BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Revised Code, in the Form of an Electric Security Plan.	Case No. 13-2385-EL-SSO
In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority.	Case No. 13-2386-EL-AAM

- - -

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 Wednesday, June 11, 2014.

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VOLUME VII

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1 Wednesday Morning Session,
2 June 11, 2014.
3 - - -
4 EXAMINER PARROT: Let's go back on the
5 record. Let's begin with brief appearances starting
6 with Ohio Power Company and we'll work our way around
7 the table then.
8 MR. NOURSE: Thank you, your Honor. On
9 behalf of Ohio Power Company, Steven T. Nourse,
10 Matthew J. Satterwhite, Daniel R. Conway.
11 MR. SERIO: Good morning, your Honor. On
12 behalf of the residential customers, Maureen Grady,
13 Joseph Serio, and Tad Berger, please.
14 MR. YURICK: Good morning, your Honors.
15 Mark Yurick on behalf of the Kroger Company.
16 MR. PRITCHARD: Good morning, your
17 Honors. On behalf of IEU-Ohio, Matt Pritchard and
18 Frank Darr.
19 MR. MARGARD: On behalf of the Commission
20 staff, Devin Parram, Werner Margard, Katherine
21 Johnson.
22 MR. K. BOEHM: Good morning, your Honors.
23 Kurt Boehm on behalf of the Ohio Energy Group.
24 MS. MOHLER: On behalf of OMA, Mallory
25 Mohler, Kimberly Bojko, and Rebecca Hussey.

MR. CASTO: On behalf of FirstEnergy Solutions Corp., Scott Casto, Jacob McDermott, and Mark Hayden.

MR. CLARK: On behalf of Direct Energy Services, LLC and Direct Energy Business, LLC, Joseph M. Clark.

MR. PETRICOFF: On behalf of Constellation NewEnergy, Exelon Generation Company, LLC, and Retail Energy Supply Association, Howard Petricoff, Steve Howard, and Gretchen Petrucci.

MR. WILLIAMS: Good morning, your Honors, on behalf of IGS, Mark Whitt, Andrew Campbell, and Gregory Williams.

EXAMINER PARROT: Any other counsel present who wish to make an appearance?

(No response.)

EXAMINER PARROT: All right, thank you.

Mr. Petricoff, I believe you have our next witness today?

MR. PETRICOFF: Yes, your Honor, thank you. At this time I'd like to have two documents marked. The first would be the direct prepared testimony of Lael Campbell on behalf of Constellation NewEnergy and Exelon Generation, LLC which I'd like to have marked as Constellation Exhibit No. 1.

EXAMINER PARROT: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MR. PETRICOFF: The second is the direct testimony of Lael Campbell on behalf of the Retail Energy Supply Association, which I would ask to have marked as RESA No. 1.

EXAMINER PARROT: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MR. PETRICOFF: Then, your Honor, we would be prepared to put Mr. Campbell on the stand. I would like to indicate for the record that our intention was to put into evidence at this time both the RESA testimony and the Constellation testimony. If in fact there's a need to sort out which view is which, we'll take that up in redirect, but that might be the most expeditious way to handle it.

EXAMINER PARROT: I agree. Thank you.

MR. PETRICOFF: With that, your Honor, we'd like to call Mr. Campbell to the stand.

EXAMINER PARROT: Please raise your right hand.

(Witness sworn.)

EXAMINER PARROT: Very good.

Mr. Petricoff.

- - -

LAEL CAMPBELL

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

DIRECT EXAMINATION

By Mr. Petricoff:

Q. Good morning, Mr. Campbell. Could you please state your name and business address for the record.

A. Lael Eliot Campbell, 101 Constitution Avenue, Washington, DC.

Q. And on whose behalf do you appear here today?

A. I appear here today on behalf of Constellation NewEnergy, Exelon Generation Company, and the Retail Electric Supply Association.

Q. And do you have with you on the Bench copies of the two exhibits we've just had marked Exelon -- I'm sorry, Constellation Exhibit No. 1 and RESA Exhibit No. 1?

A. I do.

Q. Are there any changes or amendments that need to be made to those documents?

A. Yeah, the one correction I noticed was in my bio up front is my college graduation date is incorrect. It currently indicates "1990," and I

graduated in 1994.

Q. And that would be on, let's see, on the Constellation exhibit page 2, line 16?

A. Yes.

Q. And then are there any changes to the RESA testimony?

A. It would be the same change.

Q. And are all your library fees paid for in college?

A. I didn't spend much time in the library in college unfortunately.

Q. You truly earned your degree.

MR. PETRICOFF: With that, your Honor, the witness is available for cross-examination.

EXAMINER PARROT: Thank you.

Mr. Williams.

MR. NOURSE: Your Honor, if I might, I have voir dire if I can be permitted to -- I have a few questions here.

- - -

VOIR DIRE EXAMINATION

By Mr. Nourse:

Q. Mr. Campbell, good morning. Steve Nourse for Ohio Power. We met at your deposition.

So are you providing legal advice

1 concerning Ohio law to your corporate clients in
2 connection with this case?
3 A. I am not.
4 Q. And are you acting as a lawyer for
5 purposes of presenting your testimony?
6 A. I am not.
7 Q. Okay. Do you practice law in your
8 current position with Exelon?
9 A. I do not.
10 Q. And with reference to your Exelon
11 testimony, I want to ask you a couple additional
12 questions about page 23, the answer that begins on
13 line 1, it carries over to page 24 on line 4. Do you
14 see that passage?
15 A. Yes, I do.
16 Q. And are there parts of this answer that
17 you independently developed, or are you incorporating
18 and repeating advice of counsel in this answer?
19 A. The purpose of this section is to kind of
20 highlight a concern that we had. The bulk of this
21 section does contain, you know, information that I
22 obtained from my counsel.
23 Q. So other than highlighting the issue
24 which is the overall purpose of the section, it's
25 just setting forth some of the legal background you

1 received from your counsel; is that correct?
2 A. I think that's a fair characterization,
3 yes.
4 MR. NOURSE: Okay. Thank you, your
5 Honor. So I'd like to outline a motion to strike.
6 The first passage is page 13 and the sentence -- and
7 all of this deals with the Exelon testimony.
8 Page 13, lines 5 through 7, the sentence
9 that begins "AEP" at the end of line 5, carries
10 through line 7. This contention is asserting a
11 statutory violation. He's indicated that he's not
12 submitting testimony as an attorney, giving legal
13 advice, or asserting legal conclusions in his
14 testimony, and I don't believe he's licensed in Ohio
15 at all. And for purposes of this statement I think
16 Mr. Campbell has to be treated as a nonattorney, for
17 purposes of this statement under Ohio law. And he's
18 referencing, you know, back to 4928.02(H) in that
19 passage.
20 The second motion to strike is page 13 as
21 well, line 22, I would just strike the phrase
22 "contrary to Ohio law," so the rest of the sentence
23 could remain. This is a cursory unsupported legal
24 conclusion that contains no "advised by counsel"
25 statement. It is not made for context or background

1 and making a separate policy factual argument, it's
2 simply a legal assertion.
3 The third part of the motion to strike,
4 your Honor, is the answer on page 23 beginning on
5 line 1 carrying over to page 24, line 4. This entire
6 discussion is legal argument. While it contains
7 three separate "advised by counsel" statements, the
8 argument is not made for context or background. It
9 stands alone as a separate discussion of a legal
10 argument and -- which is presented by counsel through
11 this witness's testimony.
12 He admitted that it's just highlighting
13 an issue, which is a legal issue that Exelon wants to
14 advance in this case, and he's just setting forth
15 advice, repeating advice from counsel. So he doesn't
16 have any independent knowledge or basis to add
17 anything from his own testimony in this answer, so
18 the company requests that these passages be stricken
19 from Mr. Campbell's testimony. Thank you.
20 MR. PETRICOFF: Your Honor, I'll take
21 these separately because I think we have slightly
22 different defenses for each one of the three.
23 In regards to page 13, lines 5 through 7,
24 Mr. Campbell is an expert in regulatory law. He does
25 have experience in the regulation of electric

1 services throughout the country including in Ohio.
2 Generally we have allowed regulatory experts to talk
3 about the structure of a state's regulatory system
4 and that's really all that is going on here. He is
5 explaining about how distribution and transmission
6 costs are handled in Ohio.
7 Similarly, on page 13 on line 22,
8 "contrary to Ohio law," he is a lawyer so he -- even
9 if he is not offering legal opinions, he does have
10 some background on which to make that type of
11 statement and, once again, and I think the stronger
12 basis of the support is that he is a regulatory
13 expert and, therefore, generally the Commission has
14 given leeway for the regulatory experts to provide
15 their view as well on the construct of law, rules,
16 and tariffs.
17 Finally, on the section which begins at
18 the bottom of page 23 and runs through line 4 on page
19 24, Mr. Campbell's appearing today as the witness for
20 the Exelon Generation, LLC corp. and Constellation
21 NewEnergy. These are companies that are in the
22 wholesale and retail market and, as such, they have
23 to comply and have knowledge on the federal as well
24 as state provisions.
25 Because he is a spokesman for the company

he falls into the relaxation of the hearsay rule that we practice here in the Commission which allows someone to present the company position from work that they have not done directly. In this case that would include advice from -- from their FERC counsel.

In that regard, I think this serves an important part and should be left in the testimony because the testimony presents to the Commission sort of an outline of what the issues are. Certainly on brief we will go into detail, I'm sure, on the Edgar case precedent at FERC, that is something that is for brief, but highlighting the issue now and putting it before the Commission is a proper use of direct testimony. Thank you.

MR. NOURSE: Your Honor, if I could. Number one, the fact that Mr. Campbell is purported to be an expert in regulatory law doesn't change the fact that he's not licensed in Ohio. He indicated in voir dire that he is not presenting legal arguments, he's not acting as an attorney in his testimony. I asked him that very clearly and directly and he answered it very clearly and directly.

Furthermore, legal issues are not the proper subject of expert testimony, otherwise we could all get attorneys and get more attorneys to

1 testify and, you know, triple the length of this
2 hearing if we wanted to do that.
3 Briefing is the proper place to present
4 testimony, and the only appropriate use of legal
5 arguments in testimony is for context and background
6 to explain the context and the substantive policy or
7 factual or expert matters that are presented
8 appropriately in testimony.
9 So either he is or he isn't presenting
10 testimony, legal testimony. The witness says he
11 isn't, Mr. Petricoff says he is. And I think it's
12 inappropriate if he is presenting expert testimony on
13 legal matters.
14 Furthermore, these are not -- he's
15 addressing the ultimate legal issue on some of these
16 points and not, again, not context or background.
17 The fact that Exelon is an operator in the wholesale
18 power market is also beside the point. These are not
19 passing statements for context. The passage on pages
20 23 and 24 is purely a legal argument, purely
21 appropriate for brief, and it should not be the
22 subject of testimony. Thank you.
23 EXAMINER PARROT: All right. With
24 respect to the request to strike page 23 continuing
25 on to page 24, the first four lines, the motion to

1 strike is denied.
2 With respect to the request to strike on
3 page 13, lines 5 through 7, the request is also
4 denied.
5 We will, however, grant the request to
6 strike at line 22 on page 13 "contrary to Ohio law"
7 and the following comma.
8 Anything else, Mr. Nourse?
9 MR. NOURSE: No. Thank you, your Honor.
10 EXAMINER PARROT: Mr. Williams,
11 cross-examination?
12 MR. WILLIAMS: Thank you, your Honor, no
13 questions.
14 EXAMINER PARROT: Mr. Clark?
15 MR. CLARK: No questions, your Honor.
16 EXAMINER PARROT: Mr. Casto?
17 MR. CASTO: No questions.
18 EXAMINER PARROT: Ms. Mohler?
19 MS. MOHLER: No questions.
20 EXAMINER PARROT: Mr. Boehm?
21 MR. K. BOEHM: No questions.
22 EXAMINER PARROT: Mr. Darr. I'm sorry.
23 Mr. Pritchard?
24 MR. PRITCHARD: Yes, your Honor.
25 - - -

CROSS-EXAMINATION

By Mr. Pritchard:

Q. Good morning, Mr. Campbell.

A. Good morning.

Q. My name is Matt Pritchard and I represent the Industrial Energy Users of Ohio.

Turning to your Exelon testimony, you indicate that Exelon and Constellation support AEP's proposed nonbypassable transmission rider, correct?

A. We do. With the one suggested addition.

Q. And will you turn to page 30 specifically.

A. I'm there.

Q. And you indicate here that if AEP's proposed nonbypassable transmission rider is approved, AEP Ohio will provide and recover the costs of nonmarket-based transmission service from all its customers, correct?

A. Correct.

Q. And currently nonmarket-based transmission services are provided by CRES providers, correct?

A. That is my understanding, yes.

Q. At least to the shopping customers.

A. Yes.

1 Q. And CRES providers charge shopping
2 customers for nonmarket-based transmission services,
3 correct?
4 A. There's a number of different ways you
5 can handle that. You could make it into a fixed
6 rate, to the extent the supplier chooses to, a
7 supplier could bear that risk themselves and not make
8 it into a fixed rate, or you can make it a
9 pass-through for the nonmarket-based charge for the
10 contract with the customer. So there's a number of
11 ways to handle the charge or the potential charge.
12 Q. Okay. Let's go through each one of those
13 individually. If AEP's proposed nonbypassable
14 transmission rider is approved for the contracts that
15 mention -- that are a flow-through, would anything
16 need to be done to modify those contracts to ensure
17 that the shopping customer no longer pays the
18 nonmarket-based transmission charges?
19 A. I would say yes. And we've done
20 something similar in Pennsylvania with NITS. When
21 FirstEnergy Pennsylvania began covering NITS, we went
22 out and we changed our contracts with our customers
23 to essentially credit them, well, for the
24 pass-through example we would no longer pass through
25 those charges because they would be direct billed

with those charges instead.

Q. For a fixed contract, is that where you would come up with the credit that you just mentioned?

A. That is correct. For the other example in the fixed we would credit the customer on the bill any charge -- any NITS charges that were flowing through, now flowing through the utility.

Q. And if AEP -- if the Commission approves AEP Ohio's proposed nonbypassable transmission rider as part of this electric security plan, would -- let me back up.

Is Constellation the CRES provider and Exelon the wholesale power provider?

A. That's correct.

Q. And so if the Commission approves AEP's proposed nonbypassable transmission rider as part of this case, would Constellation modify its current fixed-price contracts to credit what has been removed from those customers' bills?

