MR. PRITCHARD: No questions, your Honor.

8 EXAMINER SEE: Mr. Yurick?

9 MR. YURICK: No questions, thank you,
10 your Honor.

11 EXAMINER SEE: Mr. Serio?

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

13 EXAMINER SEE: Mr. Parram?

14 MR. PARRAM: No, thank you, your Honor.

15 - - -

16 EXAMINATION

17 By Examiner See:

18 Q. Miss Moore, if you could refer back to
19 Staff Exhibit 4, what's been marked as Staff Exhibit
20 4.

21 A. Can you refresh my memory which one that
22 was?

23 Q. Staff Exhibit 4 is the response to staff
24 Interrogatory 12-005 in regards to the criteria for
25 outside collection agencies.

1 A. Yes. Got it.

2 Q. And if you look at the bottom of page 2
3 of that exhibit, there is a box that also relates to
4 all the collection agencies at the top of the page.

5 A. Yes.

6 Q. What is the purpose of the information in
7 that box?

8 A. I believe that the header in that bottom
9 box has a revised formula where the percent
10 collected, the calculation for that is just going to
11 be done a little bit differently than the calculation
12 in the top section. So the values should be the
13 same. The bottom one is subtracting out any
14 commission and then it's dividing it by the amount
15 assigned less the amount of returned.

16 So the numbers are the same, I think it's
17 just how you want to view the percent collected.

18 Q. Do you have any idea whether -- which
19 calculation AEP corporate that reviews the
20 performance of the outside collection agency uses for
21 its review of performance?

22 A. Unfortunately, I do not know of these two
23 numbers which one they use when they view it.

24 Q. Yesterday while Mr. Gabbard was on the
25 stand he directed the Bench that you would be a

1 better individual to ask a couple of questions in
2 regard to the bad debt rider. In Mr. Gabbard's
3 testimony on page 9 he discusses what will be
4 included in the bad debt rider. Are you familiar
5 with his testimony at all?

6 A. Yes.

7 Q. Okay. Go to page 9 of his testimony at
8 lines 15 through 19 where he discusses what types of
9 bad debt would be included in the bad debt rider.

10 A. Yes.

11 Q. He indicates in his testimony that a
12 portion of a percentage of income payment installment
13 payment that is not made by the PIPP customer could
14 accrue to the bad debt rider; is that your
15 understanding of his testimony?

16 A. That's my understanding, yes.

17 Q. And that any PIPP installment not paid by
18 the customer could go through the Universal Service
19 Fund?

20 A. Not --

21 Q. Could be recovered from the Universal
22 Service Fund.

23 A. So the PIPP installment, they changed the
24 rules for that. It used to be that the company would
25 send the entire receivable to the DOD for their

1 reimbursement and now the portion of the payment that
2 the customer is responsible for, so if the customer
3 is responsible for 10 percent, that portion is not
4 sent to the DOD for reimbursement.

5 The company is then responsible -- it's
6 that portion that we're talking about. That would go
7 into that factored receivable. The balance would
8 still go to the DOD and that's the piece that we are
9 not including in the rider.

10 Q. Okay. Thank you.

11 One other question for you. To your
12 knowledge, does AEP have any estimate of the number
13 of -- if the purchase of receivable program goes into
14 effect, does AEP have any estimate of the number of
15 customers that would be required to pay AEP an
16 additional deposit?

17 A. I don't have one personally, I'm sorry.

18 Q. Do you know if any witness that has not
19 testified yet would have that information or might be
20 better to pose that question to?

21 A. Yeah, it might have been better for
22 Mr. Gabbard. I'm trying to think of who's left to
23 go, if one of them might be able to help you with
24 that piece. I'm just not sure. Witness Hawkins
25 potentially, if it's around the deposits, maybe she

1 would know.

2 Q. Okay. Thank you.

3 EXAMINER SEE: Thank you.

4 THE WITNESS: Thank you.

5 EXAMINER SEE: Mr. Nourse.

6 MR. NOURSE: Thank you, your Honor. AEP
7 would move for Exhibits 14 and -- 13 and 14, excuse
8 me.

9 EXAMINER SEE: Are there any objections
10 to the admission of AEP Ohio Exhibits 13 and 14?

11 MR. SERIO: None, your Honor.

12 EXAMINER SEE: Hearing none, AEP Exhibits
13 13 and 14 are admitted.

14 MR. NOURSE: Thank you.

15 (EXHIBITS ADMITTED INTO EVIDENCE.)

16 EXAMINER SEE: Ms. Bojko.

17 MS. BOJKO: Thank you, your Honor. OMA
18 would move the admission of OMA Exhibit 5.

19 EXAMINER SEE: Any objections?

20 MR. NOURSE: No.

21 EXAMINER SEE: OMA Exhibit 5 is admitted
22 into the record.

23 (EXHIBIT ADMITTED INTO EVIDENCE.)

24 EXAMINER SEE: Mr. Kurtz?

25 MR. KURTZ: Thank you, your Honor. I

1 would move the admission of OEG Exhibit 1.

2 EXAMINER SEE: Any objections?

3 MS. BOJKO: Yes, your Honor.

4 EXAMINER SEE: Is this the same objection
5 you had from before, Ms. Bojko, or would you like --

6 MS. BOJKO: It's actually furthered by
7 the testimony that was submitted. There's a lack of
8 foundation, there was never any discussion of whether
9 the witness read the entire article, we don't know if
10 she had seen it before today, she didn't appear to
11 take the time to read it on the stand and she never
12 said if she concurred or agreed with the article. So
13 there are many articles and newspaper publications
14 out there about this very issue and we could admit a
15 lot of articles. So I think it's inappropriate,
16 there was no foundation laid and there is also
17 hearsay and -- inside the document contained hearsay
18 by citing a court order. It would be better to put
19 the court order, take administrative notice of that
20 court order.

21 MR. KURTZ: Your Honor, the witness
22 testified that she had read the court order. The
23 language that I directed her to were direct quotes
24 from the court order and, therefore, it should be
25 admissible.

1 MS. BOJKO: Your Honor, if I may add, we
2 just have no verification that those were the exact
3 words in the court order. She did not confirm it,
4 she did not verify it and, thus, it is hearsay.

5 EXAMINER SEE: The Bench will take
6 administrative notice of the actual DC Circuit Court
7 order and not admit OEG Exhibit 1.

8 MS. BOJKO: Thank you, your Honor. Would
9 you like me to provide a copy of that court order to
10 the Bench? No? Okay.

11 EXAMINER SEE: No, thank you.

12 Mr. Pritchard.

13 MR. PRITCHARD: Yes, your Honor. I would
14 move for the admission of IEU-Ohio Exhibit 10.

15 EXAMINER SEE: Any objections?

16 MR. NOURSE: No.

17 EXAMINER SEE: IEU Exhibit 10 is admitted
18 into the record.

19 (EXHIBIT ADMITTED INTO EVIDENCE.)

20 EXAMINER SEE: Mr. Serio.

21 MR. SERIO: I'd like to move OCC Exhibit
22 9 into the record.

23 EXAMINER SEE: Any objection?

24 MR. NOURSE: No.

25 EXAMINER SEE: OCC Exhibit 9 is admitted

1 into the record.

2 (EXHIBIT ADMITTED INTO EVIDENCE.)

3 EXAMINER SEE: Mr. Parram.

4 MR. PARRAM: Yes, your Honor, I move for
5 the admission of Staff Exhibits 3 and 4 to the
6 record.

7 EXAMINER SEE: Any objections?

8 MR. NOURSE: No.

9 EXAMINER SEE: Staff Exhibits 3 and 4 are
10 admitted into the record.

11 (EXHIBITS ADMITTED INTO EVIDENCE.)

12 EXAMINER SEE: With that let's take a
13 47-minute lunch break until ten to two.

14 (Thereupon, at 1:03 p.m., a lunch recess
15 was taken.)

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1 Friday Afternoon Session,
2 June 6, 2014.

3 - - -

4 EXAMINER PARROT: Let's go back on the
5 record. Company may call its next witness.

6 Mr. Conway.

7 MR. CONWAY: Thank you, your Honor. At
8 this time the company calls Dr. Chantale LaCasse.

9 EXAMINER PARROT: Please raise your right
10 hand.

11 (Witness sworn.)

12 EXAMINER PARROT: Please have a seat.

13 - - -

14 DR. CHANTALE LACASSE
15 being first duly sworn, as prescribed by law, was
16 examined and testified as follows:

17 DIRECT EXAMINATION

18 By Mr. Conway:

19 Q. Dr. LaCasse, could you state your name
20 for the record, please?

21 A. Chantale LaCasse.

22 EXAMINER PARROT: Dr. LaCasse, could you
23 just hit the button at the bottom there?

24 That's good, thank you.

25 Q. And, Dr. LaCasse, by whom are you

1 employed and what is your position?

2 A. I'm employed by NERA Economic Consulting,
3 Senior Vice President, and I also serve as chair of
4 the NERA's Energy, Environment, and Network
5 Industries Practice.

6 Q. Dr. LaCasse, did you prepare or have
7 prepared at your direction prefiled direct testimony
8 that's been submitted in this proceeding?

9 A. Yes, I did.

10 MR. CONWAY: At this time, your Honors,
11 I'd like to mark as AEP Ohio Exhibit 15 Dr. LaCasse's
12 prefiled direct testimony that was prefiled on
13 December 20th, 2013.

14 EXAMINER PARROT: So marked.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 Q. Dr. LaCasse, you have also made a few
17 modifications to Exhibit CL-5 to your direct
18 testimony relating to communications protocols for
19 the company's competitive bidding process auctions;
20 is that correct?

21 A. That's correct.

22 MR. CONWAY: Your Honors, at this time
23 I'd like to mark as AEP Ohio Exhibit 15A the modified
24 and redlined version of Exhibit CL-5 to Dr. LaCasse's
25 direct testimony, which the company docketed on

1 Tuesday and circulated to yourselves, to the parties
2 by e-mail at the same time, which Exhibit CL-5 as
3 modified shows those changes in redlines so we'd like
4 to mark it as Exhibit 15A at this time.

5 EXAMINER PARROT: So marked.

6 (EXHIBIT MARKED FOR IDENTIFICATION.)

7 Q. Dr. LaCasse, with regard to Exhibit 15A,
8 aside from the modified Exhibit CL-5 to that prefiled
9 testimony, do you have any corrections or
10 modifications to make to your direct prefiled
11 testimony Exhibit 15?

12 A. No.

13 Q. And could you describe briefly the
14 modifications and the purpose of the modifications to
15 Exhibit CL-5 to your direct testimony.

16 A. Those modifications are to ensure that
17 the procedures that are described in Exhibit CL-5 are
18 similar to the processes that are used by the other
19 EDUs in Ohio.

20 Q. Thank you, Dr. LaCasse.

21 MR. CONWAY: At this time, your Honors, I
22 would dispense with going through each of the changes
23 made to Exhibit CL-5 to her testimony which have been
24 redlined into the exhibit that we circulated to
25 yourselves and the parties, but if you would prefer,

1 we can walk through it. Is it sufficient just to
2 leave it as the redline version and move forward from
3 there?

4 EXAMINER PARROT: I think that's fine.

5 MR. CONWAY: Okay.

6 Q. Dr. LaCasse, with the modifications that
7 you have made to your testimony reflected in Exhibit
8 CL-5 to your prefiled direct testimony, if I were to
9 ask you the questions in your prefiled direct
10 testimony today, would your answers be the same as
11 they appear as modified by the changes to that
12 Exhibit CL-5?

13 A. Yes, they would.

14 Q. And is your testimony true and accurate
15 to the best of your knowledge and belief?

16 A. Yes, it is.

17 MR. CONWAY: At this time, your Honor, I
18 would move for the admission of Exhibits -- Company
19 Exhibits 15 and 15A, and Dr. LaCasse is available for
20 cross-examination.

21 EXAMINER PARROT: Thank you.

22 Mr. Dougherty.

23 MR. DOUGHERTY: No questions, your Honor.

24 EXAMINER PARROT: Mr. Casto.

25 MR. CASTO: No questions.

1 EXAMINER PARROT: Ms. Bojko?

2 MS. BOJKO: No questions, your Honor.

3 EXAMINER PARROT: Mr. Kurtz?

4 MR. KURTZ: No questions.

5 EXAMINER PARROT: Mr. Darr?

6 MR. DARR: Just a handful, your Honor.

7 Didn't think I'd be up this quickly.

8 - - -

9 CROSS-EXAMINATION

10 By Mr. Darr:

11 Q. The product that's being described in
12 your testimony as the auction product -- well, first
13 of all, good to see you again, Dr. LaCasse.

14 A. Good afternoon.

15 Q. The product that you describe in your
16 testimony is a full requirements product; is that
17 correct?

18 A. That's correct.

19 Q. And by "full requirements" we mean that
20 it contains a capacity component, an energy component
21 and any ancillary products as well, correct?

22 A. They, the SSO suppliers would be
23 providing all the components of SSO supply including
24 energy, capacity, ancillary services, and certain
25 transmission services.

1 Q. And there would be a segregation of
2 transmission services between those which are deemed
3 to be market based and those that are deemed to be
4 nonmarket based depending on how the proposed rider
5 with regard to that transmission component is
6 resolved in this proceeding, correct?

7 A. I don't know the details of the
8 market/nonmarket transmission service, but those that
9 are to the -- that are part of the obligations of the
10 SSO suppliers are shown on the PJM invoice for the
11 SSO supply agreement.

12 Q. Okay. And we, I don't -- yes, I believe
13 you were here earlier today. There's an integration
14 between the items that you identified as part of the
15 product with -- which are the market based, what I've
16 described as market based, which are excluded from
17 what are going to be included in the base
18 transmission cost rider; is that correct?

19 A. Correct.

20 Q. And would it also be correct to say that
21 this product that will be bid out will be a
22 load-following product?

23 A. Yes.

24 Q. And what do you mean by "load following
25 product"?

1 A. It means that the obligation is defined
2 in terms of a percentage of the requirement of the
3 SSO customers, so the way in which that
4 responsibility is defined is in terms of tranches and
5 the SSO load will be divided into a certain number of
6 tranches and the obligation of the SSO supplier will
7 be a certain percentage of those requirements.

8 Q. And by "percentage" you mean as a, let's
9 say 2 o'clock today whatever that load is, the
10 supplier that wins 10 percent of the tranches or
11 10 percent of the load would be responsible for
12 10 percent of that load regardless of what the load
13 is, correct?

14 A. That's correct.

15 Q. Now, in your experience you've
16 participated and studied auctions both in Maryland
17 and New Jersey; is that correct?

18 A. Not Maryland. New Jersey and
19 Pennsylvania.

20 Q. You participated in those, but you've
21 also studied Maryland, correct?

22 A. Yes.

23 Q. In fact, you wrote an article about it I
24 believe that was published in 2007.

25 A. That's correct.

1 Q. Is it fair to say that the auction
2 structure that's being proposed here is similar to
3 that that was defined in -- as the, what I'll use as
4 the term "New Jersey model" in that it is a full
5 requirements product and load following?

6 A. It is similar to New Jersey and to other
7 jurisdictions that have used a similar full
8 requirements product as well.

9 Q. And under this approach is it fair to say
10 that the bid winner bears the risks associated with
11 load level which can be affected by weather,
12 migration, and any other market risks?

13 A. Yes. As I have in my testimony, the risk
14 that the SSO suppliers will take and manage include
15 price and volume risk from weather, distribution,
16 generation, migration of customers to and from CRES
17 suppliers.

18 Q. And this would include the cost incurred
19 by the supplier itself in securing or in producing
20 the load or the electricity to meet the load
21 requirement, correct?

22 A. Correct.

23 Q. On a more general level, is it fair to
24 say that it's your view that wholesale participants,
25 whether they be bilateral contractors, bidders in the

1 auction, CRES suppliers, are better set up to trade
2 and hedge power competitively and are better placed
3 to manage the risk of providing default supply than
4 regulated entities and can do so with more
5 efficiency?

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

8 (Record read.)

9 A. Yes.

10 MR. DARR: Thank you. I have nothing
11 further.

12 EXAMINER PARROT: Thank you.

13 OCC?

14 MR. SERIO: Thank you, your Honor.

15 - - -

16 CROSS-EXAMINATION

17 By Mr. Serio:

18 Q. Good afternoon, Dr. LaCasse. My name is
19 Joe Serio, I have a few questions for you.

20 A. Good afternoon.

21 Q. To the extent that you're involved with
22 setting up the auctions, is there any relationship
23 between a company having a successful Choice program
24 and how the auction process works and how successful
25 it can be?

1 A. I'm not sure I understand the Choice
2 program.

3 Q. Program where customers can sign
4 bilateral contracts with marketers to get commodity
5 service from them either on a one-on-one relationship
6 or through aggregation programs.

7 A. All right. Now that I understand the
8 term, would you mind repeating the question?

9 Q. Sure. Sure. In your mind is there any
10 correlation between a successful Choice program and
11 having an auction for the remaining nonshopping
12 customers that is also successful?

13 A. There is a relationship in that one of
14 the goals of establishing the auction program is to
15 obtain market reflective prices and that, in turn,
16 should generally contribute to efficient retail
17 markets as well.

18 Q. Does one come first and then the other,
19 or do they grow simultaneously, in your opinion?

20 A. I'm not sure how to answer that question.

21 Q. Let me ask the question this way: If you
22 have a successful auction, is that in part because
23 you have an open and competitive retail market at the
24 same time?

25 A. What I would say is that if there is a

1 successful auction with market-reflected prices, then
2 this helps the establishment of efficient retail
3 markets who have choice on the other side.

4 Q. Okay. If I understand it correctly, over
5 the course of the ESP three-year period the company
6 would have two auctions a year for three years,
7 correct?

8 A. That's correct.

9 Q. And in your testimony at page 12 you
10 indicate that offering a mix of 12-month and 24-month
11 products has the potential to attract greater
12 participation and contribute to the objective of
13 maximizing participation, right?

14 A. Because bidders differ -- can differ in
15 their preferences for the term of the contracts,
16 that's correct.

17 Q. And the idea is if there's more bidders,
18 a more robust market will occur and you can get a
19 better price.

20 A. That's correct.

21 Q. Have you seen actual instances where the
22 increased number of bidders resulted in a
23 quantifiable better price than you thought would have
24 otherwise happened if there would have been fewer
25 bidders?

1 A. Unfortunately, in those situations
2 there's no kind of experiment. You can't run the
3 auction one way with a small number of bidders, rerun
4 the same auction at the same point in time for the
5 same products for a greater number of bidders and
6 compare the difference, so I don't have any -- any of
7 that kind of evidence.

8 Q. Have you had any instances where going
9 into an auction that perhaps you had a thought that
10 we think this is where the price is going to go and
11 then based on the number of participants you either
12 did better than that price or worse than that price?
13 Have you ever done any analysis like that?

14 A. No.

15 Q. Now, to the extent that they would be
16 offering 12- and 24-month products, that would be
17 true in the two auctions in the first year, correct?

18 A. That's correct.

19 Q. Now, in the second year would there also
20 be 12- and 24-month products offered in that auction?

21 A. No.

22 Q. And that's because the company has
23 preserved the right to terminate the ESP, correct?

24 A. That's my understanding.

25 Q. And if you don't have the ability to

1 offer the 24-month products in the second year, does
2 that have the potential of reducing the number of
3 participants and then also potentially reducing the
4 price that could come out of the auction in that
5 second year?

6 MR. DARR: Can I have that question read
7 back, please?

8 (Record read.)

9 MR. SERIO: I think I misspoke at the
10 end. I think I should have said increasing the
11 price.

12 A. As I said, bidders may defer in their
13 preference for contract terms. I think we don't know
14 going in what those preferences could be, so it could
15 be that it has an influence on price and it's
16 possible that it's not.

17 So, for example, if all the bidders that
18 are interested in 24-month products are also
19 interested in 12 months, we may have the same degree
20 of participation.

21 Q. Based on your experience in other
22 auctions, when you had both 12- and 24-month
23 auctions, did you get better participation than the
24 auctions where you only had 12-month products?

25 A. I don't have a direct auction that's

1 comparable to these products in these terms.

2 Q. In general, though, when we're talking
3 about 12- and 24-month products, you've had other
4 auctions where they've offered 12-month products and
5 24-month products, correct?

6 A. Yes.

7 Q. And to the extent that you're familiar
8 with those others, in the auctions where you had both
9 12- and 24-month, did you see greater participation
10 levels than the auctions where you only had 12-month
11 products?

12 A. So there's two things. I don't
13 necessarily remember off the top of my head all the
14 participation in the auctions, but I think what I'm
15 trying to say is that this, the structure of the
16 auction that we're talking about here for the 12- and
17 the 24-month products, are a slice of system 12- and
18 24-month products. I don't think I have experience
19 with the 12/24 month product slice of system auction
20 offered elsewhere.

21 And, again, you would have the experiment
22 for the -- to have real comparison between the two
23 situations to be able to attribute it to the product
24 mix, that there are no difference -- no other
25 differences between the two situations, and I don't

1 have that comparison.

2 Q. To the extent that you think offering 12-
3 and 24-month could potentially provide more bidders
4 and a better price, then wouldn't you assume that the
5 same is true if you don't have the mix and that has
6 the potential for fewer bidders and a higher price?

7 A. It has a potential for fewer bidders to
8 the extent there are bidders who are solely
9 interested in the 24-month product.

10 Q. Are you involved in the auctions for the
11 other Ohio EDUs?

12 A. I am not.

13 Q. Could you turn to page 18 of your
14 testimony. There you talk about auction format
15 changes that were made for the end of the auction
16 process.

17 A. Yes.

18 Q. And it says that the possibility of an
19 additional sealed bid round is eliminated. I have to
20 beg that I don't know a whole lot about the electric
21 auction, my experience is in gas, so could you give
22 me a real quick rundown of what the sealed bid round
23 had been that now you're changing?

24 A. All right. In the auction process that
25 are used by Duke and FirstEnergy, if there's a single

1 product, if when the auction ends there are too few
2 bids at the last round price, and if there's more
3 than one bidder that's tied that is withdrawing their
4 bid so that there's too few in that last round, then
5 there's an additional round of bidding involving
6 those tie bidders that's a sealed bid meaning that
7 they just submit one price for those tranches that
8 they're withdrawing for the bids that they withdrew.

9 Q. And that sealed bid could not be higher
10 than the bid from the previous round, right? Or was
11 there any limit on how high it could go?

12 A. It's higher than the bid in the last
13 round, that's correct.

14 Q. So it could be higher?

15 A. It's higher, yes.

16 Q. Okay. And what is the change that you're
17 going to, then?

18 A. So the change that we're going to and
19 that's in a way a simplification is that any bidder
20 when they decide to reduce the number of bids from
21 the previous round, so they were bidding five
22 tranches, say they're now bidding four tranches, then
23 for that last tranche they provide a last and best
24 offer. So for any tranche they don't want to bid on
25 anymore they provide that last and best offer. And

1 if you want to bid like integrating that sealed bid
2 idea of providing prices but all through the auction,
3 so that those prices are taken into account in the
4 last round, and there's no need for an extra round
5 because that pricing information is also there.

6 Q. So you've essentially consolidated the
7 last round of regular bidding with that sealed bid.

8 A. That's correct.

9 Q. But the concept of the sealed bid
10 bringing the last and best price at the end still is
11 embedded in the process.

12 A. That's right.

13 Q. Okay. Now, you also talk about the
14 qualification process in your testimony, and the
15 items that you mention in the qualification portion,
16 those are the minimum requirements that are necessary
17 in order for someone to be eligible to bid, correct?

18 MR. CONWAY: Are you referring to the
19 section of her testimony that starts at page 24,
20 Mr. Serio?

21 MR. SERIO: Yes.

22 A. Yes. The testimony goes at a high level
23 to the requirements that are -- require the exhibits
24 that provide the Part 1, Part 1 and Part 2
25 application, provide the details of those

1 requirements and bidders would have to fulfill those
2 requirements on a pass or fail basis in order to be
3 registered to bid in the auction.