A. Based on the past precedent that I explained, I see no reason why we wouldn't. I think that would be consistent with what we've done in the past.

Q. Is Constellation committed to doing that

if the Commission does, in fact?

A. I don't think I'm in a position to bind the business but, I think, again, we have done that in the past. We're in the business of making our customers happy and doing the right thing by our customers so it would be, in my mind, good business to do that, yes.

MR. PRITCHARD: I have no further questions. Thank you.

THE WITNESS: Thank you.

EXAMINER PARROT: Mr. Yurick?

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

EXAMINER PARROT: Mr. Berger?

MR. BERGER: Thank you, your Honor.

- - -

CROSS-EXAMINATION

By Mr. Berger:

Q. Good morning, Mr. Campbell. My name is Tad Berger, I'm with the Consumers' Council's Office.

Mr. Campbell, regarding your testimony regarding the purchase of receivables program, would you agree with me that if AEP does not purchase supplier receivables, CRES suppliers will incur costs for credit and collection and for the bad debt of

1 some of their customers as well as carrying charges
2 on that bad debt?
3 A. That is correct.
4 Q. Would you agree with me that AEP's
5 proposal in this case would not impose those costs on
6 CRES suppliers but would charge them to all customers
7 on a nonbypassable basis?
8 A. Yes. The proposed bad debt rider is
9 without recourse, and it is a zero discount rate,
10 yes.
11 Q. Would you agree with me that that would
12 constitute a subsidy to CRES suppliers, their costs?
13 A. I'm struggling with the word "subsidy"
14 because when you think of a subsidy, you have to
15 think about who ultimately benefits and, yes, while
16 there will be some administrative and other risks
17 taken off of the CRES providers, there will also be a
18 benefit given to customers, and a broader range of
19 customers, by having a POR program.
20 And, ultimately, when you remove those
21 risks from the CRES providers, that will increase
22 competition and result in CRES providers lowering
23 their prices that they charge to customers because
24 those risks no longer exist. So it's hard to say
25 it's a subsidy because it's not -- it wouldn't be an

1 ongoing subsidy. It would be -- once that risk is
2 removed from the CRES providers, the ultimate
3 beneficiary would be the customers because the CRES
4 providers would not have to account for those
5 collection risks in the offers that they make to the
6 customers.
7 Q. Would you agree with me that the term
8 "subsidy" is generally spoken of in terms of whether
9 a cost is paid for by one person even though it's
10 being incurred by the other person?
11 A. I think that's a good way to look at it,
12 look at it from a cost causation perspective, but I
13 also think you should look at it from a benefit
14 causation perspective as well. So is the person
15 paying the cost benefiting in some way, in addition
16 to, you know, is the person paying. Yeah, we're sort
17 of saying the same thing, I guess.
18 Q. But under your definition where the
19 benefit is considered, especially where the benefit
20 is not quantifiable, would you agree with me that one
21 could say that a subsidy never exists and that one
22 can always -- almost always point to a benefit from
23 something that's being done?
24 A. Well, benefit to the person who's paying
25 I guess is what you need to look at, and I think POR

at the end of the day ultimately benefits the customers.

Q. Turning to your testimony about time-of-use products, is Constellation/Exelon offering time-of-use products in AEP Ohio's service territory currently?

A. We are currently not offering time-of-use products in AEP Ohio.

Q. Is there any particular reason you're not offering those products currently?

A. I think there's a number of issues that are prohibiting suppliers from being able to develop time-of-use products right now, certainly one is smart meter implementation. I think compared to Pennsylvania and other places Ohio is a little bit behind on the implementation side.

But even setting aside implementation I think there's some serious issues around data, data exchange, the ability for suppliers to access data, the willingness of utilities to provide data to suppliers, and the time -- both the breadth of the data and the timeliness of the provision to allow suppliers to really have what they need to implement time-of-use programs.

So I think there's a number of hurdles

and I know the Commission's had some working groups and we certainly participated in those working groups to try to work through some of these issues, but right now those are probably the big hurdles to implementing time-of-use products.

Q. And are time-of-use products being offered by Constellation/Exelon in other states?

A. Not that I'm aware of.

Q. So even though you mentioned Pennsylvania as having more -- a more advanced state in terms of the availability of the information necessary to support time-of-use products, Constellation's not offering those there.

A. So what I said about Pennsylvania was the smart meter implementation was further ahead. But I still think, the second issue, which is the data exchange between the utility and the suppliers, those issues are still very much in need of resolution in Pennsylvania as well.

Q. Do you see those issues being resolved in the near future in Ohio?

A. It's hard to say. In the recent RMI order the Commission certainly focused on time of use and wants utilities and suppliers to sit down and work out some of these issues to move the ball

1 forward, but it's hard to say. I mean, right now
2 we're sort of -- in Pennsylvania and Ohio we're sort
3 of still at that workshop-type phase. There's a lot
4 of issues that need to be resolved. Privacy issues,
5 other issues like that.
6 Q. By your reference to the RMI case you're
7 talking about the 12-3151 case number here?
8 A. Retail market investigation, I'm not -- I
9 can't cite it specifically.
10 Q. Are you aware of any other time-of-use
11 offerings in Ohio by CRES suppliers other than
12 Constellation/Exelon?
13 A. I am not aware of any.
14 Q. Are you aware of any time-of-use
15 offerings to residential customers anywhere by CRES
16 suppliers in any state?
17 A. Not off the top of my head.
18 Q. Would you agree with me that there are
19 residential customers who can benefit from
20 time-of-use service and that some of those customers
21 are benefiting today because of AEP's offering of
22 that service?
23 A. So I do think that unique
24 customer-specific type products that utilize smart
25 meter data can offer customers an alternative choice

that could have some benefits, but I can't speak specifically to whether customers are benefiting or not. I just don't have that information.

Q. Are you aware of the testimony in this case that residential customers who have -- are on time-of-use service do receive a benefit?

A. I don't recall reading any testimony that said that. That doesn't mean that I didn't read any testimony that said that.

Q. Are you opposed to the continuation of the time-of-use service until there's a critical mass of CRES suppliers who are capable of and willing to offer the time-of-use services?

A. I think the position of RESA, and I did not -- I'm not representing RESA on this one, but I think Constellation shares the same position, is that the unique customized products should not be in the hands of the utilities, it should be in the hands of the CRES suppliers.

I certainly, however, understand the tension here between the utility programs and the hurdles that suppliers are facing right now to implement these programs on their own. The issue is if the utilities are able to grow and keep these programs, is that just going to put up an additional

1 barrier to us ever getting past the hurdle of
2 allowing suppliers to step into the fray. So that's
3 the sort of tension here, right, it's are you setting
4 up a further barrier for CRES suppliers by keeping
5 these programs in the hands of the utilities and
6 letting the utilities grow them.
7 Q. Regarding your testimony about the PPA
8 rider, is it your understanding that the PPA rider
9 actually provides any generation service to any
10 customer?
11 A. My understanding is that the PPA rider
12 does not provide generation service to customers
13 directly, no.
14 Q. So that power is just being sold into the
15 wholesale market, correct?
16 A. That's my understanding of the AEP
17 proposal, yes.
18 Q. And whether or not an SSO customer
19 receives any power from OVEC will simply depend upon
20 whether the SSO supplier actually purchases any of
21 that supply in the wholesale market; is that correct?
22 A. I guess that's one way you could look at
23 it. You know, they're selling it into a pool on a
24 day-ahead basis. To the extent a wholesale supplier
25 would procure his power out of the day-ahead market

to supply his whole load I guess you could say that power is going to customers indirectly, but, you know, there's really no way to track an electron.

Q. You could say the same thing about a CRES supplier purchasing power in the day-ahead market, that they might purchase some OVEC power too, correct?

A. They may. To the extent that the CRES supplier has not purchased that power under a long-term contract.

Q. So would you agree with me that SSO customers and shopping customers would be treated the same under the PPA, neither of them would receive any OVEC power and each of them would have to pay the PPA rider rate under the company's proposal if it were to be accepted?

A. So the way I understand the question, you're asking me whether under the AEP proposal will shopping and nonshopping customers essentially be treated the same.

Q. Yes.

A. And I think that's the -- a nonbypassable rider in general means both shopping and nonshopping customers will be paying -- paying to essentially take the risk away from AEP and put it on themselves,

1 yes. So all shopping and nonshopping customers would
2 be treated the same under rider PPA.
3 Q. You say on page 16 of your testimony, the
4 Constellation/Exelon testimony, toward the top that
5 a, quote, "competitive supplier can offer a customer
6 a stable, long-term, fixed price at a much lower rate
7 that is reflective of market prices." Now, are you
8 aware that many suppliers price service to customers
9 at variable and unstable rates or unstable prices?
10 A. I know that CRES suppliers offer their
11 customers a variety of products that can include
12 fixed-price products, which are a hedge and do allow
13 their customers to manage risk and pay a stable rate
14 over time at a market price.
15 We offer -- CRES suppliers can offer
16 blended products which has, you know, a portion of
17 the supply being provided at a fixed price and the
18 ability to -- and another portion being at an index
19 price, the ability to fix that at a later date.
20 There's a whole variety of products that suppliers
21 offer their customers and those customers have a lot
22 of options in front of them to manage price risk in
23 the market.
24 Certainly if a customer wanted it and
25 chose it, they could purchase a product at a variable

1 rate which would expose them to fluctuations in the
2 market, but that would be their choice. We
3 certainly -- certainly not to residential customers,
4 we only offer fixed-price products.
5 Q. Under Constellation's contracts with
6 residential customers does a fixed-price product have
7 an expiration date? Does it have a specific term?
8 A. Sure, contracts have terms. Typically
9 those terms are one, two years, they can be longer in
10 certain instances but typically one or two years.
11 Q. And is there an automatic renewal on
12 those contracts?
13 A. Typically there is a provision in the
14 contract to address what happens at the expiry of the
15 contract, yes.
16 Q. And if the customer doesn't sign a new
17 fixed-price contract, does their contract become a
18 variable rate contract?
19 A. Yeah, it depends on the contract, but I
20 believe the way most of our contracts are structured
21 in Ohio the customers are transitioned to a new fixed
22 rate after the expiry of the underlying contract.
23 Q. Doesn't the customer have to sign a new
24 fixed rate and if the customer doesn't sign for the
25 new fixed rate, their contract becomes variable?

1 MR. PETRICOFF: Your Honor, at this point
2 I'd like to object. We are now off the subject of
3 the application and the pricing market and we're now
4 on the subject of what kinds of products does
5 Constellation offer and then -- and I object for two
6 reasons. One, of course, it's outside the scope, and
7 two, we are now headed towards the proprietary area
8 of what particular products they have out there and
9 we have lots of competitors in the room.
10 MR. BERGER: Your Honor, first of all, he
11 talks about customers being offered stable long-term
12 rates by competitive suppliers. I'm simply probing
13 whether this supplier that he's representing and that
14 he's talking about here, whether they're offering
15 variable rates to residential customers and whether
16 under an automatic renewal provision that customer's
17 contract will become variable if they don't sign a
18 new long-term fixed contract.
19 So I think it's quite pertinent here, and
20 it goes to whether the OVEC is a financial -- is a
21 financial hedge in this marketplace for such
22 customers.
23 EXAMINER PARROT: With respect to the
24 confidentiality issue, Mr. Berger?
25 MR. BERGER: With respect to

1 confidentiality, I think the company's contracts are
2 available to residential -- and I'm talking about
3 residential customer contracts, and they're not
4 confidential because they're published to all
5 residential customers when they're offered.
6 EXAMINER PARROT: So you're not seeking
7 from the witness confidential information.
8 MR. BERGER: No. I'm just -- I'm not
9 seeking confidential information.
10 EXAMINER PARROT: With that understanding
11 I will allow the question.
12 MR. BERGER: Thank you.
13 A. Again, getting back to the rollover terms
14 of our contracts, they can vary, but my understanding
15 is that for residential customers in Ohio the
16 contracts are rolling over into a new fixed rate for
17 the same term as their original contract, but they
18 have the ability to re-sign a new contract with us,
19 renegotiate a new term contract with us, go to a
20 different supplier, and there will be no
21 early-termination fee for that customer for leaving
22 the rollover -- the rollover -- the new rollover.
23 Q (By Mr. Berger) You suggest on page 17
24 that the PPA rider could be bypassable, quote, "with
25 the financial impacts of OVEC flowing to those

1 customers who have chosen to remain on AEP Ohio SSO
2 supply." You do recognize that AEP -- that SSO
3 supply customers haven't requested that AEP Ohio
4 specifically retain this capacity any more than CRES
5 suppliers have requested it.
6 MR. NOURSE: Your Honor, I'm not sure --
7 I object. I'm not sure if that assumes facts in
8 evidence or not, but I'm not sure I understand the
9 question. If he's making an assertion about what
10 customers have requested, I don't think there's any
11 basis in the record for that.
12 EXAMINER PARROT: If you could rephrase,
13 perhaps, Mr. Berger.
14 MR. BERGER: Yeah, just one minute.
15 Thank you, your Honor.
16 I'll withdraw the question. Thank you.
17 Q (By Mr. Berger) Moving to another area,
18 Mr. Campbell, regarding your testimony on behalf of
19 RESA, you'd agree with me that the charges you're
20 saying should not be charged directly to CRES
21 suppliers but should be included in the nonbypassable
22 charges such as reactive supply and voltage
23 service -- and voltage control services and the
24 generation deactivation fee, you'd agree with me that
25 those are a product of the operation of the current

1 marketplace.
2 A. Operation of the current -- I mean, those
3 are charges that show up on the PJM invoice so they
4 are PJM-related charges, so I guess the answer is
5 "yes."
6 Q. Well, in terms of the supply of those
7 services, you'd agree with me that those services are
8 being provided by PJM because they're necessary.
9 Would you agree with that?
10 A. Either necessary or may be necessary.
11 Q. Okay. And with respect to the demand for
12 those services, you'd agree that customers are in
13 need of those services.
14 A. These are transmission-related services
15 and PJM certainly determined that they are necessary
16 services for the administration of the electrical
17 grid, so sure.
18 Q. So when you say on page 6 at lines 4 and
19 5 of your testimony that they're not tied to supply
20 and demand fundamentals and transparent market
21 outcomes, let's just talk about supply and demand
22 fundamentals. You're not saying that the services
23 aren't necessary to be provided to customers.
24 MR. PETRICOFF: Your Honor, we had
25 trouble hearing that question. Could we have it

1 reread?
2 (Record read.)
3 MR. PETRICOFF: Thank you.
4 A. These are services that PJM has
5 determined are necessary for administering the
6 electrical system. At some level customers would
7 benefit from that, but supply and demand fundamentals
8 are not driving whether these services are utilized
9 and the cost is generated.
10 Q. When you say the supply and demand
11 fundamentals are not driving whether these services
12 are utilized, what do you mean by that?
13 A. Well, let's just take generation
14 deactivation, for instance. Reliability must-run,
15 that's based on the need to keep plants that are
16 otherwise set to retire operating. And that's based
17 on -- those are based on reliability studies. I'm
18 not familiar at all with what the equation is that
19 PJM uses to get to make a decision whether to offer
20 somebody a reliability must-run contract, but it's
21 not based on day-to-day supply and demand and it's
22 certainly -- and really the key point for us here is
23 these are costs that are neither predictable nor
24 hedgable, so there's no way for us to manage the risk
25 to the benefit of our customers.