4 Q. And those basic things are the standard
5 contract, the master SSO supply agreement, and the
6 CBP rules, correct?

7 A. Those are only portions of the
8 requirements. So the bidders, in order to be able to
9 participate in the auction, must accept the terms
10 under which the auction process will be held, namely
11 they have to accept the terms of the agreement that
12 they would sign with AEP Ohio and they have to agree
13 to CBP rules, but there are other requirements that
14 are both specified in the rules but may be more
15 obvious in the -- in the Part 1 and Part 2 form, so
16 that's Exhibit CL-7 is the Part 1 form.

17 So, for example, the bidder has to
18 provide a legal representative for service of
19 process, they have to be a PJM member in good
20 standing, et cetera, so there's a number of
21 additional requirements aside from the one you
22 mentioned.

23 And the Part 2 form is Exhibit CL-2 and
24 provides the requirements for the second part of the
25 application process.

1 MR. SERIO: Okay. Thank you.

2 That's all I have, your Honor.

3 Thank you, Dr. LaCasse.

4 THE WITNESS: Thank you.

5 EXAMINER PARROT: Ms. Mooney, did you
6 have any questions for Dr. LaCasse?

7 MS. MOONEY: No, thank you.

8 EXAMINER PARROT: Staff?

9 MR. PARRAM: Yes, your Honor, just a few
10 questions.

11 - - -

12 CROSS-EXAMINATION

13 By Mr. Parram:

14 Q. Good afternoon, Dr. LaCasse.

15 A. Good afternoon.

16 Q. Do you have a copy of the company's
17 application in this case up there with you?

18 A. I do not.

19 MR. PARRAM: Would you mind providing
20 Dr. LaCasse a copy.

21 A. All right. I do now.

22 Q. I lost my page.

23 If you could please -- do you have a copy
24 in front of you, you said?

25 A. I do.

1 Q. If you would go to page 7, please. The
2 section that indicates generation rates competitive
3 bid process and procurement of generation services
4 for SSO load.

5 A. Yes.

6 Q. In that paragraph about six lines down
7 there's a sentence that starts "At a time in the
8 future." Do you see where I'm at? "At a time in the
9 future it may be appropriate to request that PJM
10 establish an AEP-Ohio aggregate pricing point."

11 A. Yes.

12 Q. And, I apologize, let me start in the
13 previous sentence. It says "This is currently the
14 point at which all load in AEP Ohio's service
15 territory is priced," and that general paragraph is
16 talking about the AEP load zone is established by
17 PJM; is that correct?

18 A. The paragraph, from my understanding,
19 generally says that the current delivery point is the
20 AEP load zone, that this may change, that that may be
21 changed, the delivery point may be changed in the
22 future, and that given the lead time that is needed,
23 that if that does happen, that bidders would be
24 provided sufficient notice.

25 Q. Okay. Are you aware of the process of

1 requesting from PJM that the AEP load zone be
2 modified or changed? Are you familiar with that
3 process?

4 A. I am not.

5 MR. PARRAM: That's all the questions I
6 have, your Honor.

7 EXAMINER PARROT: Any redirect?

8 MR. CONWAY: Your Honor, may I have just
9 a couple of minutes to regroup?

10 EXAMINER PARROT: Yes. Let's go off the
11 record just for a few minutes.

12 (Recess taken.)

13 EXAMINER PARROT: Let's go back on the
14 record.

15 Any redirect?

16 MR. CONWAY: Thank you, just one or two
17 questions, your Honor.

18 - - -

19 RECROSS-EXAMINATION

20 By Mr. Conway:

21 Q. Dr. LaCasse, do you recall questions, I
22 believe they were from Mr. Serio, regarding bidder
23 interest in 12- versus 24-month product term
24 auctions?

25 A. Yes.

1 Q. And are there other aspects, other
2 criteria, other features of auction products that are
3 of interest to bidders besides the term of the
4 auction product?

5 A. Yes. There are other factors that will
6 affect bidder interest in an auction participation,
7 including the characteristics of the load, including
8 the timing of the auction, whether there are other
9 auction opportunities at the same time, including the
10 information that's provided to bidders at the time
11 and including the terms of the contract.

12 MR. CONWAY: Okay. Thank you very much.

13 No further questions, your Honor.

14 EXAMINER PARROT: Mr. Dougherty?

15 MR. DOUGHERTY: No questions.

16 EXAMINER PARROT: Mr. Casto?

17 MR. CASTO: No questions.

18 EXAMINER PARROT: Ms. Bojko?

19 MS. BOJKO: Oh, no questions, thank you.

20 EXAMINER PARROT: Ms. Mooney?

21 MS. MOONEY: No questions.

22 EXAMINER PARROT: Mr. Darr?

23 MR. DARR: No, thank you.

24 EXAMINER PARROT: Mr. Serio?

25 MR. SERIO: Thank you, your Honor.

1 - - -

2 RECROSS-EXAMINATION

3 By Mr. Serio:

4 Q. Dr. LaCasse, I understand there are these
5 other factors that could influence but, with other
6 things being equal, when you offer both the 12- and
7 the 24-month, that can get more interest because they
8 prefer that type of product and also because the
9 24-month product can have the characteristics of
10 reducing risk for a provider, correct?

11 A. I'm not sure that I would say that a
12 24-month product reduces risk given that the provider
13 is fixing the price for a longer period, no.

14 Q. So, in your opinion, fixing the price for
15 a longer period does not reduce the risk that a
16 provider takes on?

17 A. No.

18 Q. Wouldn't a provider hedge those risks
19 into the market to protect themselves?

20 A. They may, bidders may have all sorts of
21 strategies going into the auction.

22 Q. In your testimony you indicate that
23 you're familiar with the Duke Energy auction.

24 A. Yes.

25 Q. And the Duke Energy auction had both 12-

1 and 24-month products, correct?

2 A. That's correct.

3 Q. And the characteristics there were
4 similar to the characteristics with the AEP auction,
5 correct?

6 A. Correct.

7 Q. And, in your opinion, the fact that they
8 offered both the 12- and the 24-month products, did
9 that help contribute to getting a successful auction
10 and a good price?

11 A. Again, I think, as we were just
12 discussing, there are many, many factors that go into
13 the participation of suppliers.

14 Q. I understand that. But in your expert
15 opinion in the Duke case that you said you're
16 familiar with did the fact that they offered both the
17 12- and the 24-month product contribute to a
18 successful auction and a good price?

19 A. I have not analyzed the Duke auction and,
20 again, those comparisons are difficult to make
21 because we cannot hold all the other factors constant
22 and know the impact simply of the length of the
23 product term.

24 Q. So in your testimony when you say you're
25 familiar with the auctions, what level of familiarity

1 did you have?

2 A. I know the rules under which they are
3 conducted and the documents that are available to
4 bidders and the process that are used, and when the
5 auctions are taking place, and I have looked at some
6 of the results.

7 Q. Do you also look at the type of products
8 that are being offered?

9 MR. CONWAY: Your Honor, at this point,
10 I'll object. This is beyond the scope of my
11 redirect. I did not ask her about her familiarity
12 with the Duke auctions, and the recross-examination
13 now is delving into that topical area rather than my
14 redirect question.

15 MR. SERIO: Your Honor, I have an expert
16 on auctions and I'm trying to determine how the one
17 factor of the 12- and 24-month affects it, and she
18 indicated that other factors are involved, so since
19 she's familiar with Duke I'm trying to determine if
20 those other factors had a difference there.

21 I think I'm entitled to get an answer to
22 whether that one factor in and of itself might
23 contribute to it.

24 EXAMINER PARROT: The objection is
25 overruled.

1 A. I'm sorry. Could I have the question
2 again?

3 Q. Sure. If you look at the Duke auction
4 that you're familiar with, do you think that the fact
5 that they were able to offer the 12- and 24-month
6 product contributed to the success of that auction at
7 a good price?

8 A. Again, I think to answer that question
9 there needs to be an experiment or a direct
10 comparison where all the factors are the same except
11 for term, and we don't have that.

12 Q. The fact that you're an expert, would you
13 have any reason to believe that offering the 12- and
14 24-month product without doing that full analysis
15 would help contribute to a better price?

16 A. Again, to the extent that there -- the
17 suppliers have preferences over term and that
18 offering the 24-month product does provide additional
19 bidders so that the bidders who are interested in 24
20 months are not also interested in a 12-month product,
21 then it could contribute to increasing participation.

22 MR. SERIO: That's all I have, your
23 Honor.

24 Thank you, Dr. LaCasse.

25 THE WITNESS: Thank you.

1 EXAMINER PARROT: Mr. Parram?

2 MR. PARRAM: No questions, your Honor,
3 thank you.

4 EXAMINER PARROT: Thank you, Dr. LaCasse.

5 THE WITNESS: Thank you.

6 MR. CONWAY: Your Honor, at this time I
7 would move for the admission of AEP Ohio Exhibits 15
8 and 15A.

9 EXAMINER PARROT: Are there any
10 objections to the admission of Company Exhibits 15 or
11 15A?

12 MR. SERIO: No objection.

13 EXAMINER PARROT: Hearing none, they are
14 admitted.

15 (EXHIBITS ADMITTED INTO EVIDENCE.)

16 EXAMINER PARROT: And the company may
17 call its next witness.

18 MR. CONWAY: At this time, your Honors,
19 the company calls Matt Kyle.

20 EXAMINER PARROT: Please raise your right
21 hand.

22 (Witness sworn.)

23 EXAMINER PARROT: Please have a seat.

24 - - -

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MATTHEW D. KYLE

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

DIRECT EXAMINATION

By Mr. Conway:

Q. Mr. Kyle, could you state your name for
the record, please.

A. Matthew D. Kyle.

Q. And by whom are you employed and what is
your position?

A. I'm employed by Ohio Power Company as
Director of Business Operations Support.

Q. And, Mr. Kyle, did you prepare or have
prepared at your direction prefiled direct testimony
for this proceeding?

A. I did.

MR. CONWAY: And at this time, your
Honors, I'd like to mark as AEP Ohio Exhibit No. 16
Mr. Kyle's prefiled direct testimony.

EXAMINER PARROT: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MR. CONWAY: Thank you.

Q. Now, Mr. Kyle, do you have any changes,
corrections, modifications, or the like to make to

1 your prefiled direct testimony today?

2 A. No, I don't.

3 Q. And if I were to ask you the questions
4 contained in your prefiled direct testimony, which
5 has been marked as AEP Ohio Exhibit 16, would your
6 answers be the same as they appear in that document?

7 A. Yes.

8 Q. Would they be true and accurate to the
9 best of your knowledge and belief?

10 A. Yes.

11 MR. CONWAY: Your Honors, at this time I
12 would move for the admission of AEP Ohio Exhibit 16,
13 and Mr. Kyle is available for cross-examination.

14 EXAMINER PARROT: Thank you.

15 Mr. Dougherty?

16 MR. DOUGHERTY: No questions.

17 EXAMINER PARROT: Mr. Casto?

18 MR. CASTO: No questions.

19 EXAMINER PARROT: Ms. Bojko.

20 MS. BOJKO: No questions, your Honor.

21 EXAMINER PARROT: Mr. Darr?

22 MR. DARR: No questions, your Honor.

23 EXAMINER PARROT: Ms. Mooney?

24 MS. MOONEY: No questions.

25 EXAMINER PARROT: Ms. Grady?

1 MS. GRADY: Thank you, your Honor.

2 CROSS-EXAMINATION

3 By Ms. Grady:

4 Q. Good afternoon, Mr. Kyle.

5 A. Good afternoon, Miss Grady.

6 Q. Now, Mr. Kyle, you indicate that, and I'm
7 going to direct my attention to your Schedules MDK-2
8 and MDK-1, you indicate that on Exhibit MDK-1, page
9 1, that the purpose -- for purposes of your projected
10 financial statements that you have made certain
11 assumptions; is that correct?