1 Q. I understand that portion of your
2 testimony. What I'm trying to determine, on the one
3 hand you're saying that these are services that are
4 necessary to be supplied to customers and, on the
5 other hand, you're saying that they're not based on
6 supply and demand fundamentals. So I guess I'm a
7 little bit confused about that dichotomy.
8 A. Maybe the way to put it is they're not
9 based on -- they're not market-based supply and
10 demand fundamentals. Market based meaning open,
11 transparent, hedgable.
12 I mean, supply fundamentals could at some
13 level drive whether they offer an RMR contract but
14 there's probably other factors that go into that,
15 whether they decide to upgrade transmission and do
16 transmission enhancement for whatever reason, there's
17 a number of different factors. It's not just, you
18 know, market -- it's not market-based transparent
19 supply fundamentals that we could hedge.
20 Q. You're saying if it's not tradeable in
21 the marketplace, your perception is that it should
22 not be -- it should be a nonbypassable charge.
23 A. If it's not tradeable in the marketplace,
24 yeah. And -- if it's nonmarket-based, not hedgable
25 by the supplier, the best way to benefit customers is

1 to have it as a nonbypassable. That way -- that
2 way -- because if you don't do that, we have this
3 risk out there that's unknown, unhedgable, we don't
4 know if it's going to show up or not, but it's out
5 there as a possibility, you know, the earthquake
6 could happen, we just don't know when but we have to
7 price in a risk premium insurance into our contracts
8 in the event that it does show up.
9 By making it nonbypassable, that risk --
10 we don't have to price in that risk premium into our
11 contracts. The risk is only paid when the event
12 shows up. And it's paid on a nonbypassable basis.
13 So by making it nonbypassable, customers
14 aren't paying up front something extra for something
15 that may or may not occur. Instead they're only
16 paying when the event occurs and everybody is paying
17 equally because it's nonbypassable shopping and
18 nonshopping. That's the benefit of making these
19 nonmarket-based nonbypassable, because the only way
20 for us to manage them as a supplier is to add a risk
21 premium into our contracts. So this benefits the
22 customer ultimately.
23 Q. Are you aware of whether some supplier --
24 EXAMINER PARROT: Mr. Berger, I'm sorry
25 to interrupt. Could you move the microphone just a

1 little closer to your mouth, please?
2 MR. BERGER: Sure.
3 EXAMINER PARROT: Thank you.
4 Q. Are you aware of whether some suppliers
5 are charged different fees for these services that
6 you're saying should be nonbypassable based upon the
7 demands that they're imposing uniquely on the system?
8 A. Yeah, it can vary by region within PJM
9 and your load contribution, your demand, yes.
10 Q. So it would differ based upon the
11 supplier's demands on the system. You'd agree with
12 that.
13 A. Well, the supplier's demands are
14 ultimately the customers' demands, but yes.
15 Q. But different suppliers may impose
16 different requirements on the system and those
17 different requirements may result in higher or lower
18 reactive supply and voltage control services and
19 generation deactivation fees; is that correct?
20 A. My understanding of these charges is
21 they're demand based, so ultimately it's the
22 customers, it's the total customers that that
23 supplier has that is driving the charges.
24 Q. So you're saying that it's unrelated to
25 the supplier's use of the system independent of their

1 customers.
2 A. The supplier's a load-serving entity.
3 They have the privity with PJM but as the
4 load-serving entity it is the load, i.e., the
5 customers that is driving -- that is ultimately going
6 to determine the cost that they will be assessed on
7 their invoice.
8 MR. BERGER: Thank you. That's all the
9 questions that I have.
10 EXAMINER PARROT: Mr. Nourse?
11 MR. NOURSE: Thank you, your Honor.
12 - - -
13 CROSS-EXAMINATION
14 By Mr. Nourse:
15 Q. Good morning, Mr. Campbell.
16 A. Good morning.
17 Q. Let's start with your piece on 23 -- all
18 my questions are relating to your Exelon testimony,
19 okay?
20 A. Okay.
21 Q. Your piece on 23 and 24 that we discussed
22 earlier, you're passing along the advice of counsel
23 there. Are you there?
24 A. I am, yes.
25 Q. Okay. Now, are you familiar with the

1 Edgar case you cite here?
2 A. I am familiar with what it stands for,
3 yes.
4 Q. Can you tell me what it stands for?
5 A. Yeah. I mean, it's really a -- it's
6 really addressing anticompetitive behavior between
7 affiliated companies, cross-subsidization issues
8 between affiliates at the expense of ratepayers or
9 folks in the market.
10 Q. Okay. Well, those are some topics, but
11 what is the holding or the principle from the Edgar
12 case?
13 A. So you're asking for my legal opinion on
14 this?
15 Q. Well, I'm asking you to explain what you
16 were permitted to keep in your testimony about this
17 legal issue.
18 A. Yeah. I mean, I think this addresses
19 competitive bidding processes and favoritism between
20 affiliates. So, for example, if a utility, a
21 regulated utility, were to procure supply from its
22 affiliate, it should be at a rate that is market
23 based and competitive and ultimately to the benefit
24 of ratepayers, which is why Edgar has a number of
25 tests built in, to make sure that ultimately there's

1 no favoritism between affiliates at the expense of
2 customers.
3 So they want to see if the utility is
4 looking to procure supply, ultimately it could be
5 okay that an affiliate -- a generation or competitive
6 affiliate provide that supply, but it has to -- but
7 there has to be some tests to assure that that
8 supply, that contract between the affiliates and the
9 supply is being procured at a market rate. It can be
10 through a competitive bidding process. It can be
11 through taking a number of offers and making sure
12 that or, you know, testing the market, getting quotes
13 from the market to make sure that the price that is
14 being exchanged between the competitive affiliate and
15 the utility is reflective of market base and is not
16 at the expense of ratepayers and to the benefit of
17 the shareholders of the affiliates.
18 Q. Do you know if having captive customers
19 is a premise for applying the Edgar test?
20 A. I don't know whether captive customers
21 applies under Edgar.
22 Q. Do you know -- you don't know whether the
23 tests apply only if you have captive customers?
24 A. I don't know that.
25 Q. Do you know if AEP Ohio -- if FERC has

1 addressed whether AEP Ohio has captive customers in
2 Ohio?
3 A. I don't know for sure. I would assume
4 that they've determined they haven't just because
5 Ohio is a competitive market.
6 Q. Okay. And while we're on the subject of
7 regulatory legal issues, are you familiar with the
8 Nantahala case?
9 A. I am not.
10 Q. Are you familiar with the concept of cost
11 trapping?
12 A. I'm not.
13 Q. Okay. Now, this is your first time
14 testifying in an Ohio regulatory proceeding, correct?
15 A. It is, yes.
16 Q. And your -- one of your pieces of
17 testimony represents the Retail Energy Supply
18 Association.
19 A. Yes.
20 Q. Okay. And are you familiar with the RESA
21 members' activities in Ohio?
22 A. Not intimately familiar with RESA members
23 on an individual basis, no, but we're all competitive
24 suppliers operating in the Ohio market.
25 Q. Okay. And are you here representing RESA

1 members through your testimony today?
2 A. I am here on behalf of RESA.
3 Q. Okay. And is it fair to say that the one
4 issue that you have in your RESA testimony is the
5 only issue that the RESA members were -- reached
6 agreement for you to present in testimony?
7 A. The RESA members did agree to my
8 testifying on behalf of RESA on the limited issue of
9 the nonmarket-based charges.
10 Q. Okay. Now, your testimony -- your Exelon
11 testimony addresses the PPA rider as one of your
12 topics.
13 A. Yes.
14 Q. Do you agree that the PPA rider does not
15 restrict retail competition?
16 A. I don't think I can agree with that. I
17 think that due to the PPA rider, if it were
18 implemented, shopping customers would be paying a
19 nonbypassable rider for which they are seeking no --
20 for which they are not getting any benefit. The
21 beneficiary would be AEP Ohio and its generation
22 affiliates. They would be paying to shift risk away
23 from AEP Ohio and onto them and that would ultimately
24 be a nonbypassable rider that they would be paying
25 extra for and not really receiving any benefit.

1 So to that extent I think that it does
2 impact shopping customers and would have an impact on
3 competitive markets to a certain degree.
4 Q. Okay. Well, I appreciate your arguments
5 against the PPA rider and I understand them, but I'm
6 asking you about whether that restricts retail
7 competition. So let me ask you this way: Earlier
8 you said in connection with the, I believe it was the
9 transmission rider and recovery of nonmarket-based
10 charges through a nonbypassable charge, that there's
11 a benefit there because just the actual costs get
12 passed through, correct?
13 A. That's correct.
14 Q. Okay. And with respect to -- with
15 respect to the PPA rider is it your -- well, let me
16 back up.
17 With respect to CRES offerings in the
18 Ohio market for fixed-rate offers, would you agree
19 that there's a price premium built into the
20 fixed-rate offer?
21 A. A price premium for what? For the
22 nonmarket-based charges?
23 Q. Yeah, I'm on the -- I'm on the PPA rider
24 now. I'm just referencing your transmission
25 testimony as a point of reference, but my question is

with respect to fixed-rate CRES offers for generation service in Ohio, would you agree there's a price premium for any fixed offer that's out there?

A. Any and every? I can't speak for every offer out there. It's a matter of how much risk suppliers want to take on their own, but typically there would be a premium factored into offering a fixed price because offering a fixed price you are providing a hedge to your customer and that means, when you provide a hedge to your customer, you are taking on market risk as a supplier and there are costs associated with the supplier to manage that market risk that they typically would bake into the offer to customers.

Q. Okay. And is it your understanding that the OVEC rider, the OVEC costs being passed through the PPA rider as proposed by the company is strictly a cost pass-through, the differential between cost and market?

A. The OVEC rider, yes, is a pass-through of the difference between the revenues from the generation being sold into the day-ahead market and the cost of the OVEC contract.

Q. Yes.

A. And the difference is passed through to

1 customers, that's my understanding of the proposal.
2 Q. Okay. So there's no adder for a price
3 premium to the extent that that rider provides rate
4 stability, correct?
5 A. Well, there is an adder because the cost
6 of the OVEC contract historically has been much
7 higher than the day-ahead prices for which OVEC would
8 be offered into. So it's an extreme cost for any
9 sort of, quote/unquote, rate stability that I would
10 argue is in excess of any type of fixed rate a
11 supplier could offer their customer directly.
12 Q. Well, we'll get back to your opinions
13 about the OVEC costs. What I'm asking you -- before
14 I think you agreed that for a CRES offer, that
15 they're not only passing on their costs but there's a
16 price premium, an adder, in order to achieve a
17 fixed-rate offer, correct?
18 A. Typically that is correct.
19 Q. Okay. And so mechanically I'm simply
20 asking you about the OVEC costs being passed through
21 the PPA rider, and is it a cost plus? Is it an
22 adder? Or is it just cost compared to the market
23 differential?
24 A. Well, it's the cost of the OVEC
25 generation which is above market.

Q. Okay. Well, I'll get back to that, okay. So you agree.

A. I don't know that I agreed to --

Q. My question, Mr. Campbell, is not about your opinion about the cost level, we'll get to that, it's whether there's an adder to the cost like you just stated there was with the CRES fixed offers. And you agree the answer is yes, correct?

A. There is no adder to the above-market cost of the OVEC generation.

Q. Okay. Now, earlier you also talked about fixed rates with Mr. Berger and how at least with the Exelon -- I guess it's Constellation NewEnergy I believe is the retail arm; is that correct?

A. That's correct.

Q. Okay. So C and E has fixed rates that roll over, I believe you said, after the initial term they roll over into a new fixed rate; is that accurate?

A. My understanding is that's how we're handling residential customers in Ohio is that they roll over to a new fixed rate.

Q. Okay. And by "new" fixed rate you mean it's different and higher than the original fixed rate.

A. I don't know whether it's higher or lower, but it typically is a new fixed rate.

Q. Okay. So would it be the rate -- the new fixed rate would be the fixed rate that you're offering at that time; is that --

A. I don't know the specifics of how that rollover rate is set. I mean, obviously, we prefer to have the customers under contract and renew our contracts with them so this is really only for the customers that allow their contracts to expire and don't do anything. And we certainly make sure we provide them notice in advance, and we certainly make our best efforts to try to keep those customers and renew them under a fixed rate that works for them.

Q. Okay. And --

A. But I don't know how the rollover rate was set. I don't have enough information on that.

Q. Let me go back to another question you were asked earlier about the transmission charges and the basic transmission cost rider. And I believe you were answering questions from IEU counsel and indicated that it's good business to flow through -- if these charges disappear from the cost the CRES providers pay, that's good business to pass it through to retail customers. Do you recall that?

A. Uh-huh, I do.

Q. And would you agree, would you make the same statement in connection with a purchase of receivables program if a deposit taken for a customer is no longer needed due to a POR program being implemented?

A. Yeah. I think if there's something tangible and identifiable associated with POR such as deposits, again, I can't speak for -- I don't know what the business ultimately will do, but it seems that in the interest of customer service and keeping customers happy that if we collected a deposit to address a credit risk that no longer exists, that it seems fair to return that deposit.

Q. Okay. And I apologize for jumping around, I wanted to cover some of the questions that were previously raised first and then get back into my questions which hopefully will have a little better flow.

So let's go back to the topic of fixed rates that you discuss, fixed rates by CRES providers. And I want to ask you about the first quarter of this year, whether CRES providers had passed through high volatility market price costs from the polar vortex period earlier this year. Have

1 CRES providers passed those through to fixed-rate
2 customers?
3 A. I can only speak for Constellation/Exelon
4 and we did not. We had customers on fixed rates and
5 if our customer was on a fixed rate, we did not pass
6 through any costs associated with the vortex. They
7 had a hedge, you know, obviously it was a good hedge
8 for them because it was -- they got a fixed rate
9 through the vortex.
10 Q. Okay. And are you aware of any of your
11 other RESA members, which you're also the RESA
12 witness, of their activities in that area?
13 A. Yeah, I don't have any specific details
14 about how other suppliers that are members of RESA
15 handled that or even the specifics of their
16 contracts.
17 Q. And speaking of the polar vortex, I mean,
18 would you agree that current market prices are
19 volatile?
20 A. I believe that forward prices are fairly
21 stable and if you look at like an hourly market, yes,
22 there's ups and downs throughout the hour. If you
23 look at a day-over-day market, yes, there's changes
24 day over day in prices. But if you look at a market
25 over a year's time, which I believe is the

1 reconciliation period for the PPA rider, that there
2 is some stability and a lot of the intraday, you
3 know, here and there weather events, that all gets
4 flattened out and muted when you look at it over a
5 longer period of time.
6 Q. Yeah, but what's your definition of
7 "volatility"? I mean, if you look at an average like
8 you're saying over any period of time, that's going
9 to be a -- that's going to be a flat number, but can
10 you still have volatility within a period?
11 A. Yeah. I mean, volatility would be a
12 change in price over a certain time period.
13 Q. Yeah. And so if we look at the energy
14 prices, LMP prices year to date, would you agree
15 they're volatile right now?
16 A. So are you looking -- again, are you
17 asking me day-over-day prices? Are you asking me
18 hourly prices? Are you asking me month-over-month
19 prices? Year over year? I mean --
20 Q. I think LMP is an hourly price.
21 A. You have to have a time period for which
22 you're assessing volatility so hourly prices in
23 electricity can go up and down, you have off-peak and
24 off-peak prices can look different. Those groups of
25 hours. Day-over-day hours can look different, day

ahead versus realtime look different. Week over week, you need to tell me what --

Q. I did, Mr. Campbell, and you're not answering my question. I didn't ask you about what could happen in any theoretical sense. I asked you the hourly LMP.

A. The hourly LMP.

Q. Year to date as you sit here right now, as you sit here today, are those volatile?

A. Oh hourly LMPs, yes, they are subject to fluctuation, certainly electricity LMPs on the hourly basis.

Q. I didn't ask you if they're subject to fluctuations.

MR. PETRICOFF: Objection, argumentative.

MR. NOURSE: I'm trying to get an answer, your Honor, it's a simple question and he's not answering it.

THE WITNESS: What was the question you asked me?

MR. NOURSE: I think there might be an objection pending.

EXAMINER PARROT: There is no question pending though, so let's put a question to the witness, please, Mr. Nourse.

Q (By Mr. Nourse) Again, Mr. Campbell, for the LMP hourly energy prices year to date, historical period of time, as you sit here today, would you characterize those as volatile?

A. How do you define "volatile"?

Q. If you'd like to attach a definition to your answer, that's fine. I'm asking your opinion.

A. I don't know that I would describe them as volatile. I do know that they certainly -- there's a lot of -- there can be a lot of change in the hourly LMP for electricity.

Q. Is the -- is the hourly LMP data that I asked you about year to date, is that something you've even reviewed or are familiar with?

A. Yeah, I've not looked at the hourly LMP for any specific price location year to date. I have not looked at the hourly numbers.

Q. Okay. Now, do you believe that -- let's talk about the PJM capacity market here. Do you believe that that market is a truly competitive market?

A. I do. I think it's a very robust, transparent market. You have a lot of participants and there's a lot of generation that didn't clear the market, so you have a lot of -- a lot of different

1 market participants in that market, yes.
2 Q. And would you consider it a fully
3 competitive market?
4 A. I would say it's competitive, yes.
5 Q. Okay. Now, are you aware that there's
6 administrative and regulatory components of the
7 capacity market?
8 A. I'm not sure what you mean by
9 "administrative and regulatory components."
10 Q. Is there a price cap that can come into
11 play with the base residual auction, to your
12 knowledge?
13 A. Yeah. I believe that there is a cap
14 based on someone's ACR.
15 Q. Is there a price floor that applies to
16 the BRA?
17 A. I'm not sure, it might be zero but I'm
18 not sure -- for certain.
19 Q. And are there administrative price curves
20 that are applied in the BRA?
21 A. I'm not sure.
22 Q. Do you know if there's a cost-based
23 regulatory backstop if the BRA does not fully
24 subscribe?
25 A. I'm not a hundred percent sure about

that, no.

Q. You're not sure or you don't know?

A. I just don't know.

Q. Okay. Now, with respect to the BRA, do you agree with PJM's policy on power imports for purposes of the auction?

A. I'm not intimately familiar with the policy on imports. Are you referring to the MISO, the rule relating to having firm transmission from MISO?

Q. That's one aspect of it.

A. That's the one I'm familiar with.

Q. So do you have concerns about the way that works?

A. I believe my company supported that, restrictions on imports.

Q. So you believe there needs to be reforms in that area; is that fair?

A. Yes.

Q. Okay. Are you aware whether Ohio will become a net power importer for the first time next year?

A. I am not aware.

Q. Okay. Let me ask you a few questions about the demand response aspects of PJM's markets.

1 Do you believe that demand response should be treated
2 as a capacity resource on equal footing with actual
3 generation plants?
4 A. I don't have an opinion on that.
5 Q. Are you aware of the DC Circuit Court of
6 Appeals' opinion regarding FERC Order 745 that was
7 issued recently?
8 A. I am.
9 Q. And do you know what the effect of that
10 decision would be on demand response markets?
11 A. The FERC 745 markets are at the energy --
12 energy-only markets. The case I believe is going to
13 be en banc hearing the court ruled, the FERC doesn't,
14 this is a retail product and that FERC doesn't have
15 jurisdiction.
16 Q. Would you agree the rationale and the
17 opinion is -- broadly attacks FERC's jurisdiction for
18 demand response?
19 A. One could interpret it that way, yes.
20 Q. Okay. So if that decision is upheld and
21 applied, would you expect that that would eventually
22 cause an increase in the BRA auction clearing prices,
23 all else being equal?
24 A. You mean upheld -- well, if it's upheld,
25 it still wouldn't apply to the capacity markets. It

only addressed the energy markets. So I don't think there's any reason to think that the order being upheld en banc will impact capacity markets.

Q. Yeah. I apologize, my question wasn't clear. I said if the decision was upheld and applied and what I meant was if it were applied beyond the energy markets, the rationale you just talked about, the broad rationale --

A. Yeah.

Q. -- if that view is upheld and FERC is limited on what they can do with demand response, then would you expect that the BRA auction prices would increase over time, all else being equal?

A. So if -- is the question really if demand response was not able to participate in the RPM auction, that it would increase prices? Is that essentially what you're asking?

Q. Sure.

A. Okay. Yes. I mean, I think when you have less supply coming into an auction, the tendency is that will raise prices.

Q. Okay. And is Exelon's goal to achieve the highest possible prices in the capacity and energy markets?

A. I mean, no. It is not our goal. I think

1 we are supportive of efficient and well-functioning
2 markets and we certainly have a demand response
3 business and we certainly offer demand response into
4 the capacity markets.
5 Q. Okay. Let me ask you about hedging,
6 Mr. Campbell. As a general matter, do you agree that
7 a financial hedge can provide rate stability?
8 A. A financial hedge can provide price
9 stability, sure, absolutely. It's a way to manage
10 price risk, yes. So yes.
11 Q. Okay. And you would agree that a proper
12 hedge reduces volatility and could benefit retail
13 customers and retail competition under the right
14 circumstances?
15 A. I don't know that a proper hedge could
16 benefit retail competition. I do know that a proper
17 hedge -- a hedge could certainly benefit a customer
18 who does not want to have price risk. And certainly
19 competitive markets offer a variety of products to
20 customers for them to manage price risk and hedge
21 their exposure.
22 So I don't think a hedge is necessary for
23 competitive markets. I think competitive markets are
24 necessary for people to have a good hedge.
25 Q. Okay. Now, let's talk a little bit more

about the price impact of the PPA rider. And you made some statements earlier but let me just ask you the same thing I asked you in your deposition. Did you do any quantitative estimates of the price impact in the PPA during the ESP?

A. The one thing we looked at was the 2012 OVEC report and compared it to 2012 prices. So we did not look at -- we did not do any forward-looking speculative forecasting, no.

Q. And when you say "we," who are you referring to?

A. Oh, Exelon, Exelon/Constellation.

Q. Okay. And you personally, did you do any evaluation of the expected price impact during the ESP term --

A. I did not.

Q. -- of the PPA rider?

A. I did not personally do any forward-looking forecasting.

Q. And is it fair to say that your objections to the PPA rider, the concerns you outline in your testimony are policy arguments and competitive market concerns?

A. I think it's fair to say that the main concern for us is more on -- yeah, along policy and

principle lines as opposed to getting into the numbers.

Q. So to you it doesn't matter whether the OVEC costs as passed through the PPA rider would be a benefit or even a substantial financial benefit to customers during the ESP term, correct?

A. I think if they were going to be a substantial benefit, AEP wouldn't be looking to shift the risk to customers. I think they'd be happy to have the risk and the potential reward themselves.

Q. Okay. Well, I appreciate that opinion, but can you answer the question?

MR. PETRICOFF: Objection, move to strike. Argumentative.

MR. NOURSE: Well, your Honor, I asked him whether it mattered to him whether it was a credit or a substantial credit, and he just gave me his opinion on what he thought why AEP proposed the PPAR, our motivations. He didn't answer the question.

MR. PETRICOFF: The question was answered, this is just classifying an opinion of the response.

THE WITNESS: I think my answer would be similar, I think.

EXAMINER PARROT: Mr. Campbell, just a moment. Let me look at it for a moment.

All right. I agree that the question was answered. If you want to try again, Mr. Nourse, you may do that.

Q. Okay. Well, setting aside AEP's motivations and your views of what that may be, Mr. Campbell, does your opinion that you set forth in your testimony matter -- is it impacted by whether or not there's a financial benefit to customers under the PPA rider during the ESP term or during any other period of time?

A. Our primary concerns are ones of policy and principle. That said, if we thought this was an amazing deal for customers, we wouldn't be objecting.

Q. Now, is it fair to say that you distinguish between OVEC specifically and a future affiliate purchased power agreement as either of those two things might flow through the PPA rider?

A. Yes. I would think it's fair to say we address those separately, yes.

Q. Is it fair to say most of your concerns, policy arguments and competitive market concerns, relate to the prospect of an affiliate purchased power agreement down the road?

A. I think we have concerns with both proposals for much of the same reason.

Q. Okay. So you have equal concerns about the legacy OVEC contract as you would with a future affiliate PPA; is that what you're saying?

A. I think the circumstances of each are different, but I think much of the -- yeah, much of the concerns are the same.

Q. Okay. Can you turn to page 12 of your testimony. Actually, let's go with page 13.

A. Okay.

Q. So at the top of the page you have a question and answer about -- focusing on Section 4928.02(H) of the Revised Code. Do you see that?

A. Yes.

Q. Now, you assert that the PPA rider appears to conflict with that provision which prohibits recovery of generation-related costs through distribution or transmission rates, correct?

A. Correct.

Q. Okay. Now, do you agree that SSO service is a generation service?

A. I think -- I think it's fair to say SSO service is a generation service.

Q. And it's fair to say that customers can

1 buy generation-related services from an EDU, correct?
2 A. That is correct. SSO would be the
3 example. Yes.
4 Q. Do you agree that the statutory
5 prohibition against recovering generation charges
6 through a distribution or transmission charge does
7 not necessarily prohibit recovery of
8 generation-related costs through a generation charge?
9 A. If the generation charge is one that is
10 permissible in Ohio, then I would agree that that is
11 correct. You can recover generation-related costs
12 through a generation-related charge.
13 Q. Okay. I just want to clarify because
14 earlier I think maybe with Mr. Berger's questions you
15 said the generation is not delivered to SSO customers
16 under the PPA rider, and I believe what you meant was
17 the physical power, and you had a discussion about
18 the electrons, that the physical power is not
19 delivered. Is that what you intended?
20 A. My testimony was just sort of summarizing
21 my understanding of the AEP proposal.
22 Q. Right. So you're not saying that the PPA
23 rider does not involve a generation service or
24 wouldn't involve a generation charge, correct?
25 A. My opinion, and it's throughout my

1 testimony, is that this is a generation-related
2 rider, that this is a -- these are generation-related
3 costs, yes.
4 Q. Okay. Now, is it your understanding that
5 a nonbypassable generation rider can be incorporated
6 into an ESP?
7 A. A nonbypassable generation rider can be
8 incorporated into an ESP?
9 Q. Correct.
10 A. I'm not sure about that. I'd have to
11 consult my counsel on that one.
12 Q. Are you aware of any Commission orders
13 approving nonbypassable riders in an ESP?
14 A. Generation riders?
15 Q. Yeah.
16 A. No. No.
17 Q. Are you aware of any bypassable charges
18 that have been approved in ESPs?
19 A. Not off the top of my head that I could
20 point to. I'm sure plenty exist.
21 Q. Okay. On page 13 you also talk in lines
22 12 and 13 about a -- let's just read the whole
23 sentence here, you say "Making shopping customers pay
24 AEP Ohio for generation service they do not receive
25 from AEP Ohio has the potential to destroy the

development of competitive retail market, and in fact was a major contributing factor in the collapse of retail competition and governmental aggregation programs in other Ohio service territories in 2005." Do you see that?

A. I do.

Q. Okay. And are you referring here to the rate stabilization plans that the Ohio utilities had in place from 2006 through 2008?

A. I am referring to the rate stabilization plans, yes.

Q. So is it your opinion that the RSPs harm competition in Ohio and result in artificial suppression of market prices?

A. That is what I'm referring to here, that the rate stabilization plans artificially suppress prices to the detriment of competitive suppliers that did not have that same price suppression ability and that that ultimately hurt competition.

Q. Are you aware at that time that customers faced higher market prices had the RSPs not been adopted?

A. That is my understanding was at the time these RSPs were adopted to address higher market prices.

Q. So do you believe competitive market solutions are always superior to regulatory cost-based solutions regardless of impact on customer rates?

A. I think over time, yes. I think over time, yes, that competition and market-based prices provide customers with alternatives, options, and competition in general is going to drive prices down.