12 A. Yes, that's correct.

13 Q. And the assumptions you have made are
14 shown on MDK-1, correct?

15 A. Yes, that's right.

16 Q. And on MDK-1 you state that you have
17 assumed that the components of AEP Ohio's ESP 3
18 filing are included in these projections. Do you see
19 that?

20 A. Yes, I do.

21 Q. Can you tell me, are all of the
22 components of AEP's filing included in your
23 projections or just some of the components?

24 A. I will say generally all of the
25 components of the ESP filing that would have an

1 impact on our financial results are included in the
2 assumptions for these pro formas. For instance, the
3 NERC and cybersecurity rider, there's no financial
4 impact, therefore, there's no revenue or cost
5 associated with that rider. That's an example of
6 something that's in this ESP package that's not
7 necessarily modeled in this forecast.

8 Q. And let's talk about the NERC rider for a
9 moment. You say that that does not have a financial
10 impact for purposes of your projections. Is that
11 because it is a zero rider and the company has not
12 assigned specific costs to that rider?

13 A. Yes. And the fact -- yes, that's true.
14 That's why it's not.

15 Q. Is it your understanding, Mr. Kyle, that
16 the company, if the zero rider was approved, that the
17 company could come in during the term of the ESP and
18 place specific costs for recovery from customers in
19 those riders with PUCO approval?

20 A. That's my understanding, and that's -- I
21 believe Witness Vegas discussed the NERC compliance
22 rider and that's my understanding of what he
23 testified to.

24 Q. Now, Mr. Kyle, you gave me a for-instance
25 of a component that you describe as not having a

1 financial impact or not having an impact on the
2 financial results that you present. Is the PPA rider
3 also a component that does not have, in your opinion,
4 does not have an impact on the financial results that
5 you present?

6 A. Yes. In my opinion the, I'll say the
7 OVEC PPA rider --

8 Q. Yes.

9 A. -- has no P&L -- no earnings impact on
10 the financial statements. We did model, however, the
11 OVEC PPA entitlement in that the cost of the
12 entitlement was included in revenues for the sale of
13 the entitlement and an equal amount were included in
14 this forecast, but, again, had a zero earnings impact
15 to the company.

16 Q. Now, you determined that there was a zero
17 impact for the OVEC rider. Was that based upon some
18 direction or conversation that you had with another
19 individual at the company, say Mr. Allen?

20 A. I think the reason it was modeled to have
21 a zero impact is a reflection of how the OVEC PPA
22 rider would work if it were approved by the
23 Commission in that it would have no earnings impact
24 on the company. It would simply be a pass-through to
25 customers.

1 Q. And it would have no earnings impact to
2 the company because the customers would pick up the
3 costs as well as the -- the net costs of the rider as
4 well as the net benefits of the rider and the company
5 would be held harmless, correct?

6 A. Yes. Any net cost or benefit associated
7 with that rider would flow to the customer.

8 Q. Is the distribution investment rider a
9 component that would have been modeled and had an
10 influence on the financial results that you present
11 in MDK-2?

12 A. Yes. The DIR is included in the model.

13 Q. Now, you indicate on MDK-1 that the DIR
14 that we've just been discussing is updated June
15 1st, 2015, to include general plant, correct?

16 A. Yes. Yes, again, that assumes that the
17 Commission approves the ESP application as presented
18 and that was one of the components of this
19 advocation.

20 Q. Finally, Mr. Kyle, you have in there that
21 the RSR continues June 1st, 2015, and collects the
22 deferred capacity balance of \$463 million over the
23 course of the ESP 3 period. Do you see that?

24 A. Yes.

25 Q. Do you know, Mr. Kyle, whether the

1 \$463 million is the principal amount or does that
2 include both principal and carrying charges on the
3 capacity charges?

4 A. I'm not sure how to answer that. I don't
5 know.

6 Q. You do not know.

7 MS. GRADY: That's all the questions I
8 have, Mr. Kyle, thank you.

9 EXAMINER PARROT: Mr. Kurtz, did you have
10 any questions?

11 MR. KURTZ: I did not, your Honor, thank
12 you for asking.

13 EXAMINER PARROT: Staff?

14 MS. JOHNSON: We do.

15 - - -

16 CROSS-EXAMINATION

17 By Ms. Johnson:

18 Q. Good afternoon, Mr. Kyle.

19 A. Good afternoon.

20 Q. Regarding the NERC compliance and
21 cybersecurity rider, the NERC compliance and
22 cybersecurity rider as proposed would recover capital
23 and O&M costs for new NERC requirements and also new
24 interpretations of existing NERC requirements; isn't
25 that correct?

1 A. I don't really address that in my
2 testimony, but I think you're characterizing it
3 similar to the way it was presented in the case. But
4 I don't really address -- I don't really address that
5 in my testimony so I'm not as familiar with the NERC
6 compliance rider as some other witnesses in the case
7 may be.

8 Q. And there was a response to staff's data
9 request regarding the NERC compliance or
10 cybersecurity rider, and it was prepared by you or
11 under your direction, wasn't it?

12 A. I do recall, yes.

13 MS. JOHNSON: Your Honor, may I approach
14 the witness?

15 EXAMINER PARROT: You may.

16 MS. JOHNSON: I'd like to mark this as
17 Staff Exhibit 5.

18 (EXHIBIT MARKED FOR IDENTIFICATION.)

19 Q. In this data request the company was
20 asked to identify annual NERC compliance costs for
21 each of the previous five years that would be
22 included in the NERC compliance and cybersecurity
23 rider; isn't that correct?

24 A. Yes.

25 Q. And the company was unable to identify a

1 NERC compliance or -- NERC compliance costs for each
2 of the previous five years; isn't that correct?

3 A. Yes. We don't at the moment necessarily
4 track these type of expenditures as NERC compliance
5 costs so I wouldn't know exactly where to look to
6 determine this historical value. And what we've
7 explained here is that if such incremental costs do
8 occur at present or in the future, where we would
9 seek recovery, we would at that point track those
10 costs separately under a specific project or work
11 order so that we could identify those costs.

12 Q. But the company was unable to identify
13 any costs for each of the last five years, correct?

14 A. Yes. And it's not to say that those
15 activities aren't taking place, they're simply not
16 tracked. They would fall into a larger bucket of
17 other costs. It would be hard to identify those
18 historical costs.

19 Q. And in this data request the company was
20 also asked to identify the company's annual costs for
21 NERC requirements for the next -- for each of the
22 next five years; isn't that correct?

23 A. That's right.

24 Q. And the company also was unable to
25 provide data for the NERC compliance costs for each

1 of the next five years; isn't that correct?

2 A. That's right.

3 MS. JOHNSON: That's all I have. Thank
4 you.

5 THE WITNESS: Thank you.

6 EXAMINER PARROT: Mr. Conway, redirect?

7 MR. CONWAY: Just a moment, your Honor.

8 Thank you, your Honors. Are we back on
9 the record?

10 EXAMINER PARROT: We didn't leave the
11 record.

12 MR. CONWAY: Okay.

13 - - -

14 REDIRECT EXAMINATION

15 By Mr. Conway:

16 Q. Mr. Kyle, do you recall questions from
17 counsel for the staff that asked concerning this
18 discovery response about the company's inability to
19 provide information regarding costs that would be
20 incurred to comply with NERC and cybersecurity
21 requirements over the next five years?

22 A. Yes, I do.

23 Q. And at the present time does the company
24 know what future requirements might come down from
25 those sources in those areas?

1 A. At the present we don't know what those
2 new requirements are, therefore, we don't have an
3 estimate of new incremental costs to comply with with
4 these new requirements that may come about.

5 Q. Since we don't know what the requirements
6 are going to be at this point, it's not possible at
7 this point to forecast what the cost of such new
8 requirements will be in the future; is that right?

9 MR. DARR: Objection. Leading.

10 MR. CONWAY: He already answered the
11 question, your Honor.

12 MR. DARR: Only because he answered it
13 over my objection, your Honor.

14 MR. CONWAY: I just have a couple more
15 questions here laying the groundwork for my redirect
16 questions.

17 EXAMINER PARROT: I'll allow the
18 question.

19 Q. So, Mr. --

20 EXAMINER PARROT: We didn't get an answer
21 to it though.

22 MR. CONWAY: Did not get an answer?

23 Q. Mr. Kyle, what is the answer to my
24 question?

25 A. Not knowing what those new requirements

1 are at this point makes it impossible to budget costs
2 to comply with those new requirements.

3 Q. Mr. Kyle, these requirements that will
4 occur or might occur in the future, they would be new
5 or in addition to whatever requirements are currently
6 faced by the company, correct?

7 A. That's right. And that's what this rider
8 is seeking, new incremental costs associated with new
9 requirements above and beyond any baseline costs that
10 are currently being incurred.

11 Q. And is it your understanding that in the
12 event that such new requirements and new additional
13 costs are imposed and incurred by the company, that
14 the company would at that point collect the costs
15 that are resultant from the new requirements and have
16 the information available at that time as to the
17 quantification?

18 MR. DARR: Objection. Leading. Also as
19 to form, beyond the fact that it's leading.

20 EXAMINER PARROT: Overruled.

21 A. Yes, it is my understanding. Once --
22 once the new requirements are known and our
23 compliance activities are better understood, we will
24 have a better handle on estimating those costs and
25 tracking those costs for recovery in the NERC and

1 cybersecurity rider.

2 MR. CONWAY: Thank you very much.

3 I have no further questions, your Honor.

4 EXAMINER PARROT: Any recross,

5 Mr. Dougherty?

6 MR. DOUGHERTY: No, thank you.

7 EXAMINER PARROT: Mr. Casto?

8 MR. CASTO: No, thank you.

9 EXAMINER PARROT: Ms. Bojko?

10 MS. BOJKO: No question.

11 EXAMINER PARROT: Mr. Kurtz?

12 MR. KURTZ: No, your Honor.

13 EXAMINER PARROT: Ms. Mooney?

14 MS. MOONEY: No, your Honors.

15 EXAMINER PARROT: Mr. Darr?

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

17 EXAMINER PARROT: Ms. Grady?

18 MS. GRADY: No, your Honor.

19 EXAMINER PARROT: Mr. Parram? I'm sorry,

20 Ms. Johnson.

21 MS. JOHNSON: One moment, your Honor.

22 - - -

23 RE CROSS-EXAMINATION

24 By Ms. Johnson:

25 Q. So at this time the company is unable to

1 identify costs that would be included in this rider;
2 is that correct?

3 A. Because there are no new requirements or
4 no new interpretations of existing requirements we
5 have no additional compliance activities that we have
6 to undertake at the moment and so, therefore, there
7 is no cost associated with that.

8 Q. So is the answer to my question "yes"?

9 A. I think the answer was "no," but I might
10 need it read to me again.

11 Q. Okay. So the company is at this time
12 unable to identify costs that are being included in
13 this rider; is that correct?

14 A. We have no activities associated with
15 this rider, therefore, there are no costs associated
16 with those activities.

17 Q. So you're unable to identify the costs to
18 be included in this rider; is that correct?

19 A. At the moment I'm unable to identify or
20 anticipate future costs associated with compliance
21 for rules that have not been handed down yet.

22 Q. And so you're unable to anticipate costs
23 that will be included in this rider.

24 A. Yes, that's right.

25 Q. And so the company is seeking

1 authorization for a rider for which costs have not
2 been quantified; isn't that correct?

3 A. No, that's not. The company is seeking
4 an establishment of a rider in this case and I don't
5 believe we're requesting any cost recovery at the
6 moment in this case.

7 Q. The company is seeking authorization for
8 a rider; is that correct?

9 A. Yes, that's right.

10 Q. And the costs for that rider have not
11 been contemplated; is that correct? Or, I'm sorry,
12 have not been identified; is that correct?