Q. Okay. On page 14, line 12, you talk about bypassing high default costs to real competitive offers. Do you see that?

A. I do.

Q. Is this a reference to OVEC costs?

A. This is a -- this is in reference to default service, utility service costs. In times when the price to compare is higher, competition -- people tend to move to competition, move to suppliers that can offer them a better price.

Q. Okay. Are you aware -- is it your understanding that when the Commission approves an ESP, that they look to the question of whether customers are -- excuse me, that the ESP is more favorable in the aggregate than a market-rate option?

A. I don't really have an opinion on that, and certainly my testimony doesn't get into the

1 details of MRO versus ESP.
2 Q. Right. But I was just responding to your
3 statement about competition being more beneficial
4 over time. So in the context of this case do you
5 know whether the Commission is looking to the entire
6 term of the ESP and making a determination on whether
7 the ESP as a whole is more favorable to customers
8 than the market rate option?
9 A. I believe that is one of the things that
10 the Commission has to determine, and I believe the
11 ESPs are designed to -- you know, the way the ESPs
12 work, it's certainly designed to create a favorable
13 market-based price for default customers.
14 Q. And do you know -- earlier we talked
15 about the rate stabilization plans and how that saved
16 customers money. Do you know if the Commission has
17 made findings for AEP Ohio's first ESP as to how much
18 cheaper it was than a market-rate option?
19 A. I'm not aware of any findings.
20 Q. What about the second ESP, are you aware
21 of --
22 A. Not aware of their findings.
23 Q. Okay. If you could turn to page 17, and
24 down in the bottom half of the page you've got a
25 question and answer that -- suggesting that AEP Ohio

has benefited from the capacity pricing regime the Commission adopted. Do you see that?

A. I do.

Q. And would you agree that CRES providers have benefited from the outcome of that case as well?

A. I don't have an opinion about whether CRES suppliers benefited or not.

Q. Do you know what price CRES providers paid as a result of the Commission's opinion in the 10-2929 case?

A. Well, my understanding was the Commission authorized AEP Ohio to recover a lower capacity price than they had originally asked for, to assist with the transition of the generation assets to their competitive affiliate, which happened, but for OVEC, and I think ultimately that does benefit competition and competitive suppliers to have utilities out of the generation business.

Q. So my question was: Do you know what price CRES providers paid as a result of the 10-2929 decision?

A. I don't know the specific price.

Q. Do you know if CRES providers had the option of self-supplying capacity for their shopping load?

A. I'm not -- I'm not aware of that.

Q. Could you turn to page 21. And this is, I guess, a carryover of the long answer that started back on page 19. But you make a statement in 3, line 3, on page 21, about I guess the PPA being counter to the objectives of RC 4928.17. Do you see that?

A. Right.

Q. And do you know what that statute requires?

A. I mean, the reference here is to corporate separation.

Q. Do you know what --

A. That's really what this is addressing.

Q. Do you know what the statute requires?

A. I don't -- I don't have intimate familiarity with the statute.

Q. Are you aware of whether the Commission approved AEP Ohio keeping the OVEC asset?

A. The Commission did approve AEP Ohio keeping the OVEC asset.

Q. Okay. Further down the page on line 16 you make a reference to out-of-the-money coal plants of AEP. Do you see that?

A. Uh-huh.

Q. And did you merely assume AEP would offer

uneconomic plants and try to transfer risks to customers as part of the PPA proposal?

A. That is largely an assumption, yes.

Q. Okay. On page 22, lines 6 through 8, you're making a statement here that capacity resources in any part of the 13-state PJM RTO could be used to support capacity needs in Ohio. Do you see that?

A. I do.

Q. And so is it your recommendation to rely exclusively on the PJM process for reliability projects?

A. I do, Ohio's part of the PJM market. The PJM market is one of the most robust and effective markets we have in the country. It has worked well thus far, and I see no reason to not rely on it.

Q. Yeah, so it doesn't matter to you whether Ohio is a price taker or a power importer in the context of the PJM markets; is that fair?

A. I think looking at it specifically to Ohio ignores some of the value of the PJM market as a whole, yes.

Q. Do you agree that early retirement of generation units in Ohio can cause reliability issues?

A. I think that's the point we're trying to make here is if a retirement were to cause reliability issues, the PJM market has a process by which a study can be done and you can obtain a reliability must-run contract which would pay you your cost plus.

Q. Okay. So the reliability must-run, that's actually another regulatory aspect of the PJM markets, right, where it's a backstop for cost-based obligation if the market fails?

A. It's a way to address reliability where, for whatever reason, it is determined that a unit must-run. And I say whatever reason because there could be, you know, local transmission and other types of issues that could cause PJM to determine that a unit is needed for reliability.

Q. Okay. And when you say that, would that be a decision point when the generation owner asks for permission from PJM to retire that unit?

A. Yes.

Q. Okay. And so even though market forces would suggest that the unit would be retired, that PJM would put on its regulatory hat and require a cost-based obligation to be triggered? Is that your understanding?

A. I guess that's one way you could characterize it.

Q. If there's something short of reliability, must-run and PJM simply determines that there's a reliability, you know, issue that can be addressed through let's say transmission bill -- billed out, is that something that has a price tag as well?

A. Yes.

Q. Okay. And do you agree that the loss of generation resources, for example, could mean voltage support problems that would have to be addressed for blackstart capabilities shortfalls or other contingency reliability concerns? Do you agree those are all --

A. I'm not aware of all the various elements that go into the reliability assessment but all those things sound like items that could be impacted by the loss of a generation unit. Or at least need to be assessed.

Q. Right. So not only the prospect of that but the cost of those potential problems are fair things to consider when looking at options that would avoid closing coal plants. Would you agree with that?

A. Can you repeat the question? I'm not really clear what --

Q. Yeah. So these additional transmission upgrades, to use that example, if you either have a transmission upgrade that could cost millions of dollars or you have a reliability must-run obligation that would cost, you know, a certain amount of money over time, those are relevant factors to consider if you're looking at something like the PPA rider. Would you agree?

A. No. I don't know what the PPA rider has to do with that. I thought we were talking about the PJM and reliability and PJM's maintenance of their market. I don't know what -- I don't know why rider PPA factors in there.

Q. Okay. Well, again, let me back up, then. So your testimony you're addressing -- and you discussed earlier not only the prospect of OVEC being -- OVEC costs being recovered through the PPA rider but also through the so-called expanded PPA that would involve legacy Ohio assets through an affiliate PPA, correct?

A. Uh-huh.

Q. Okay. And so let's stay with the latter part of that and the plants that might be involved

with that could either be sold or closed down as options, alternative options, to the PPA rider, correct?

A. I guess if you have a generation unit, if you're not running it, you could either sell it or close it down, right.

Q. Okay. So if the prospect of closing down a plant is an issue in conjunction with the expanded PPA, then you would agree that it's fair to look at the other costs that would be incurred if the plant closes such as the transmission reliability cost we just talked about.

MR. PETRICOFF: Your Honor, I'm going to object to that question. There is nothing in the application or in this record that's talking about any former legacy plant that may be shut down and may now not be shut down in the future theoretically because of the PPA. All of that is just outside the application.

MR. NOURSE: Your Honor, Mr. Vegas and others have already testified about the expanded PPA option being directed at legacy Ohio assets and, again, this witness's testimony, I just went through the foundation for that, he's addressing both OVEC and the expanded PPA and he's addressing this issue

about relying on PJM, so that's certainly the tie-in that I'm trying to clarify here.

MR. PETRICOFF: And, your Honor, my last point is that the application was very specific that when the time comes, there will be an application. This question is better suited for that time should it come.

EXAMINER PARROT: The objection is overruled.

Q. Okay. Do you want me to try again, or do you want to have it read back?

A. Why don't you try it again.

Q. Okay. So given -- in the expanded PPA context, which is addressed extensively in the intervenor testimony in this case, and given your recommendation on page 22 of your testimony, you rely exclusively on the PJM reliability process, is it fair to consider the costs and the price tag associated with your alternative to the expanded PPA where you might have a plant closing down as a result?

A. I think assessing costs is fair but I think PJM has a process in place, it has worked. They have offered reliability contracts where units are needed for reliability, and the costs of those

1 contracts are -- the costs of the reliability RMR is
2 typically region specific but not necessarily utility
3 region specific. So to the extent costs would be
4 incurred under an RMR potentially they could be
5 spread among a much broader customer base as opposed
6 to the costs of keeping units going being incurred by
7 one utility's shopping and nonshopping customers.
8 Q. Right. So leaving aside the cost level,
9 the allocation, as you said, that could occur, you
10 know the specifics of the cost comparison could be
11 left for the later case, the expanded PPA case; is
12 that what you're saying?
13 A. No. I'm saying that PJM has a process in
14 place. You don't need rider PPA, that the market
15 Ohio's in and that AEP Ohio is in has a process in
16 place to address the reliability need of units --
17 Q. Okay.
18 A. -- throughout PJM.
19 Q. Well, I thought we agreed a few moments
20 ago, Mr. Campbell, that the costs of the transmission
21 option that you're outlining on page 22 is relevant
22 in the debate, if you will, about the expanded PPA.
23 Did we agree to that or not?
24 A. No. I don't think so.
25 Q. Okay. So if the price tag of your

1 recommendation on page 22 is higher than the price
2 tag for a PPA that the company may advance in an
3 expanded PPA case, are you maintaining that that's
4 irrelevant and should not be considered?
5 A. I would say that -- I would say that -- I
6 would recommend that would not be considered, that
7 PJM has a process in place and that creating a PPA
8 structure that is a threat to competitive markets and
9 the growth of competitive markets in the state, that
10 shifts risks away from the company to its customers
11 is not an option that should be weighed against the
12 process that's already established and operating well
13 within PJM.
14 Q. So your position here is similar to your
15 position concerning the rate stabilization plans,
16 that even if it saves customers money, you still
17 think it's bad policy and should not be considered,
18 correct?
19 A. Correct.
20 MR. NOURSE: Thank you. That's all I
21 have, your Honor.
22 EXAMINER PARROT: Mr. Poulos, did you
23 have anything for this witness?
24 MR. POULOS: No, your Honor, thank you.
25 EXAMINER PARROT: Anything from staff?

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

EXAMINER PARROT: Any redirect, Mr. Petricoff?

MR. PETRICOFF: Could we have a couple of minutes, your Honor?

EXAMINER PARROT: You may. We'll go off the record and take a short five-minute break.

(Recess taken.)

EXAMINER PARROT: Let's go back on the record.

Any redirect, Mr. Petricoff?

MR. PETRICOFF: No, your Honor, we have no redirect, thank you.

EXAMINER PARROT: Thank you very much.

All right. Thank you, Mr. Campbell.

THE WITNESS: Thank you.

EXAMINER PARROT: Your exhibits, Mr. Petricoff?

MR. PETRICOFF: Yes, your Honor, at this time we would like to move admission into the record of RESA Exhibit No. 1 and Constellation Exhibit No. 1.

EXAMINER PARROT: Are there any objections to the admission of Constellation Exhibit 1 or RESA Exhibit 1?

MR. NOURSE: No.

EXAMINER PARROT: Hearing none, both exhibits are admitted.

(EXHIBITS ADMITTED INTO EVIDENCE.)

EXAMINER PARROT: Mr. Williams? I'm sorry.

MR. WHITT: Good morning, your Honor. IGS would call Mr. Tim Hamilton.

EXAMINER PARROT: Please raise your right hand.

(EXHIBIT MARKED FOR IDENTIFICATION.)

(Witness sworn.)

- - -

TIM HAMILTON

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

DIRECT EXAMINATION

By Mr. Whitt:

Q. Mr. Hamilton, could you please introduce yourself to the Commission by giving us your full name and where you work.

A. My name is Tim Hamilton and I'm the Power Supply Director for IGS Energy.

Q. Mr. Hamilton, do you have in front of you a document marked IGS Exhibit 1.0?

A. I do.

Q. Can you identify this document as the direct testimony that you prepared for this proceeding?

A. Yes, it is.

Q. Do you have any corrections to make to your testimony?

A. I have no corrections.

Q. If I were to ask you the same questions that appear in IGS Exhibit 1.0 today, would your answers be the same?

A. Yes, they would be.

MR. WHITT: With that, your Honor, the witness is available for cross.

EXAMINER PARROT: Thank you.

Mr. Petricoff?

MR. PETRICOFF: No questions, your Honor.

EXAMINER PARROT: Mr. Clark?

MR. CLARK: No questions, your Honor.

EXAMINER PARROT: Mr. Casto?

MR. CASTO: No questions, your Honor.

EXAMINER PARROT: Ms. Mohler?

MS. MOHLER: No questions, your Honor.

EXAMINER PARROT: Mr. Boehm?

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

EXAMINER PARROT: Mr. Darr?

MR. DARR: No questions, your Honor.

EXAMINER PARROT: Mr. Yurick?

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

EXAMINER PARROT: Mr. Poulos?

MR. POULOS: No questions, your Honor.

EXAMINER PARROT: Mr. Berger?

MR. BERGER: Just a limited amount of questions, your Honor.

- - -

CROSS-EXAMINATION

By Mr. Berger:

Q. Good morning, Mr. Hamilton.

A. Good morning.

Q. My name is Tad Berger. I'm with the Ohio Consumers' Council's Office.

You recommend in your testimony that if OVEC is -- if the PPA rider is approved, that it be bypassable rather than nonbypassable; is that correct?

A. That's correct.

Q. And is it your understanding that the PPA rider actually provides generation service to any customer?

A. It does not provide generation service.

Q. And the power is -- the power is being sold into the market, correct?

A. Correct, it is being sold into the PJM market on a day-ahead basis.

Q. And does the SS -- and the SSO customers wouldn't receive any power from OVEC unless the SSO auction -- the SSO provider actually purchases the OVEC power in the market, correct?

A. That's correct.

Q. And CRES suppliers could equally purchase the OVEC power in the market if they chose to do so; is that correct?

A. That is possible.

Q. So with respect to -- with respect to the ability of the SSO supplier and CRES suppliers, they're in an equal position with respect to the purchase of the OVEC power, each of them can purchase it in the market, neither of them has to; is that correct?

A. That is correct.

Q. And under the company's proposal both SSO customers and CRES supplier customers would have to pay equally for the PPA rider if it were accepted by the Commission; is that correct?

A. If it was accepted as nonbypassable, yes.

Q. And would you agree with me then that with respect to both the acquisition of OVEC power and with respect to the payment of the PPA rider rate that both SSO and shopping -- SSO and shopping customers would be in the same position if the company's proposal with respect to charging this on a nonbypassable basis were accepted?

A. In the same position from what perspective?

Q. With respect to that -- with respect to those two items, the acquisition of the power and the payment of the PPA rider.

A. That's correct.

Q. And you'd agree with me that the PPA rider is proposed and would, in fact, only act as a financial hedge since there's no generation associated with that.

A. We don't agree that it's a financial hedge in this instance.

Q. Why do you agree -- why is it your position that it's not a financial hedge?

A. Because that --

MR. NOURSE: Your Honor, I object to this friendly cross.

EXAMINER PARROT: Response, Mr. Berger?

MR. BERGER: Your Honor, I don't know why he perceives it as friendly cross. I'm in direct opposition to Mr. Hamilton's -- or, our position is in direct opposition to Mr. Hamilton's position that the rider should be bypassable and I'm simply trying to determine what is the rationale for why he thinks that it's -- it should be bypassable. One of those --

MR. NOURSE: Your Honor, unless I misunderstood OCC's position, I don't think you're directly opposed to it being bypassable. I think you're completely opposed to the charge in any form, if I understand your position correctly. So I think it's friendly cross relative to the challenge of the proposal.

MR. BERGER: We're certainly opposed to the OVEC -- to the PPA rider, but if it were to be accepted, I think we're entitled to have a position as to whether it's bypassable or nonbypassable and that's what this cross relates to.

EXAMINER PARROT: The objection's overruled.

A. So what's your question, sir?

Q (By Mr. Berger) My question had to do

with why it's your viewpoint that it doesn't act as a financial hedge.

A. When a customer selects a CRES provider, they only expect to receive the generation charge directly from that CRES provider. If the utility is providing a charge that's going to go to all customers, then we think that customer will be confused that they're receiving a charge both from -- a generation charge directly from both the customer and then directly from the utility -- pardon me, directly from the CRES provider and from the utility so we think the customer will get confused.

Q. Would they be any more confused than an SSO customer who is paying the SSO rate and also paying the PPA rider rate?

A. I think a customer has an expectation that if they're being charged for generation services, it's going to come from one party, not from multiple parties. I think if they get this SSO service, that they know that service is only going to come directly from the company.

Q. But both customers, both the shopping customer and the SSO customer, are going to see the PPA rider rate on their bill presumably in the same place and --

1 A. If it's -- if it's passed as
2 nonbypassable. But if it's bypassable, then a CRES
3 provider customer will not see that charge.
4 Q. Right. But both customers will be in the
5 same position with respect to seeing this charge in
6 addition to their supplier rate on their bill;
7 wouldn't you agree with that? If it's nonbypassable.
8 A. That is correct.
9 Q. Would this -- would the PPA rider act in
10 any different way from any other nonbypassable rider
11 that's being charged to customers?
12 MR. NOURSE: I object. It lacks
13 foundation.
14 EXAMINER PARROT: Mr. Berger, move it
15 altogether, one way or the other, please. Thank you.
16 Did you have a response, Mr. Berger, to
17 the objection?
18 MR. BERGER: Yes. I'm trying to
19 establish with the witness why this nonbypassable
20 rider has any different basis or any different effect
21 in terms of customers than any other nonbypassable
22 rider, why it would affect them in any different way.
23 THE WITNESS: Because we believe it's a
24 generation-based --
25 MR. NOURSE: Your Honor.

THE WITNESS: I apologize.

MR. NOURSE: The objection was to there was no other nonbypassable riders being discussed leading up to that question so there's no idea what the answer would even address.

EXAMINER PARROT: The witness may answer to the best of his ability.

A. We believe it's different from other nonbypassable riders even though there are none available right now in this proceeding, that it's due -- because it's a generation-based rider.

Q. Have you evaluated whether there are other generation-related riders already included in the company's rates?

A. I believe currently right now that the fixed-cost rider that's currently involved in some of the OVEC costs are bypassable.

Q. Okay. You're aware that the generation capacity rider is a generation-related rider.

A. Yes.

MR. BERGER: Okay. All right. No further questions, thank you.

EXAMINER PARROT: Mr. Nourse?

MR. NOURSE: Thank you, your Honor.

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3 CROSS-EXAMINATION
4 By Mr. Nourse:
5 Q. Just a brief area, Mr. Hamilton. Earlier
6 when you were discussing the PPA rider with
7 Mr. Berger you indicated that AEP Ohio would not
8 provide generation service through the PPA rider. Do
9 you recall that?
10 A. I do recall that.
11 Q. And were you describing the lack of
12 physical delivery of the power to customers?
13 A. That's correct.
14 Q. Okay. And so your testimony was not
15 intended to address any regulatory or legal matters
16 as to whether the PPA rider would be considered a
17 generation service under Ohio law, correct?
18 A. That is correct.
19 MR. NOURSE: Thank you. That's all I
20 have.
21 EXAMINER PARROT: Anything from staff?
22 MR. MARGARD: No, thank you, your Honor.
23 EXAMINER PARROT: Any redirect,
24 Mr. Whitt?
25 MR. WHITT: No redirect, your Honors.

EXAMINER PARROT: Thank you, Mr. Hamilton.

MR. WHITT: And IGS would move for the admission of Exhibit IGS-1.0.

EXAMINER PARROT: Are there any options to the admission of IGS Exhibit 1?

MR. NOURSE: No, your Honor.

EXAMINER PARROT: Hearing none, it is admitted.

(EXHIBIT ADMITTED INTO EVIDENCE.)

EXAMINER SEE: Mr. Clark.

MR. CLARK: Thank you, your Honor. Direct Energy calls Teresa L. Ringenbach. And, your Honor, we'd like to have Ms. Ringenbach's direct testimony marked as Direct Energy Exhibit 1. I have left a couple copies at your desk there and also given one to the court reporter as well.

EXAMINER SEE: Okay.

(EXHIBIT MARKED FOR IDENTIFICATION.)

EXAMINER SEE: Ms. Ringenbach, please raise your right hand.

(Witness sworn.)

EXAMINER SEE: Thank you.

Mr. Clark, go ahead.

MR. CLARK: Thank you, your Honor.

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3 TERESA L. RINGENBACH

4 being first duly sworn, as prescribed by law, was

5 examined and testified as follows:

6 DIRECT EXAMINATION

7 By Mr. Clark:

8 Q. Ms. Ringenbach, can you state your name

9 and business address, please.

10 A. Teresa Ringenbach. I'm with Direct

11 Energy and the business address is 21 East State

12 Street, Columbus, Ohio.

13 Q. And the testimony we've had marked as

14 Direct Energy Exhibit 1, was that testimony prepared

15 by you or at your direction?

16 A. Yes.

17 Q. Would you have any corrections to make to

18 your testimony today?

19 A. No.

20 Q. If I asked you those same questions today

21 that are in your Direct Energy Exhibit 1, would your

22 answers be the same?

23 A. Yes.

24 MR. CLARK: Your Honor, Direct Energy

25 moves Direct Energy Exhibit 1 into evidence subject

to cross-examination.

EXAMINER SEE: Mr. Petricoff?

MR. PETRICOFF: No questions, your Honor.

EXAMINER SEE: Mr. Casto?

MR. CASTO: No questions, your Honor.

EXAMINER SEE: Ms. Mohler?

MS. MOHLER: No questions, your Honor.

EXAMINER SEE: Mr. Boehm?

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

EXAMINER SEE: Mr. Darr?

MR. DARR: Very briefly, your Honor.

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CROSS-EXAMINATION

By Mr. Darr:

Q. Good morning. I'm here on behalf of IEU-Ohio. On page 6 of your testimony you indicate that you're asking for supplier consolidated billing. Do I read that correctly?

A. Yes.

Q. And this would place all of the billing function with the CRES provider if the CRES provider elected to do so; is that correct?

A. That's correct.

Q. Is there anything preventing a CRES provider like Direct from offering levelized billing

or average monthly billing if it were to take over the consolidated billing function?

A. No, there's not.

Q. And is it fair to say that you would follow the existing payment priorities that are currently contained in the Ohio Administrative Code?

A. Yes.

Q. And you would expect to be able to do that if you took over consolidated billing; is that correct?

A. Yes.

Q. Now, turning to your support of the purchase of receivables program, Direct is currently registered as a CRES provider, correct?

A. That's correct.

Q. And is it Direct's position that a failure to secure a bad debt rider would affect in any way its current status or expected status as a CRES provider?

A. The failure to procure a commodity bad debt rider would have an impact on the discount rate associated with the POR but not on Direct's ability to be a certified retail electric supplier in the state.

Q. Okay. I think we're close to -- let me

rephrase my question.

A. Okay.

Q. If the Commission did not approve a bad debt rider, would you expect that Direct would, to use the term used on the playground, pick up its toys and go home?

A. No, we wouldn't pick up our toys and go home.

Q. You're aware that there are 69 registered CRES providers currently certified for the AEP service territory?

A. I'm aware there's certified CRES providers. I don't know the number.

Q. And are you aware that 29 of those have one or more residential customers signed up in the AEP service territory?

A. I'm aware we have competitors selling to residential, but I don't know the number that have signed up residential.

Q. And you're familiar with the Apples to Apples chart, correct?

A. Both the old one and the new website, yes.

Q. And are you aware that there are 50 -- or, about 50 residential offers listed in the

AEP Ohio service territory on the Apples to Apples chart provided by the Ohio Commission?

A. I haven't looked recently. I couldn't tell you what the -- I don't know what the number is.

Q. You would agree with me that all this has occurred while AEP Ohio has not had a purchase of receivables program without discount, correct?

A. I'm aware that AEP doesn't have a discount program and that customers are switching, yes.

MR. DARR: Very good. I have nothing further, thank you.

EXAMINER SEE: Mr. Yurick?

MR. YURICK: No questions, your Honor.

EXAMINER SEE: Mr. Poulos?

MR. POULOS: No questions, your Honor.

EXAMINER SEE: Mr. Serio?

MR. SERIO: Thank you, your Honor.

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CROSS-EXAMINATION

By Mr. Serio:

Q. Good morning, Ms. Ringenbach.

A. Good morning.

Q. I have a few questions for you. First, your title is Senior Manager of Government and

1 Regulatory Affairs, correct?
2 A. Yes.
3 Q. And that's for Ohio and other midwest
4 states, correct?
5 A. That's correct.
6 Q. How many other states?
7 A. There's three.
8 Q. And what does a senior -- what does it
9 mean to be a senior manager versus just a manager?
10 A. So I actually direct our policy and
11 advocacy. I have regular meetings with our upper
12 management to direct the policy and advocacy and
13 ultimately the final decision on how to implement our
14 advocacy falls to me.
15 Q. Okay. And in that policy role you're
16 knowledgeable about Direct's bad debt collection
17 efforts and the level of bad debt that Direct has?
18 A. In terms of having had discussions with
19 the businesses, yes. Our exact -- if you wanted an
20 exact percentage, I don't know what that would be.
21 Q. And you're not an attorney, are you?
22 A. No.
23 Q. Do you understand the difference between
24 what attorneys refer to as evidence and what lay
25 people refer to as anecdotal evidence?

A. Generally.

Q. What would that difference be, in your mind?

A. That you would actually have to show proof, hard and fast proof, versus just in general speaking to a philosophy or policy.

Q. And the proof would refer to the actual evidence whereas just the discussion and the philosophy would refer to anecdotal evidence, correct?

A. Correct.

Q. Do you believe that the AEP electric retail market is a robust market?

A. I view it as a generally growing market.

Q. Do you believe it's robust?

A. I would not use the term "robust," no.

Q. What would be necessary, as far as numbers, in order for the market to be robust?

A. I think in terms of numbers there's a certain level of switching. I would expect it to be 70 percent or more. But I view a robust market as a market that has more than just a general commodity-to-commodity price comparison.

Q. So if you had a market where there were three CRES providers and they had 70 percent of the

1 market, would that be considered robust?
2 A. Well, as I clarified, to use the term
3 "robust" you would have to have more products than
4 just commodity-to-commodity comparisons and I would
5 also say that customers would have to be educated on
6 those options. In this day and age with the amount
7 of technology that's out there for energy products, I
8 would not call a market robust just because somebody
9 switched just because it was a lower price.
10 Q. So even if you had a hundred percent of
11 the market switch because of a lower price, in your
12 opinion that would not necessarily constitute a
13 robust market.
14 A. Not if you just had the same products to
15 supply everyone.
16 Q. Do you believe that the AEP retail
17 electric market is a competitive market?
18 A. Yes.
19 Q. Do you believe that there are barriers to
20 entry to the AEP electric market that you just said
21 was competitive?
22 A. Barriers to a supplier being able to
23 serve or barriers to products?
24 Q. Barriers to entry for a CRES provider to
25 participate in the competitive market.

A. I think if there is a supplier trying to offer new and different time-of-use pricing, yes, there are absolutely barriers. You don't have the data to offer time-of-use products. If you're asking if there is a barrier to a supplier simply coming in and offering a generic or fixed variable price, then no, there isn't a barrier.

Q. Now, you indicated I believe in response to Mr. Darr that Direct supports the purchase of receivables program that the company's proposed, correct?

A. Yes.

Q. Does Direct Energy also support a bad debt rider?

A. Direct Energy's position on a bad debt rider is that if one exists and it's paid for by all customers, then the POR discount rate should reflect the fact that that customer is already paying the bad debt risk to the utility and should not have to pay it twice.

Q. Is it Direct's position that there has to be a bad debt rider if there's a purchase of receivables program?

A. No.

Q. Now, is it your position that the

implementation of a POR program will increase the number of CRES providers that are participating in the AEP Electric Choice market?

A. After participating in the COI and hearing from suppliers who are not already in AEP, it was clear to me that that is something necessary for them to enter AEP.

Q. Now, you just referenced the 3151 docket. Can you identify any of the marketers that said that they would participate if there was a POR that do not currently participate in the AEP Electric Choice market?

A. I believe PPL was one. I couldn't name the others just off the top of my head.

Q. Is there anything on the record that PPL is absolutely guaranteeing that they would participate in the AEP Electric Choice market if there was a POR program?

A. Not that I know of.

Q. Now, is it Direct's position that the implementation of a POR program will increase the number of CRES provider products that are offered in the AEP Electric Choice market?

A. It could. We've seen it in other places.

Q. What type of products does Direct offer

in the AEP Electric Choice market today?