13 A. No, they've not been identified, you're
14 right.

15 Q. And they have not been quantified; is
16 that correct?

17 A. They have not been quantified.

18 MS. JOHNSON: All right. Thank you.

19 THE WITNESS: Thank you.

20 EXAMINER PARROT: Thank you very much,
21 Mr. Kyle.

22 MR. CONWAY: At this time, your Honors, I
23 would move for the admission of AEP Ohio Exhibit
24 No. 16.

25 EXAMINER PARROT: Are there any

1 objections to the admission of AEP Ohio Exhibit 16?

2 (No response.)

3 EXAMINER PARROT: Hearing none, it is
4 admitted.

5 (EXHIBIT ADMITTED INTO EVIDENCE.)

6 EXAMINER PARROT: Ms. Johnson?

7 MS. JOHNSON: Your Honor, at this time
8 I'd like to move for admission of Staff Exhibit
9 No. 5.

10 EXAMINER PARROT: Are there any
11 objections to the admission of Staff Exhibit 5?

12 MR. CONWAY: No, your Honor.

13 EXAMINER PARROT: Hearing none, it is
14 admitted.

15 (EXHIBIT ADMITTED INTO EVIDENCE.)

16 EXAMINER SEE: AEP can call their next
17 witness.

18 MR. CONWAY: At this time, your Honors,
19 AEP Ohio calls Ms. Renee Hawkins.

20 EXAMINER SEE: Ms. Hawkins, if you could
21 raise your right hand.

22 (Witness sworn.)

23 EXAMINER SEE: Thank you. Please have a
24 seat. Cut your mic on, please.

25 Go ahead, Mr. Conway.

1 MR. CONWAY: Thank you, your Honors.

2 RENEE HAWKINS

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

5 DIRECT EXAMINATION

6 By Mr. Conway:

7 Q. Ms. Hawkins, could you state your name
8 for the record, please.

9 A. It's Renee Hawkins.

10 Q. And by whom are you employed and what is
11 your position?

12 A. I am employed by American Electric Power
13 Service Corp. as Managing Director of Corporate
14 Finance, and I also hold the title of Assistant
15 Treasurer of Ohio Power and the other utilities.

16 Q. And, Ms. Hawkins, did you have prepared
17 or did you prepare or did you have prepared at your
18 direction prefiled testimony in this proceeding?

19 A. Yes, I did.

20 MR. CONWAY: At this time, your Honors,
21 I'd like to mark as AEP Ohio Exhibit No. 16
22 Ms. Hawkins' -- 17, excuse me, 17, Ms. Hawkins'
23 prefiled direct testimony.

24 EXAMINER SEE: Okay.

25 (EXHIBIT MARKED FOR IDENTIFICATION.)

1 Q. Ms. Hawkins, do you have a copy of your
2 testimony with you there?

3 A. Should I use this one or the other --

4 Q. Whichever you would be more comfortable
5 with.

6 Do you have any changes or corrections to
7 make to your testimony at this time?

8 A. I do not.

9 Q. And if I were to ask you the questions
10 contained in your testimony today, would your answers
11 be the same as they appear in that document?

12 A. Yes, they would.

13 Q. And would those answers be true and
14 accurate to the best of your knowledge and belief?

15 A. Yes, they would.

16 MR. CONWAY: Your Honors, at this time I
17 would move for the admission of AEP Ohio Exhibit
18 No. 17, and Ms. Hawkins is available for
19 cross-examination.

20 EXAMINER SEE: Okay.

21 MR. DARR: Your Honor, would you
22 entertain a motion to strike at this time, please?

23 EXAMINER SEE: Yes, Mr. Darr.

24 MR. DARR: Thank you, your Honor.

25 IEU moves to strike the following

1 testimony from Ms. Hawkins' direct which has been
2 identified as AEP Ohio Exhibit No. 17: At page --
3 starting at page 9, line 15, and continuing through
4 page 10, line 8.

5 To assist with regard -- to assist the
6 Bench with regard to this testimony I will point the
7 Commission, the attorney examiners, to a prior ruling
8 by Attorney Examiner Price with regard to testimony
9 that was filed in Case No. 12-426 by Dayton Power and
10 Light Company. The testimony, which I have handed
11 the relevant pages of to you, was contained in DP&L's
12 Exhibit 4, testimony filed on behalf of DP&L by
13 William Chambers.

14 Mr. Chambers at two points in the
15 testimony, first at page 4, lines 1 and 2, and in
16 footnote 3 indicated that the results constitute a
17 taking and impose a severe economic loss on DP&L's
18 investors and footnoted that to the Bluefield Water
19 Works and Improvement Company in the Federal Power
20 Commission versus Hope Natural Gas Company cases.

21 Later in that testimony on page 55 he
22 went on to say, and as I understand he is precluded
23 under Ohio constitution, the Ohio constitution, and
24 under well established legal precedence dating back
25 to Bluefield and Hope decisions, and then footnoted

1 it once again to Bluefield Water Works and the Hope
2 Natural Gas case.

3 After a motion to strike presented by
4 Mr. Boehm in that case, Hearing Examiner Price
5 indicated that he would strike the testimony at the
6 two indicated places indicating in both instances
7 that he felt that the testimony was improper legal
8 argument.

9 Similarly, Ms. Hawkins in her testimony
10 at pages 9 and 10, the lines that I previously
11 indicated, has opined that she believes that the
12 company is entitled to certain protection under the
13 Bluefield and Hope doctrine. Once again, we have an
14 instance of a nonlawyer, there's certainly nothing
15 indicated in her testimony that she is an attorney,
16 offering a legal opinion and properly -- that sort of
17 testimony is not properly within her purview. Her
18 expertise, as she clearly has outlined, is as the --
19 is as to the financial matters, it does not extend to
20 giving opinions with regard to legal matters as it's
21 done here.

22 On that basis, your Honor, I'm going to
23 request that the section that I identified from page
24 9 to page 10 be stricken.

25 MS. GRADY: OCC would join in that

1 motion, your Honor. I believe that this witness is
2 not competent to make a legal argument. The cases
3 speak for themselves, they present merely legal
4 argument versus testimony, and so we do join, in
5 fact, Mr. Darr beat me to the punch.

6 MR. CONWAY: Your Honors, if I might have
7 a reiteration of the scope of the motion to strike.
8 Is it, I gather that it started at line 15 on page 9
9 and then extended over to page 10 to some point?
10 Where does it end?

11 MR. DARR: Line 8.

12 MR. CONWAY: Your Honor, I would respond
13 by pointing out that the reference to the Hope and
14 Bluefield cases that are cited in Ms. Hawkins'
15 testimony are by way of background, they're
16 contextual. She specifically indicates that she's
17 been advised by her counsel regarding these cases and
18 they provide the lead-in to her opinions about what
19 is appropriate from the financial standpoint, which
20 she is an expert in regard to financial matters, in
21 order to achieve reasonable results by AEP Ohio.

22 So I think it's perfectly appropriate,
23 and it's perfectly appropriate for her to be advised
24 by her counsel about what the standard is that her
25 testimony then attempts to meet and to support the

1 company's position in this case about what the
2 weighted average cost of capital ought to be, what
3 its elements ought to be, so I think it's perfectly
4 appropriate.

5 I'd also note that from the very brief
6 time that we've had to hear and to reflect on the
7 basis as Mr. Darr provided for his motion to strike,
8 it doesn't appear that, from what we can tell, that
9 the testimony in the Dayton case provided by
10 Mr. Chambers was qualified in the same fashion that
11 Ms. Hawkins qualified her testimony in this case, to
12 wit that her reference to the cases are by way of
13 background on the advice of counsel.

14 So I think it's different, I think it's
15 appropriate in any event.

16 MR. DARR: If I may briefly, your Honor.
17 If you'd look back --

18 EXAMINER SEE: Just a moment, Mr. Darr.

19 MR. DARR: My apologies, your Honor.

20 Your Honor, if it would help, I would
21 modify my motion, we could start the strike from line
22 17 at the point that it begins "in the Hope case" and
23 continue on through line 8 on page 10. This would --
24 the strike would simply apply to the quoted portions
25 of the various decisions.

1 I have no problem with her relying on
2 advice of counsel. What I have problems with is
3 basically what amounts to briefing in what's supposed
4 to be testimony.

5 EXAMINER SEE: Okay.

6 MR. CONWAY: And, your Honor, my response
7 would be the same. This is all part of the advice
8 from her counsel, it all provides the context for her
9 testimony about what a reasonable approach is for
10 providing a weighted average cost of capital element
11 to the company's various riders.

12 And I would also just note, again, that
13 if you take a look at the testimony from the Dayton
14 case, the statements made about what would happen in
15 the event of certain events to that utility are of a
16 different caliber than what Ms. Hawkins' statement is
17 which is clearly premised as advice of counsel.

18 EXAMINER SEE: And I would tend to agree
19 with you, Mr. Conway. The motion to strike is
20 denied.

21 Mr. Dougherty?

22 MR. DOUGHERTY: No questions.

23 EXAMINER SEE: Mr. Casto?

24 MR. CASTO: No questions.

25 EXAMINER SEE: Ms. Bojko?

1 MS. BOJKO: Yes, I do have some
2 questions, your Honor.

3 - - -

4 CROSS-EXAMINATION

5 By Ms. Bojko:

6 Q. Good afternoon, Ms. Hawkins. My name is
7 Kim Bojko and I represent the Ohio Manufacturers'
8 Association.

9 A. Good afternoon.

10 Q. On page 6 of your testimony, on the first
11 full question and answer and the answer specifically
12 starting on lines 13 to the end of that question, you
13 talk about the Commission's order in the corporate
14 separation proceeding. Do you see that?

15 A. Yes.

16 Q. Okay. In that section you state that the
17 generating assets are assumed to be transferred out
18 and that this would only be in place until such time
19 as those generating assets are actually transferred;
20 is that correct?

21 A. That's not quite correct.

22 Q. Okay. Go ahead and explain, please.

23 A. So what I say is that the pollution
24 control bonds are assumed to be transferred out with
25 the generation asset or those bonds that were not

1 able to transfer are excluded since a note will be in
2 place to reimburse AEP Ohio or Ohio Power for the
3 costs related to those PCRBs that we were unable to
4 transfer.

5 Q. Okay. And those bonds were attached to
6 the generating assets; is that correct?

7 A. I want to, I mean, they were issued to
8 finance pollution-control equipment on the generating
9 assets but they're not secured by the assets so
10 they're not actually attached to the assets.

11 Q. Thank you. With that clarification, it's
12 your understanding that the Commission has issued an
13 order that grants AEP corporate separation except for
14 certain generating assets; is that correct?

15 A. Well, in this -- in this section what I'm
16 referring to are the pollution control revenue bonds
17 that we were unable to transfer.

18 Q. Okay. Let's --

19 A. So it was the pollution control bonds.

20 Q. Okay. Let's step back a step further
21 then. On page 5, and then you discuss it again on
22 page 9, you talk -- you use the terminology "assets
23 post-corporate separation." If you look specifically
24 at page 9, it's on line 6. Do you see that?

25 A. Yes.

1 Q. Okay. And "post-corporate separation,"
2 how you use that term in this section and throughout
3 your analysis, does this mean the transfer of all
4 generating assets out of AEP Ohio to a generating
5 affiliate?

6 A. All those assets that were owned by Ohio
7 Power, correct.

8 Q. Okay. So during your analysis the
9 consideration was that AEP Ohio would not retain the
10 generating assets; is that correct?

11 A. That's correct.

12 Q. Okay. Was there any consideration for
13 the retention of any generating assets or a portion
14 of those generating assets throughout your analysis?

15 A. No. I mean, I do want to specify that in
16 the -- I was well aware that the OVEC assets, you
17 know, that was a contractual obligation of Ohio
18 Power, but those of course were not owned by Ohio --
19 in Ohio Power.

20 Q. Right. So your analysis did not take
21 into any consideration of AEP Ohio retaining that
22 OVEC entitlement obligation.