A. For residential?

Q. Let's start with residential, yes.

A. Okay. So for residential just off the top of my head you typically have your normal 12 to 24 fixed price, you have a variable price offer that I believe changes, there might be one that's seasonal, and one that also just runs from 6 to 12 months depending on what the customer chooses. We have a product that bundles with like a protection plan so you get furnace tune-up or AC tune-up when you sign up with a certain product. There is -- I believe there's one in AEP that's associated with a school district where if you sign up, like money goes to the school district. That's it off the top of my head. I'm sure there's more out there.

Q. Now, you talk about a bundled product with a protection plan, that's still either a fixed or a variable or some combination of the two, correct?

A. Yes.

Q. And the time with the school, again, would be a fixed, variable, or some combination of the two.

A. That's correct.

Q. You're familiar with the Duke Energy Electric Choice program also?

A. Yes.

Q. And they have a POR program, correct?

A. Yes.

Q. Do you offer products beyond these products in the Duke Electric Choice market?

A. I think they're pretty similar today in Duke.

Q. And to the extent that you believe that CRES providers would offer more products if a POR was implemented, do we have any documentation, any proof that that would be the case?

A. No.

Q. Is it Direct's position that a POR brings benefits to customers, that a POR program would bring benefits to customers?

A. Direct's position just to be clear is supportive of POR but I also said that if we don't have POR, that we need better ways to collect from our customers, more -- additional information under the existing payment priority. So our position is at the end of the day we need a better ability to collect from our customers. So if we're not going to have the additional data provided, then we need POR.

1 That's our position.
2 Q. The additional data that you referenced,
3 that's the data that the staff referenced as the
4 alternative in the 3151 report, correct?
5 A. Yes.
6 Q. Currently, without a POR program, if a
7 CRES provider has bad debt from a customer, they have
8 to engage in efforts to try to collect that
9 themselves, correct?
10 A. That's correct.
11 Q. And the CRES provider would have a cost
12 of trying to collect that debt, correct?
13 A. Yes.
14 Q. And if they're not successful in
15 collecting that debt, then they have to write that
16 debt off, correct?
17 A. Correct.
18 Q. And that's a business risk associated
19 with doing business as a CRES provider if there is no
20 POR program, correct?
21 A. Yes.
22 Q. Now, if a POR program is instituted, then
23 that bad debt collection cost and the actual
24 write-off of bad debt and the risk of that would all
25 be shifted from the CRES provider to customers,

correct?

A. To be clear, that cost is already shifted to customers today in our pricing.

Q. To the extent that a POR was implemented, would Direct Energy reduce its rates to reflect the reduction of that risk that Direct would have since the utility would now pick up the risk and then transfer it to customers?

A. If there's a discount rate, then whatever is currently embedded would be replaced with the cost of the discount rate.

Q. Do you know what Direct Energy's costs for bad debt collection are?

A. Not off the top of my head, no.

Q. Do you have a magnitude of costs?

A. I believe in AEP it's probably around 1 percent.

Q. Can you translate that 1 percent to dollars? Is it more than $1 million?

MR. CLARK: Your Honor.

A. I don't know.

MR. CLARK: Your Honor, I'm sorry, objection.

EXAMINER SEE: Just a moment.

MR. CLARK: I think we're getting into

1 some competitively sensitive information and I think
2 while I don't necessarily object to the questions,
3 the answers she's giving, we don't have protective
4 agreements with everybody in the room. If we're
5 going to go down that path, then I would endeavor to
6 put something in place, if we're going to start
7 talking about our particular numbers, our particular
8 costs. I don't have -- I think talking about it
9 generally is okay but ultimately if we're going to
10 start to extrapolate these things into what our costs
11 are, we need to think about sealing the record. We
12 have several parties in the room as well that are
13 competitors.
14 MR. SERIO: Your Honor, I don't know that
15 I have to have the numbers, but if we're going to
16 have arguments made that these are costs and
17 significant costs to marketers and that not
18 necessarily this marketer but other marketers raise
19 it as a barrier to entry, then I think I'm entitled
20 to have the magnitude of those numbers put onto the
21 record and, you know, I guess at the end of the
22 direct case if we need to explore protective
23 agreements, OCC is willing to enter into protective
24 agreements as we have done with the company and any
25 other party that had sensitive information that we

needed in the course of discovery, but we couldn't do really any discovery because we didn't get the testimony till after the discovery date. So I was just exploring that with the witness right now.

EXAMINER SEE: Let's see if we can get through the cross-examination of Ms. Ringenbach very carefully without getting into any confidential information, and we'll revisit the issue if necessary at the end of her cross-examination.

Ms. Ringenbach, you can answer. I think you already answered.

MR. SERIO: I'll rephrase, your Honor.

EXAMINER SEE: Okay.

Q (By Mr. Serio) The 1 percent that you referenced, does that include the cost of writing off bad debt?

A. It's based on spreadsheets I've seen so I don't know if it also includes the cost of the bad debt. It's based on spreadsheets I've seen to show based under the existing payment priority where do we land in terms of customers who we would have to drop.

Q. So if the company instituted a bad debt rider that was zero percent, then Direct Energy would benefit by not incurring that 1 percent in chargeoffs or in costs, correct?

A. You said a bad debt rider is zero percent or our POR discount?

Q. A POR with a bad debt rider.

A. At zero percent, then yes. Ultimately actually our customer would benefit because it would not be included in their price.

Q. If the company proposal for a POR with a zero bad debt rate was implemented, is there any assurance or guarantee that Direct Energy would reduce the rates it charges to customers that have that current 1 percent built into their rates today?

A. I think it depends on the customer's contract and what it allows us to do.

Q. Is there any customer contract that precludes you from reducing the rate that you charge the customer?

A. Yes. If we market it as a fixed rate and your rate will not change, then yes.

Q. So to the extent that a customer had a fixed rate contract, Direct Energy would not reduce their rates so that customer would pay once in their fixed contract to Direct for that cost of collection and risk of bad debt and then pay a second time in the form of the POR and the bad debt rider that the company implements, correct?

A. If we chose to use POR for that customer and we marketed that customer, here is your fixed rate and we're not changing it, we have no provisions to change for cost changes, they're typically related to change in the law, then we would not change that customer's price.

Q. Now, with the purchase of receivables program if a shopping customer has a contract with a CRES provider that is for a rate that is above the alternative SSO rate and that customer doesn't pay their bill and those costs then are collected through the company's bad debt rider, those -- strike that. Let me rephrase it.

If you have a shopping customer that has a CRES contract for a rate above the alternative SSO, okay, and that customer doesn't pay their bills, under a POR program with a bad debt rider then the cost of that contract that's higher than the SSO would flow to customers, correct?

A. It could if they ultimately never pay.

Q. Would you agree with me that CRES providers that offer commodity service in the AEP electric retail mark offer a deregulated product?

A. I call it a competitive product because there are regulations that fall upon those

1 customer -- those suppliers.
2 Q. Are the regulations price related?
3 A. They are in the sense that if you offer a
4 variable rate, there's things that you have to
5 disclose. If you have a fixed rate, there's things
6 you have to disclose.
7 Q. Does the Commission control the price
8 that you are allowed to charge to customers?
9 A. No.
10 Q. And would you agree with me that a POR
11 with a bad debt rider provides regulatory certainty
12 with regard to collection of bad debt?
13 A. Yes.
14 Q. Are you aware of any other markets that
15 sell a deregulated product that have regulatory
16 certainty with regard to collection of bad debt?
17 A. Illinois behind ComEd, Ameren in
18 Illinois, all of the Pennsylvania gas and electric
19 utilities, all of the Ohio Gas utilities have POR for
20 competitive products. New York, New Jersey, I think
21 Massachusetts just implemented one. I don't think
22 Connecticut has POR.
23 Q. Every one of those examples has to do
24 with the utility industry, correct?
25 A. They have to do with competitive energy.

Q. Are there any other industries other than the utility industry or competitive energy industries where you have a deregulated -- deregulated price product and you have regulatory certainty with regard to collection of bad debt?

A. There are companies who actually buy other companies' receivables and that's their business and then they go and collect on them.

Q. But that doesn't provide the company that incurred the bad debt with 100 percent cost recovery, does it?

A. It does. They purchase their receivables at a discount and then that other company goes and collects for it.

Q. The discount is less than a hundred percent, correct?

A. Yes.

Q. Okay. So they don't get regulatory certainty of 100 percent cost recovery, correct?

A. That's correct.

Q. To the extent that you're familiar with other industries where third parties purchase bad debt, is there anything that would preclude CRES providers from using such a third party to take care of their bad debt in the Ohio energy market?

A. No.

Q. Is it your understanding that POR programs are generally used to jump-start competition in a retail market?

A. Yes.

Q. Are you aware of any other markets that have shopping levels comparable to what AEP has today where a POR program was implemented after that level of shopping was achieved?

A. I don't know what AEP's current shopping level is.

Q. Would you accept, subject to check, for all customers it's approximately 70 percent, for residential customers it's approximately 25 percent?

A. Is it 70 percent or 25 percent?

Q. For all customers, 70 percent.

A. Okay.

Q. For residential customers, approximately 25 percent.

A. I believe Massachusetts was around that for residential when they went ahead and implemented POR, but I would have to go back and check.

Q. Does Direct Energy collect a deposit for all of its shopping customers when they sign up for service?

A. Direct Energy does not collect a deposit for all of its customers.

Q. Do you know roughly what percentage of its customers end up putting a deposit?

A. I think it depends on the particular customer. If they're a commercial or residential or industrial, it's going to --

Q. For residential customers.

A. We do not collect deposits for residential customers.

Q. So any of the bad debt associated with residential customers that you have would not be offset by any customer deposits that you have from those customers, correct?

A. That's correct.

Actually can I clarify my answer? I was speaking in terms of Ohio.

Q. Yes, my question was in terms of Ohio.

A. All right. Just wanted to make sure.

MR. SERIO: Your Honor, that's all I have.

Thank you, Ms. Ringenbach.

EXAMINER SEE: Mr. Satterwhite?

MR. SATTERWHITE: Did staff or anybody else have any?

EXAMINER SEE: Staff will go last. Go ahead, Mr. Satterwhite.

CROSS-EXAMINATION

By Mr. Satterwhite:

Q. Good morning, Ms. Ringenbach. How are you doing today?

A. Good morning.

Q. You answered some questions earlier about Direct Energy's position on purchase of receivables with and without a bad debt rider. What would your position be or what is the preference of Direct Energy if it's the choice of having a purchase of receivables with a bad debt rider or not having purchase of receivables at all?

A. Well, it depends on the structure of the POR program. The POR program is you have to use UCB for all of your customers if you choose POR, then we would choose to rather have the additional information to just collect on our own because there are situations, as I've indicated with our desire for supplier consolidated billing, that we may be not able to offer the different products that we want simply because UCB is tied to POR.

Q. And you said UC, UCV, UCB, I'm not sure what you're talking about.

A. Utility consolidated billing.

Q. I just wanted to make sure it was clear for the record. Okay.

And there was also some questions about the number or the offerings that you currently provide in the Duke territory that have purchase of receivables compared to what you offer in AEP Ohio's territory. Do you remember that?

A. Yes.

Q. Isn't it true that Ohio Power is a little over twice the size in number of customers than the Duke territory?

A. Yes.

Q. Do you think that makes a difference in the type of new offerings that may be offered if you have something like purchase of receivables to allow the ability to do new offerings if there's a larger customer base to invest in?

A. I think for a supplier who's not already in the market who might not be familiar with the payment priority or hasn't quite worked out how to deal with the fact that you don't get all the information you need under the payment priority to collect, POR would incent them to enter the market and it would get rid of that barrier of to set up all

of those collection processes.

Q. Now, you were also asked a question about if a customer takes service from a CRES supplier and their rate is higher than the SSO, and that customer doesn't pay their bills, that that cost could get passed to the bad debt rider. Do you remember those questions?

A. Yes.

Q. Is the flip side also true, that if a customer is paying a discount rate under the SSO and do not pay their bills, that that amount that's lower than the SSO they would have been paying if they didn't pay their SSO bills would be applied to the bad debt rider?

A. Yes.

Q. One housekeeping issue in your testimony. Around page 5 you're discussing the web portal. Do you recall that testimony?

A. Yes.

Q. And the web portal was something that was an issue that came out of the ESP 2 and was addressed in that order, correct?

A. Yes.

Q. And is it your understanding that AEP has now implemented that web portal and that's already

1 available to CRES suppliers?
2 A. I believe it is, but I might be confusing
3 you guys with Duke. I think it's available. I
4 haven't seen it lately.
5 Q. I just want to make sure from your
6 testimony you're not suggesting that there's
7 something still to be done with that, that that's
8 already been accomplished and already in service for
9 you to access, correct?
10 A. No. I was supporting AEP. Their ask
11 related to the web portal in the current docket.
12 Q. And it's your understanding that, well
13 let me back up then. Is it your understanding -- for
14 that to be a support you'd have to make the
15 assumption that it's not in existence now; is that
16 correct?
17 A. I guess you would, yes.
18 Q. And through the market you participated
19 in the COI that you referred to earlier and the
20 market studies where all the parties came together
21 and talked, correct?
22 A. Yes.
23 Q. And through that workshop did you have
24 conversations with Mr. Gabbard about the launch of
25 that web portal and how that was available for CRES

1 providers?
2 A. We had talked about the launch. I don't
3 think at that point -- I think it was still in
4 different phases. I had a lot of conversations with
5 Mr. Gabbard.
6 Q. I remember.
7 But it's not your testimony that if a web
8 portal is already in existence today, that that would
9 need to be added, something new would need to be
10 added as a result of the ESP 3, correct?
11 A. No. I think it's nice to have a web
12 portal because it does help to add things without
13 having to change EDI protocols and going through the
14 EDI workshops and getting everyone on board, but I'm
15 not advocating that something completely new and
16 different be added to the web portal today.
17 Q. That's what I really want to clarify.
18 You're not saying you're aware of the web portal now
19 and there's a problem with it so you want something
20 different, you want to implement the web portal that
21 was sort of discussed in ESP 2 and hopefully that was
22 implemented very recently, the final stage of that,
23 and you already have access to that, correct?
24 A. As of today I don't believe I'm asking
25 for anything, but tomorrow I could ask for something.

Q. I'm sure you will.

All right. Let's move on to supplier consolidated billing or UCB or whatever you called it earlier.

A. That would be SCB.

Q. SCB, thank you.

Now, you discuss in your testimony the ability -- this is around page 6, you give the example that if you had SCB, that you would be able to bundle gas and electric products and add items such as furnace tune-ups, smart thermostats, and other issues, correct?