23 A. It doesn't affect their corporate
24 structure either way so I didn't have to take it into
25 account.

1 MS. BOJKO: Okay. That's all I have,
2 thank you, your Honor.

3 EXAMINER SEE: Mr. Kurtz?

4 MR. KURTZ: No questions, your Honor.

5 EXAMINER SEE: Mr. Darr?

6 MR. DARR: Two brief areas, your Honor.

7 - - -

8 CROSS-EXAMINATION

9 By Mr. Darr:

10 Q. Ms. Hawkins, the other day I asked a
11 question, I believe it was of Mr. Allen or Mr. Vegas
12 with regard to the bond rating of AEP the parent --
13 or, excuse me, the credit rating of AEP the parent,
14 and that question got kicked to you, and could you
15 provide us with the Standard & Poor's rating for AEP?

16 A. I can. The corporate credit rating for
17 AEP is BBB. The senior unsecured rating for AEP is
18 BBB.

19 Q. And do you have similar information with
20 regard to the Moody's credit rating?

21 A. The Moody's credit rating for AEP is
22 Baa 1.

23 Q. Has that improved recently?

24 A. It was upgraded in the first quarter.
25 So, yes, it did improve.

1 Q. Now, you and I, it's been two years
2 probably since we covered this, have discussed the
3 internal cash flows between the parent and AEP Credit
4 and some of the other entities. When AEP Ohio has
5 receivables, is it correct that AEP Credit has a
6 purchase of receivables program?

7 A. That's correct.

8 Q. Okay. You were about to add something?

9 A. Yeah, if I can clarify, you know, there
10 are a number of utility subsidiaries in the AEP
11 system that through AEP Credit sell their receivables
12 to financing conduits so they sell them to the, you
13 know, major banks.

14 Q. And so credit operates as a conduit which
15 then sells the receivables to a third party?

16 A. Yes, like a special purpose entity used
17 to resell the receivables.

18 Q. And when credit purchases -- I should
19 probably be more careful here. When AEP Credit
20 purchases receivables, it purchases them without
21 recourse, correct?

22 A. I'm not certain enough as to whether it's
23 without recourse or not because of how the documents
24 are -- I think so, but...

25 MR. DARR: Maybe to expedite this, if I

1 may approach, your Honor.

2 EXAMINER SEE: Yes.

3 Q. And your recollection was correct.

4 A. Yes. What was put in front of me was the
5 10-Q which states that the receivables are sold
6 without recourse from the registrants, which is from
7 the AEP utilities.

8 Q. Okay. Just so the record is clear, I
9 handed you the 10-Q for the quarterly period ending
10 March 31, 2014, correct?

11 A. Correct.

12 Q. Could you describe for the record what
13 the 10-Q is, please?

14 A. It's the financial statements that are
15 filed with the Securities and -- with the SEC,
16 Securities Exchange Act.

17 Q. And is it also true that when AEP Credit
18 purchases these receivables from, for example, Ohio
19 Power, it purchases them at a discount?

20 A. I believe so. There's -- there's a lot
21 that -- anyways, I believe so.

22 Q. And if we look at the 10-Q, there's a
23 charge that the subsidiary, in this case that would
24 be -- include Ohio Power Company, is charged a fee
25 based on AEP Credit's financing costs, administrative

1 costs, and uncollectible accounts experience for each
2 of the registrant's subsidiaries' receivables.

3 That's an easy one to say. Do you see that
4 statement? It's in the first paragraph.

5 A. I do, thank you.

6 Q. And realizing that this may not be
7 something you're directly involved in, is that
8 consistent with what you understand to be the process
9 that's used by AEP Credit to purchase receivables
10 from Ohio Power Company?

11 A. Yes.

12 Q. So, in effect, Credit serving as a
13 conduit to third parties purchases without recourse
14 but when it purchases the receivables, it basically
15 assigns a cost for the uncollectible expense to Ohio
16 Power.

17 A. It does. And AEP Credit is aggregating,
18 you know, effectively all the, you know, all the, you
19 know, customer accounts for Ohio Power and, as you
20 can see, the other utilities listed on this page
21 which is, you know, Appalachian Power, Indiana
22 Michigan Power, Ohio AEP, PSO, Public Service of
23 Oklahoma, and Southwestern Electric Power. So there
24 are a lot of customers that flow through there so
25 there are things you can do when you have a lot of

1 customers that allow you to, you know, effectively,
2 you know, it's like the rule of large numbers.

3 Q. And the biggest number is Ohio Power,
4 correct? In terms of size of -- or, in terms of
5 gross number of customers.

6 A. And size of the receivables program,
7 correct.

8 Q. In fact, the company represents roughly
9 29 percent of all, is it revenues or is it
10 production? I can never remember which one it is.

11 A. I haven't done that calculation in a
12 while.

13 MR. DARR: Okay. That's all I've got.
14 Thank you, your Honor.

15 EXAMINER SEE: Ms. Mooney, do you have
16 any questions for Ms. Hawkins?

17 MS. MOONEY: No, your Honor, thank you.

18 EXAMINER SEE: Thank you.

19 Ms. --

20 MS. GRADY: Miss Grady.

21 EXAMINER SEE: Ms. Grady.

22 - - -

23 CROSS-EXAMINATION

24 By Ms. Grady:

25 Q. Good afternoon, Ms. Hawkins.

1 A. Good afternoon.

2 Q. Going to page 3 of your testimony,
3 looking at how you describe your position in June of
4 2000 as Director of -- Director of Regulated Finance,
5 I guess that would be 2001, there you state that you
6 were "responsible for supporting the rating agency
7 relationships to maintain credit ratings," do you see
8 that reference?

9 A. Yes.

10 Q. Can you explain to me what you mean by
11 that and how you did that?

12 A. So with the rating agencies to the
13 extent, you know, first of all, most of the senior
14 executives in the finance organization are always
15 open to the, you know, to the rating agencies to the
16 extent they have questions. But, you know, to the
17 extent that there would be data requests, I may
18 have -- at that point I may have facilitated the data
19 request and then, you know, provided them to senior
20 management to review. You know, put together
21 presentations, you know, just be available for them
22 to ask questions and to circulate the responses.

23 Q. Would you have had meetings perhaps with
24 the rating agencies at times to discuss issues or
25 make presentations as well?

1 A. Yes.

2 Q. And those would have been meetings that
3 you would attend along with others at AEP?

4 A. Not always. I mean, generally I would
5 attend but, you know, if it was a high-level meeting
6 and the CFO or senior management had already been in
7 New York, then they probably would have just gone to
8 meet with them already. Some of the meetings I did
9 attend.

10 Q. And are those regularly scheduled
11 meetings or are they just meetings as requested?

12 A. Yes.

13 Q. Which would they be? Would they be
14 meetings that are regularly scheduled meetings?

15 A. Generally speaking, the rating agencies
16 do want us to do a sit-down every year with the
17 companies that they rate. You know, as well they may
18 have other reasons that they want to speak with you
19 so there may be ad hoc meetings also.

20 Q. Now, you indicate that you did that for
21 that period of time starting in 2001 and then now you
22 have a different -- you have a different position.
23 Do you still engage in the same type of activities
24 where you support the rating agency relationships?

25 A. Yes. I had a period where I was not

1 involved with the rating agency relationship, but for
2 the last couple years I've been involved with that
3 again.

4 Q. Now, let's go to your testimony at page 5
5 and specifically I want to go to lines 9 through 10.
6 And there you indicate that it's the company's
7 intention for AEP Ohio's ratings to remain stable or
8 to improve post-corporate separation. Do you see
9 that?

10 A. Yes.

11 Q. And then you state a little further on
12 down that you are targeting a capital -- you have
13 targeted a capital structure of 52 percent long-term
14 debt and 48 percent equity. Do you see that?

15 A. Yes.

16 Q. And that represents a change from the
17 current capital structure of 43 percent debt and
18 57 percent equity?

19 A. Yes.

20 Q. Okay. All other things being equal will
21 this, Ms. Hawkins, lower the cost of capital to the
22 company?

23 A. Just reducing the equity to a lower
24 percentage will reduce the cost of capital.

25 Q. And that's because the debt is a lower

1 cost than the equity, correct?

2 A. Correct.

3 Q. Now, on page 5, lines 17 through 23, you
4 make reference to an action by Moody's on November
5 7th where they placed most of the U.S. regulated
6 utilities on review for an upgrade.

7 A. Yes.

8 Q. Do you have that, a copy of that article
9 with you? Did you bring that with you?

10 A. I did not bring that article with me.

11 Q. But are you familiar in general with that
12 article?

13 A. Yes.

14 Q. Is it your understanding that AEP, Inc.
15 was placed on review for an upgrade at that
16 particular point in time?

17 A. Yes.

18 Q. Would you agree with me that, according
19 to Moody's, that Ohio operations have historically
20 been very important to AEP, Inc.'s earnings?

21 A. I'd have to see where Moody's said that.
22 It wouldn't surprise me.

23 Q. Now, you mentioned in your testimony that
24 most of the U.S. regulated utilities were placed on
25 review with limited exceptions including the Ohio

1 electric utilities. Can you tell me what other
2 exceptions there were to placing the regulated
3 utilities on review for an upgrade?

4 A. Well, what I note in my testimony is
5 there were exclusions with utilities with substantial
6 construction programs those, were on negative
7 outlet -- sorry, negative outlook or under downward
8 pressure.

9 Q. I guess I was looking for, and I do, I
10 have questions about those, but do you know in
11 particular what other regulated utilities would not
12 have been placed on review for an upgrade?

13 A. I don't recall who was on negative
14 outlook at the time but, you know, but generally the
15 utilities that have a lot of, you know, merchant risk
16 were not placed on positive outlook.

17 Q. Okay. Now, when it says on review for an
18 upgrade, they're saying that they will look at it to
19 determine whether or not the ratings would be
20 upgraded so it would be a positive event for a
21 utility, correct?

22 A. Yeah. When they -- yes.

23 Q. And did they also place utilities on
24 review for a downgrade as well?

25 A. Yes.

1 Q. Now, you say that the Ohio utilities were
2 not placed on review for an upgrade. Are there other
3 Ohio electric utilities that you're referring to
4 beyond Ohio Power and Columbus Southern Power?

5 A. At the time the action was taken FRR from
6 Moody's I believe none of the -- none of the Ohio
7 utilities had been placed on review for upgrade so
8 that would include the FirstEnergy subsidiaries, the
9 AEP subsidiaries, I believe as well as, you know,
10 Dayton Power and Light and the -- I don't recall in
11 the Duke, but I believe the Duke ones were also off
12 that -- kept off that list.

13 Q. Now, you reference in the lines below,
14 and you talked about this briefly, that the article
15 noted that there were exclusions for utilities with
16 substantial construction programs. Do you see that?

17 A. I do.

18 Q. And does that factor apply to Ohio Power?

19 A. No.

20 Q. Okay. You also indicate that their
21 exclusions include the utilities that were currently
22 nonnegative outlook. Did that condition include Ohio
23 Power or AEP? I'm sorry, Ohio Power.

24 A. It did not.

25 Q. And then you indicate as a factor that

1 utilities that were excluded from the re -- on review
2 for an upgrade were under downward pressure. Does
3 that apply to Ohio Power?

4 A. No.

5 Q. And then, finally, well, not finally,
6 then you indicate, and it follows over to page 6,
7 utilities that were characterized by material
8 concentration or event risk. Do you see that?

9 A. Yes.

10 Q. Can you tell me what you mean there by
11 "material concentration or event risk"?

12 A. Well, the -- I paraphrased what the
13 article said in that section so, you know, I think my
14 understanding would be that they would be looking
15 for, you know, is the rating action specific because
16 they're looking is there a merger in the works, are
17 they -- you know, are they in the process of
18 completing a major construction project. So, you
19 know, is there one specific event that, you know,
20 that could change the credit profile of the utility.

21 Q. And is that a factor that Ohio Power --
22 would have applied to Ohio Power?

23 A. In my opinion, and in discussions with
24 the rating agencies, what they're looking for is, you
25 know, execution of the -- because this was -- they

1 were on -- the rating actions had taken place in
2 November. What they're looking for was execution of
3 corporate separation for Ohio and then as well, you
4 know, recovery of our deferred expenses. So they're
5 looking for, you know, effectively Ohio Power to, you
6 know, for those actions to occur.

7 Q. And the corporate separation then did
8 occur at the end of the year, December 2013, correct?

9 A. Correct.

10 Q. And the recovery of deferrals has not
11 occurred yet?

12 A. Some of them are in the process of
13 recovering and some of them, you know, have yet to
14 start.

15 Q. And the next factor that you list is that
16 utilities that were facing market or regulatory risks
17 specific to their particular jurisdictions. Is that
18 a factor that applies to Ohio Power?

19 A. Yeah, I would say that's what we just
20 discussed.

21 Q. And then, finally, there is a factor that
22 you said where utilities are part of a corporate
23 family that has significant nonutility operations.
24 Is that a factor that applies to Ohio Power?

25 A. Not in my opinion.

1 Q. And then you come to the conclusion that
2 with the exclusion of Ohio utilities from their
3 review for an upgrade it is clear from Moody's
4 perspective that there are still execution risks on
5 Ohio utilities transitioning to wires-only business.
6 Do you see that?

7 A. Yes.

8 Q. Can you tell me how long, in your
9 opinion, the exit -- there will be in Moody's
10 perspective execution risks on Ohio Power's
11 transitioning to a wires-only business? If you know.

12 A. I don't think I can, you know, say with
13 certainty what the timeline would be. You know, what
14 they're looking for I think is consistency in, you
15 know, decisions and policy at the state level and I
16 think if they see that and the utility's getting
17 regulatory recovery, you know, at that point in time
18 they would revisit it.

19 Q. Now, you indicated earlier to Mr. Darr
20 that AEP, Inc. was upgraded from -- and now has a Baa
21 2 rating; is that correct?

22 A. And now last a Baa 1 rating. So the
23 rating scale for Moody's, the lowest investment grade
24 is Baa 3. And then in the BBB range you have Baa 3,
25 Baa 2 is the middle, and then Baa 1, and from there

1 you go into the A-rated utilities. So they went from
2 Baa 2 to Baa 1.

3 Q. Since the filing of your testimony has
4 Moody's downgraded any of AEP, Inc.'s subsidiaries
5 including Ohio Power?

6 A. No.

7 Q. So your statement on lines 17 through 18
8 remains true? Let me find what page that statement
9 was on.

10 A. On page 5.

11 Q. Thank you. So the statement on page 5
12 that Ohio Power's credit ratings are listed as stable
13 by both Moody's and S&P remain true today?

14 A. It is true today.

15 Q. Are you familiar with a credit opinion of
16 Moody's issued in April -- on April 7th of 2014?

17 A. For which company?

18 Q. For Ohio Power.

19 A. Yes, I have this in front of me.

20 Q. And are you aware that within that
21 document Moody's noted that there was a low-risk for
22 the regulated transmission and distribution business
23 of Ohio Power?

24 A. Do you have a page number?

25 Q. I'm going to try to locate that.

1 Generally, Ms. Hawkins, I'm referring to the
2 discussion where they title it "consolidating into a
3 lower-risk transmission and distribution utility."
4 Would you -- if you'd take a look at that and review
5 that. Could you, please.

6 A. Yeah. They have it and they don't
7 actually number their credit opinions, but they have
8 a section where they say OPG's T and D business is
9 expected to have better credit ratings compared to
10 precorporate separation. They also go on to how
11 long, that a prolonged period of recovery costs
12 associated with any other riders and trackers under
13 Ohio Power's ESP plans would be credit negative as
14 the association -- associate securities agent burden
15 would remain in its balance sheet longer.

16 Q. So Moody's found in the credit rating
17 report that transmission and distribution businesses
18 expected to have better credit ratings compared to
19 precorporate separation?

20 A. Yes.

21 Q. They also found that they generally
22 review the business risk of a transmission and
23 distribution as lower than that of a vertically
24 integrated utility because the more limited
25 activities result in greater certainty of cash flows,

1 a credit positive?

2 A. Correct.

3 Q. Thanks.

4 Let's go to page 8 of your testimony.

5 We're going to switch subjects for a moment. Now, in
6 page 8 of your testimony you discuss a weighted
7 average cost of capital of 10.86. Do you see that
8 reference? And that would be lines 21 and 22.

9 A. Yes.

10 Q. And, Ms. Hawkins, the weighted cost of --
11 the weighted average cost of capital would include an
12 equity return, correct?

13 A. Yes.

14 Q. And can you tell me what equity return is
15 included in the 10.86 weighted average cost of
16 capital?

17 A. The cost of equity was provided by
18 Witness Avera and he used a rate of 10.65 percent.

19 Q. Thank you.

20 Now, can you tell me, are you aware or
21 familiar with the long-term cost of debt of the
22 company?

23 A. Yes.

24 Q. And can you tell me what that long-term
25 cost of debt for the company is?

1 A. It's 6.05 percent.

2 Q. Thank you.

3 Now, on page 10 of your testimony you
4 begin discussing whether or not -- or on page 10 of
5 your testimony you begin to discuss WACC, W-A-C-C,
6 weighted average cost of capital, being used for
7 riders. Do you see that reference?

8 A. Yes.

9 Q. And on page 10, lines 16 through 18, the
10 question is posed: "Is long term debt rate
11 appropriate for riders over multiple years?" Do you
12 see that?

13 A. Yes.

14 Q. And you conclude it is not, correct?

15 A. Correct.

16 Q. And you state there that WACC is
17 appropriate on riders that have, one, a capital
18 expense component or, two -- and, two, those that are
19 booked as a regulatory asset, correct?

20 A. Correct.

21 Q. And can you tell me with respect to the
22 riders that are being proposed in this case which
23 riders have both of the above?

24 A. The distribution investment rider does
25 have both and that was addressed in Witness Moore's

1 testimony. To the extent that there is a NERC --
2 there is a capital component to the NERC and
3 cybersecurity rider, we would like for a return on
4 the capital in that investment.

5 To the extent, you know, there's a major
6 storm and recovery does not make sense over the
7 course of one year, we would look for a weighted
8 average cost of capital for any of those costs that
9 would exceed a year or, you know, from, you know,
10 basically major storm damage under that rider.

11 On page 13 of my testimony I reference
12 that we would like the continuation of the capital
13 carrying charge for the gridSMART rider, the capital
14 component of the vegetation management rider, and I
15 already addressed the capital component of the NERC
16 rider.

17 Q. Just to be clear, you are saying that all
18 the riders that you mentioned have both a capital
19 expense component and are booked as a regulatory
20 asset.

21 A. They are one or the other.

22 Q. Or. Okay. It's an either-or.

23 A. Correct.

24 Q. Now, going back to page 10 of your
25 testimony on lines 16 through 26, you begin speaking

1 of the company's ESP case and you talk about
2 Commission precedent. Do you see that discussion?

3 A. Yes.

4 Q. And specifically you speak of PUCO
5 precedent that the return on a regulatory asset
6 should be -- let me strike that.

7 You begin on line 20 talking about the
8 last ESP case and there you reference the Case
9 No. 11-4920-EL-RDR and 11-4921-EL-RDR. You're aware
10 that that is not the company's last ESP case,
11 correct? Those are not the case numbers for their
12 ESP case.

13 A. I thought I had the right references.
14 I'll have to...

15 Q. Would you accept, subject to check, that
16 the company's last ESP case is 11-346-EL-SSO?

17 A. Yeah.

18 Q. Now, I want to focus on your -- what you
19 are characterizing as the order in that case, and you
20 say there that the Commission agreed with the staff
21 that the return should be based on long-term debt due
22 to lingering recession, Commission precedent, and
23 because the risk of noncollection is significantly
24 reduced once collection begins. Do you see that?

25 A. Yes.

1 Q. Can you tell me what Commission precedent
2 you're talking about there?

3 A. No, I can't recall the specific ones.

4 Q. Would that be Commission precedent that
5 was contained in the Commission's order? Was it
6 listed in the Commission's order, if you know?

7 A. Yeah, I'd have to go back and review it.
8 I apologize.

9 Q. Well, are you aware of any other
10 Commission -- or, are you aware of any Commission
11 precedent as we sit here today that -- of the
12 Commission -- the Commission determining that the
13 return should be based on long-term debt?

14 A. I mean, you know, that was for the -- for
15 the prior ESP that, you know, long-term debt was
16 applied to some of the regulatory assets.

17 Q. Is there any other Commission precedent
18 that you're aware of on that subject?

19 A. You know, I just, I'm sorry, I can't
20 recall.

21 Q. Are you familiar, Ms. Hawkins, with the
22 PUCO's order in that 11-4920-EL-RDR case?

23 A. Not at this point in time. I mean, I
24 have looked at it at one point.

25 Q. Are you familiar with the company's

1 arguments that they made in that case with respect to
2 whether or not the carrying costs should be based on
3 the weighted average cost of capital?

4 MR. CONWAY: Could we -- excuse me. Just
5 for clarification so the witness and the rest of us
6 can follow along with the cross-examination, when you
7 are referencing the 4920 and the 4921-EL-RDR cases,
8 could you give the case name so that we know which
9 cases you're talking about?

10 MS. GRADY: Certainly. I've actually got
11 copies of the opinion and order if that would help.

12 MR. CONWAY: Well, I don't know whether
13 that's necessary or not, that's up to you, but as far
14 as discussing with the witness the case number, I
15 think it will be a little more helpful --

16 MS. GRADY: Certainly. I'm sorry.

17 For the record, your Honors, to help
18 clarify the record, Case No. 11-4920-EL-RDR and Case
19 No. 11-4921-EL-RDR were consolidated cases, the case
20 caption on that case is In the Matter of the
21 Application of Columbus Southern Power for Approval
22 of a Mechanism to Recover Deferred Fuel Costs Ordered
23 Under Section 4928.144, Ohio Revised Code.

24 MR. CONWAY: So that would be the
25 phase-in recovery rider cases; is that what that is?

1 MS. GRADY: I believe that's what it's
2 referred to, yes.

3 I'm sorry. I'm not sure I had a question
4 or answer, I've lost track.

5 (Record read.)

6 Q. And did you -- I'm not sure that you
7 answered.

8 A. I mean, I'd like to see -- I would like
9 to see what, you know, what was said but broadly
10 speaking, I mean, I know what arguments we would have
11 made.

12 Q. Would you -- are you aware that the
13 company's argued in that case that the carrying
14 charge should be based on the weighted average cost
15 of capital versus the long-term cost of debt?

16 A. Yes.

17 Q. Now, are you also aware, Ms. Hawkins,
18 that the company argued that if the long-term debt
19 rate is used for the -- was used for the deferred
20 cost rider, that a portion of the debt should be
21 excluded from the weighted average cost of capital
22 for the other assets?

23 A. I don't remember the specifics.

24 MS. GRADY: May I approach?

25 EXAMINER SEE: Yes.

1 MS. GRADY: At this time, your Honor, I'm
2 not going to mark the opinion and order as an exhibit
3 but I would like to have the witness take a look at
4 that. I believe I will be asking for administrative
5 notice to be taken of that opinion and order.

6 Q. Ms. Hawkins, if I could direct your
7 attention to page 8 of that -- of the opinion and
8 order and have you take a look at that and then see
9 if you can answer my question. And my question was:
10 Are you aware that the company argued there that if
11 the long-term debt rate is used for the deferred cost
12 rider, that a portion of the debt should be excluded
13 from WACC for the other assets.

14 A. I see that on page 8.

15 Q. And are you also aware, Ms. Hawkins, that
16 the PUCO rejected that argument when they adopted the
17 long-term cost of debt for the carrying charges?

18 A. Yes, I think I was.

19 Q. Now, that is the same argument that you
20 present on your testimony on page 11, lines 1 through
21 6?

22 A. It is.

23 Q. Now, if the PUCO were to adopt your
24 recommendation, provided that it ordered the carrying
25 charges at long-term debt, is it your opinion that

1 that would raise the cost of capital? And by "your
2 recommendation" I'm taking about your recommendation
3 on page 11, lines 1 through 3.

4 MR. CONWAY: Just a second. I have a
5 soft objection here. I don't quite understand the
6 question.

7 MS. GRADY: Okay.

8 MR. CONWAY: You had in the question the
9 premise that she's -- that the PUCO's adopting her
10 recommendation which is a full WACC rate on
11 deferrals --

12 MS. GRADY: No. I'm sorry, I misspoke
13 then. Thank you, Mr. Conway, I do appreciate a nice
14 clean record, just like everyone else does.

15 Q (By Ms. Grady) Let me withdraw my
16 question and ask it again.

17 If the Commission determines that a
18 long-term debt rate is an appropriate rate for a
19 rider, for the rider, you recommend on the top of
20 page 11, lines 2 through 3, that a portion of the
21 debt should be excluded from the WACC for other
22 assets. Do you see that?

23 A. Yes.

24 Q. Okay. And so my question is if your
25 recommendation was adopted there and we're assuming,

1 again, that the Commission determines long-term debt
2 is the appropriate rate, would that raise the cost of
3 capital?

4 A. It would do two things. You know, one,
5 it would recognize that, you know, a long-term debt
6 rate isn't just a rate, it's a rate of, you know,
7 it's something, it's money that we went and raised.
8 So, you know, we raise both debt and equity to
9 finance our operations. So it would recognize that
10 debt, you know, that it's not just a number, it
11 relates to actual bonds that were issued.

12 So it would, you know, recognize that you
13 were raising capital by pulling it out and
14 identifying that that capital is being used for this
15 asset and at the same time it would raise the overall
16 cost of the weighted average cost of capital. But at
17 that point you're matching assets and liabilities.

18 Q. Do you know how much it would raise the
19 cost of capital if your recommendation was adopted
20 and the Commission determined that a long-term debt
21 rate was the appropriate rate for a rider?

22 A. I haven't done that math.

23 MS. GRADY: Thank you, Ms. Hawkins,
24 that's all the questions I have.

25 Thank you, your Honor.

1 EXAMINER SEE: Mr. Parram?

2 MR. PARRAM: No questions, your Honor,
3 thank you.

4 EXAMINER SEE: Redirect, Mr. Conway?

5 MR. CONWAY: Your Honor, we have no
6 redirect for Ms. Hawkins, however, there was a
7 question or two -- there was a question or two that I
8 think one of your Honors had for --

9 EXAMINER SEE: Speak up, Mr. Conway.

10 MR. CONWAY: -- regarding the impact of
11 additional deposits on the POR program.

12 EXAMINER SEE: Yes, I had a question
13 about that.

14 MR. CONWAY: It was your Honor's question
15 that was raised earlier and I think that we indicated
16 that Ms. Hawkins might be able to provide some
17 additional information regarding that area. So she's
18 available to do that, but I have no redirect
19 questions.

20 EXAMINER SEE: Okay.

21 THE WITNESS: Do you want me to cover the
22 question that I understand had been asked at that
23 point to Witness Moore?

24 EXAMINER SEE: The question about the --
25 whether you have any idea about the number of

1 customers or the amount of -- let's start with the
2 number of customers that might be required to make an
3 additional deposit to AEP Ohio if the POR program is
4 implemented.

5 THE WITNESS: As of year end 2013, of the
6 380,000 customers that had switched, 50,218 are
7 customers that we have deposits with. So
8 approximately 50,000 customers are ones that we hold
9 deposits on their wires charges already.

10 EXAMINER SEE: So if the POR program is
11 implemented, would there be an additional deposit
12 required of the customers that have -- are presently
13 receiving service from CRES providers?

14 THE WITNESS: We would have to look at a
15 method of addressing that. We can look at, to the
16 extent that the CRESSs already have collected
17 deposits, we could look at transferring those
18 deposits from the CRESSs to Ohio Power, you know, or
19 those deposits could be refunded and we could
20 re-collect. So there probably, you know, there would
21 have to be a mechanism, you know, and maybe
22 transferring the deposits that have already been
23 undertaken.

24 To the extent we need to collect deposits
25 because they're not new customers, you know, there

1 would be, you know, we could look at collecting the
2 deposit over a period of three months versus
3 collecting it all at once.

4 EXAMINER SEE: Thank you, Miss Hawkins.
5 You can step down.

6 Mr. Conway.

7 MR. CONWAY: Thank you, your Honor. At
8 this time I would move for the admission of AEP Ohio
9 Exhibit 17.

10 EXAMINER SEE: Any objections?

11 (No response.)

12 EXAMINER SEE: Hearing none, AEP Ohio
13 Exhibit 17 is admitted into the record.

14 (EXHIBIT ADMITTED INTO EVIDENCE.)

15 MS. GRADY: Your Honor, may I request
16 administrative notice be taken of the finding and
17 order in Case No. 11-4920 dated August 1st, 2012?

18 EXAMINER SEE: Yes.

19 MS. GRADY: Thank you.

20 MR. CONWAY: Your Honors, just to be
21 complete on that topic could we also take
22 administrative notice of the subsequent entry on
23 rehearing in that same proceeding?

24 EXAMINER SEE: Yes, administrative notice
25 of that entry on rehearing will also be taken by the

1 Bench.

2 AEP, your next witness.

3 MR. NOURSE: Thank you, your Honor. The
4 company calls Thomas Mitchell.

5 EXAMINER SEE: Mr. Mitchell, if you would
6 please raise your right hand.

7 (Witness sworn.)

8 EXAMINER SEE: Thank you. Have a seat.

9 - - -

10 THOMAS E. MITCHELL

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. Good afternoon, Mr. Mitchell.

16 A. Good afternoon, Mr. Nourse.

17 Q. Mr. Mitchell, can you state your name for
18 the record.

19 A. It's Thomas E. Mitchell.

20 Q. By whom are you employed and in what
21 capacity?

22 A. American Electric Power Service
23 Corporation, Managing Director of Regulatory
24 Accounting Services in Columbus, Ohio.

25 Q. Thank you.

1 Did you prepare and direct the filing of
2 testimony in this case on December 20th, 2013?

3 A. Yes, sir.

4 Q. Okay.

5 MR. NOURSE: Your Honor, I'd like to mark
6 that testimony as AEP Ohio Exhibit No. 18.

7 EXAMINER SEE: So marked.

8 MR. NOURSE: And we provided it to the
9 court reporter.

10 (EXHIBIT MARKED FOR IDENTIFICATION.)

11 Q. Mr. Mitchell, do you have the testimony,
12 written testimony, in front of you that we marked
13 Exhibit 18?

14 A. Yes, sir.

15 Q. Do you have any corrections, additions,
16 or changes to make to this testimony?

17 A. No, sir.

18 Q. Okay. This testimony is prepared by you
19 or under your direction?

20 A. Yes.

21 Q. If I were to ask you the same questions
22 here today, would your answers be the same?

23 A. Yes.

24 MR. NOURSE: Thank you.

25 Your Honor, I'd move for admission of

1 AEP Ohio Exhibit No. 18 subject to cross-examination.

2 EXAMINER SEE: Mr. Dougherty?

3 MR. DOUGHERTY: No questions, your Honor.

4 EXAMINER SEE: Mr. Casto?

5 MR. CASTO: No questions, your Honor.

6 EXAMINER SEE: Ms. Bojko?

7 MS. BOJKO: No questions.

8 EXAMINER SEE: Mr. Kurtz?

9 MR. KURTZ: No questions, your Honor.

10 EXAMINER SEE: Ms. Mooney?

11 MS. MOONEY: No questions, your Honor.

12 EXAMINER SEE: Mr. Darr?

13 MR. DARR: Just one area that we need to
14 clear up from this morning, your Honor.

15 - - -

16 CROSS-EXAMINATION

17 By Mr. Darr:

18 Q. Good afternoon, Mr. Mitchell.

19 A. Good afternoon, Mr. Darr.

20 Q. This morning we were trying to track
21 through the bad debt expense and do you recall that
22 conversation between Mr. Pritchard and I believe
23 Ms. Moore?

24 A. Yes.

25 Q. I believe we've already established that

1 the bad debt expense was identified as being in a
2 426.5 FERC account. Do you recall that?

3 A. Yes, sir.

4 Q. When we pulled the FERC system of
5 accounts, 426.5 is part of a set that's identified as
6 Reserved and also indicates that it's a non --
7 expense items which are nonoperating in nature. Are
8 you familiar with this account description?

9 A. Yes.

10 Q. Can you explain how an item which is
11 identified as bad debt expense falls into an area
12 which under the FERC system of accounts is identified
13 as Other Deductions?

14 A. Yes. This particular below-the-line
15 account, 426.50, is a FERC uniform system of account.
16 Prior to our merger with Central and South West they
17 used that account only for FERC reporting, not for
18 ratemaking or SEC reporting, but they did that based
19 on a conversation with an auditor of the FERC and
20 when he was there, he indicated that because it was
21 related to financing, that it should be below the
22 line for FERC reporting, but, again, that doesn't
23 have any significance for ratemaking or SEC
24 reporting.

25 Q. So for purposes of Ohio ratemaking, is

1 this treated as an above-the-line account?

2 A. Yes, sir. And that's why some of the
3 witnesses have been talking about the 12.2 million
4 that's in base rates in Ohio.

5 Q. So there's a discrepancy between the
6 system of accounts, the FERC system of accounts which
7 is treated as a below-the-line item --

8 A. Right.

9 Q. -- and the Ohio accounting which for
10 purposes of the last rate case 426.5 is treated as an
11 above the line.

12 A. That's right, exactly right.

13 Q. Very good.

14 MR. DARR: Thank you.

15 EXAMINER SEE: Is that all you have,
16 Mr. Darr?

17 MR. DARR: Yes, ma'am.

18 EXAMINER SEE: Ms. Grady?

19 MS. GRADY: Thank you, your Honor, no
20 questions.

21 MR. DARR: I'm sure there's going to be
22 massive redirect, right?

23 MR. SATTERWHITE: Challenge accepted.

24 MR. NOURSE: Staff passes?

25 EXAMINER SEE: No, staff hasn't passed

1 yet.

2 MS. GRADY: If they don't pass, they're
3 going to be in trouble.

4 MR. PARRAM: It does look nice out. No
5 questions, your Honor.

6 MR. NOURSE: Amazing how efficient we are
7 on Friday afternoon.

8 EXAMINER SEE: Mr. Nourse.

9 MR. NOURSE: No redirect, your Honor.

10 EXAMINER SEE: Okay.

11 MR. NOURSE: Unless the Bench has
12 questions --

13 EXAMINER SEE: The Bench does not.

14 MR. NOURSE: -- I renew my motion for
15 admission of AEP Exhibit 18.

16 EXAMINER SEE: Are there any objections
17 to AEP Exhibit 18?

18 (No response.)

19 EXAMINER SEE: AEP Exhibit 18 is admitted
20 into the record.

21 (EXHIBIT ADMITTED INTO EVIDENCE.)

22 EXAMINER SEE: Thank you very much,
23 Mr. Mitchell.

24 THE WITNESS: Thank you.

25 EXAMINER SEE: Let's go off the record

1 for a minute.

2 (Discussion off the record.)

3 EXAMINER SEE: Let's go back on the
4 record. Hearing is adjourned for today. Starting on
5 Monday at 9 a.m. we'll start with Mr. Avera and move
6 two staff witnesses up until we determine whether or
7 not they can be stipulated into the record, that's
8 Mr. Willis and Mr. Benedict. In addition, staff will
9 be circulating an e-mail to the intervenors, to all
10 the parties in the case, requesting whether or not
11 they have any cross-examination for Staff Witnesses
12 Schaefer, Staff Witness Snider, and Staff Witness
13 Willis so that the possibility of stipulating their
14 testimony into the record can be determined.

15 If there's nothing further, we're
16 adjourned for the day.

17 (Thereupon, the hearing was adjourned at
18 4:23 p.m.)

19 - - -

1230

CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by me in this matter on Friday, June 6, 2014, 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, 2016.
(75743-MDJ)

- - -

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in

Case No(s). 13-2385-EL-SSO, 13-2386-EL-AAM

Summary: Transcript in the matter Ohio Power Company hearing - Volume III held on
06/06/14