A. Yes.

Q. Would the Commission have authority over review of the billing of all those items if they were on the one bill that the supplier controlled?

A. We would have to still comply with all the rules of the bill format. Would they individually look at each of those products and we'd have to show them where it would go on the bill? They wouldn't necessarily have that authority, but they have the authority to ask us for that, and we have to comply and provide it to them.

Q. So I'm trying to understand. You're aware that on an ongoing basis there's a customer

1 call center that staff oversees, correct?
2 A. Yes.
3 Q. And part of that deals with informal
4 complaints dealing sometimes with billing and
5 understanding bills, correct?
6 A. Yes.
7 Q. And staff also has some oversight with
8 bill format to assist the Commission and make
9 recommendations to companies; is that correct?
10 A. Yes.
11 Q. Would staff still have full control and
12 interaction that it has today with utilities -- is it
13 your testimony that staff would have all that control
14 on behalf of the Commission with the bills that have
15 things like furnace and AC tune-ups and smart
16 thermostats?
17 A. We would -- if staff asked us to make
18 changes, we always make changes when staff asks.
19 Would staff have -- would there be some Commission
20 regulatory authority if a supplier chose to refuse to
21 make a change assuming that everything else was
22 within the required rules and requirements for
23 billing and it was just let's say like a formatting
24 change, a supplier could refuse that request. And
25 it's been my experience from my company that when

1 staff has asked us to make changes or do things, we
2 typically work with them and try to figure out a way
3 to make it happen.
4 Q. But if there's a movement to institute
5 supplier consolidated billing across the board, that
6 would be for any CRES provider that wanted to do it,
7 correct?
8 A. Yes.
9 Q. And the amount of staff interaction and
10 consumer protection would be limited to the courtesy
11 of the CRES provider, correct?
12 A. In terms of consumer protection there's
13 rules and requirements that any supplier has to
14 follow. So if you're -- specific to -- there are
15 rules requiring what has to happen in a bill, right?
16 There are rules that say you have to break it down
17 per kilowatt-hour, I think the new rules are going to
18 allow for a monthly flat bill type of thing. Those
19 are things that will have to continue to be complied
20 with.
21 If we're talking about general format of
22 the bill, does the logo go here, is the font this or
23 that -- actually I think there might even be font
24 requirements, but does the logo go here, which line
25 item shows up at the top versus the bottom, no,

there's no current Commission authority over those things under a supplier consolidated bill.

Q. And even though all that would appear on the bill that comes and has both the distribution company and the CRES supplier's charges, the staff and the Commission wouldn't have any control over a customer that called and said the smart thermostat that they put in is broken and the staff would have to say there's nothing we can do about that, correct?

A. The staff would say there's nothing we could do about that today if we installed a smart thermostat with a product.

Q. I'm talking about from what appears on the consolidated bill though, correct?

A. That's correct.

Q. Now, you mention on page 7 that customers prefer a single bill. Do you remember that?

A. Yes.

Q. And is that an effort to provide customer convenience and avoid confusion? Is that the basis of that?

A. It's actually not necessarily for that reason. It's convenience alone, right. You get everything on one bill, you can see it all at once, and you can pay your bill without having to write out

1 three different checks.
2 Q. And there was some talk in the COI,
3 there's a lot of talk, but avoiding customer
4 confusion was something important to I think all the
5 stakeholders that participated in the workshop;
6 wouldn't you agree?
7 A. Yes.
8 Q. And a customer can typically leave a CRES
9 provider at any time ending the termination with
10 maybe a termination charge, correct?
11 A. Yes.
12 Q. But a customer cannot shop and leave an
13 EDU when it wants to, correct?
14 A. That's correct.
15 Q. So a customer, for instance, could have
16 maybe 12 CRES suppliers in a given year but would
17 only have one EDU over that same period, correct?
18 A. Yes.
19 Q. Now, was supplier consolidated billing
20 one of the subcommittees that were discussed in the
21 COI that we're talking about?
22 A. It was never fully fleshed out which is
23 why we're asking for the workshop.
24 Q. Other topics included bill forecast
25 matter, purchase of receivables, broader issues;

wouldn't you agree?

A. Yes.

Q. But I believe you said there was no subcommittee really dedicated to this topic of supplier consolidated billing, correct?

A. It was sort of glossed over but there was no real in-depth discussion around it.

Q. And staff didn't make a recommendation based on any discussion that came out of it in their comments to the Commission, correct?

A. I don't believe so.

Q. And the Commission likewise, therefore, didn't address it in their discussion of the market study, correct?

A. I'd have to go back and look at the order, but I don't think that they did.

Q. And currently there are no EDUs in Ohio programmed to support supplier consolidated billing, correct?

A. Dayton Power and Light has it in their tariff, but when you ask them about it, they've never engaged in those discussions on how to use it.

Q. So statewide would you agree it's sort of in its infancy of how it can be applied in the state?

A. Yes.

Q. And, in fact, even your proposal in this case involves sort of the working group model to figure out the details and the basics of how to get this started, correct?

A. Yes.

Q. You had some discussion earlier about the risk that's considered in CRES suppliers for bad debt collection. Do you remember that?

A. Yes.

Q. And then also some discussion about whether you apply deposits or not to some customers.

A. Yes.

Q. And you said that contracts that are currently fixed and in place would not be adjusted. But my question is, as those contracts end, would new contracts then adjust for that change in risk for the company?

A. Yes, and new products would also have already incorporated whatever that new cost was based on POR or whatever it is.

Q. And in my last question when I said "company," you understood I meant for Direct Energy, correct?

A. Yes.

Q. And it's constantly evolving, whatever

new contract comes up, what might go into that price, correct?

A. That is correct.

Q. Now, if you do collect deposits for any customers, Direct Energy would comply with the Administrative Code and return those deposits, correct?

A. Yes.

Q. But would you agree in a competitive market it's good to pass on known decreases from a regulatory proceeding to customers in your rates?

A. We owe -- we make extreme efforts to reduce our costs wherever we can so that they are not passed through to the customer because it makes our products more competitive.

Q. I guess so that's the flip side. What would happen to a CRES provider that didn't pass on decreases in their costs that all the other competitors were passing on?

A. They would likely have higher prices or higher-priced products, and customers would most likely not choose them.

MR. SATTERWHITE: One second, your Honor, I think I'm about done.

Thank you very much. That's all I have.

EXAMINER SEE: Staff?

MR. PARRAM: No questions, your Honor.

MR. MARGARD: No questions, thank you.

EXAMINER SEE: Any redirect, Mr. Clark?

MR. CLARK: Your Honor, may we have -- I don't think we're going to have any, but can we have a minute just to confirm?

EXAMINER SEE: Yes. Let's take a five-minute break. Off the record.

(Recess taken.)

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

Mr. Clark.

MR. CLARK: Thank you for the time, your Honor, and we have no redirect.

EXAMINER SEE: Thank you.

Mr. Clark, I believe you already moved for the admission of Direct Energy Exhibit 1. Are there any objections to the admission of Direct Energy Exhibit 1?

MR. SATTERWHITE: No objection.

EXAMINER SEE: Direct Energy Exhibit 1 is admitted into the record.

(EXHIBIT ADMITTED INTO EVIDENCE.)

EXAMINER SEE: Staff.

MR. MARGARD: Thank you, your Honor.

EXAMINER SEE: I'm sorry, Ms. Ringenbach, I know you like that seat, but you're excused.

THE WITNESS: Thank you.

MR. MARGARD: Your Honor, before we call our next witness, Mr. Parram has a comment regarding Witness Bossart's testimony.

EXAMINER SEE: Yes.

MR. PARRAM: Your Honor, I e-mailed to your Honors this morning and to all of the parties copies of Barbara Bossart's testimony, two different copies. The copy on top is the revised version of -- based upon some information and inaccuracies in Miss Bossart's testimony, she had to make some restrictions, and we've stricken a couple different questions, I believe it's questions 12, 13, and 14, and you should be able to see in the redlined version that those were stricken. And we also provided all the parties and your Honors with a clean version of Mrs. Bossart's testimony removing those questions.

It is our intention to still have her get on the stand tomorrow, and she'll be sponsoring the clean version, the updated version of her testimony. So I believe all the parties should have a copy of that.

EXAMINER SEE: Okay. Thank you.

Do you want to call your next witness.

MR. MARGARD: Thank you, your Honor. We call Mr. David Lipthratt to the stand, please. And, your Honor, I believe we're up to Staff Exhibit No. 12; is that correct?

EXAMINER SEE: Yes.

MR. MARGARD: Your Honor, I would request that we premark -- or, mark the prefiled testimony of David Lipthratt as Staff Exhibit No. 12.

(EXHIBIT MARKED FOR IDENTIFICATION.)

EXAMINER SEE: And, Mr. Lipthratt, if you would raise your right hand.

(Witness sworn.)

EXAMINER SEE: Thank you. Go. ahead, Mr. Margard.

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DAVID LIPTHRATT

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

DIRECT EXAMINATION

By Mr. Margard:

Q. Mr. Lipthratt, do you have a copy of Staff Exhibit No. 12 before you?

A. Yes, I do.

Q. Would you identify that document for us, please.

A. That's my prefiled testimony.

Q. And are you the same David Lipthratt identified in that testimony?

A. Yes, I am.

Q. And was this testimony prepared by you or at your direction?

A. Yes, it was.

Q. Do you have any changes, corrections, modifications, additions of any kind to your testimony?

A. No, sir.

Q. And if I were to ask you the questions that are contained in Staff Exhibit No. 12 today, would your responses be the same?

A. Yes, they would.

MR. MARGARD: Your Honor, I will move for the admission of Staff Exhibit No. 12 subject to cross-examination. I tender Mr. Lipthratt for that purpose.

EXAMINER SEE: Mr. Williams?

MR. WILLIAMS: Thank you, your Honor, no questions.

EXAMINER SEE: Mr. Petricoff?

MR. PETRICOFF: No questions, your Honor.

EXAMINER SEE: Mr. Clark?

MR. CLARK: No questions, your Honor.

EXAMINER SEE: Mr. Casto?

MR. CASTO: No questions, your Honor.

EXAMINER SEE: Ms. Hussey?

MS. HUSSEY: No questions, your Honor.

EXAMINER SEE: Mr. Boehm?

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

EXAMINER SEE: Mr. Darr?

MR. DARR: No questions, thank you.

EXAMINER SEE: Mr. Yurick?

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

EXAMINER SEE: Mr. Poulos?

MR. POULOS: No questions, your Honor.

EXAMINER SEE: Mr. Serio?

MR. SERIO: I just have a couple clarification questions, your Honor.

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CROSS-EXAMINATION

By Mr. Serio:

Q. Good morning, Mr. Lipthratt.

A. Good morning.

Q. On page 3 of your testimony you talk

about the carrying charges for the SVRR, correct?

A. Yes, sir.

Q. And you're indicating that the staff does not support using the weighted average cost of capital, correct?

A. That is correct.

Q. And instead you're suggesting that it should be the long-term cost of debt?

A. Yes, sir.

Q. Which is the greater of the two?

A. I would assume the cost of the long-term debt given the nature of the two carrying charges. I cannot today cite the exact numbers for either-or.

Q. And why is it your position that the long-term cost of debt should be used instead of the weighted average cost?

A. Given the type of expenses that would flow through this rider we feel -- staff feels that it's more appropriate to use the cost of long-term debt. There is no capital that would be included in this rider, therefore, a WACC would be inappropriate.

Q. Now, at page 4 of your testimony, on line 14, you have a sentence that says "The Company should be allowed to recover any incremental expenses incurred due to major storm events." Do you see

that?

A. Yes, sir.

Q. Can I assume that that "any" is contingent on them being found to be prudent?

A. Yes, sir.

Q. On page 5 of your testimony you list four different categories of costs. There's union straight, union overtime, management (exempt), and management overtime, correct?

A. Yes, sir.

Q. And is it your testimony that the union straight and, you know, union overtime should be recovered but management (exempt) and management overtime not recovered?

A. Not -- that is not correct. Union straight time should not be recovered given that that's already covered under base rates. However, the union overtime would be deemed recoverable under staff's opinion -- position.

Q. So of the four then the only one that you're recommending be included is the union overtime.

A. Yes, sir.

MR. SERIO: That's all I have, your Honor. Thank you.

THE WITNESS: Thank you.

EXAMINER SEE: Mr. Satterwhite?

MR. SATTERWHITE: Thank you, your Honor.

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CROSS-EXAMINATION

By Mr. Satterwhite:

Q. Good afternoon, how you doing?

A. Good. You?

Q. Good.

I want to clarify something, make sure I heard you correctly in a response you just gave to Mr. Serio. When he asked you what was larger between the two types of carrying charges, long-term debt and WACC, your testimony was that you believed that long-term debt was a greater carrying charge, correct?

A. No. I apologize. That was not what I intended to say. I would guess that the long-term debt would be lower than WACC given the components of the two.

Q. Okay. I was going to be able to cross off a bunch of questions, but now I've got to go into those.

A. Okay.

Q. Thank you for clarifying that.

1 You really provide no justification in
2 your testimony why you would apply long-term debt
3 versus WACC, correct?
4 A. I'd have to look over my testimony.
5 Q. Please do.
6 A. Yes, okay.
7 That is correct.
8 Q. And you're aware that a company like AEP
9 may have to, in essence, prefund the storm
10 restoration effort for storms that could cost as much
11 as $61 million and potentially need to use debt and
12 equity to fund that, correct?
13 A. I could not make that assumption
14 giving -- sitting here today. I mean, I don't know
15 the company well enough to know that equity would
16 need to be required. I just don't have that
17 knowledge.
18 Q. So you've not looked into whether
19 utilities have $60 million sitting around that they
20 can just apply to storm restoration on a normal
21 basis?
22 A. I understand through the last AEP storm
23 case that the company was able to incur such level of
24 expenses and the company stands here today still
25 operating and so, I mean, it's been done.

Q. And you were involved to some extent in that recent -- when you say the "recent" case, you're referring to the 2012 storm rider case, correct?

A. Yes, sir.

Q. And from your involvement in that case you are aware that the company did have to use debt and equity to fund the $61 million to respond to the storm, correct?

A. I do not recall the exact amounts. If that's subject to check, you know, I'll take your word for it, but I do not recall it sitting here today.

Q. And I'm not really focused on 61, could be XX. What I'm really referring to is the fact that the company had to utilize debt and equity to fund the X amount from that storm, correct?

A. Again, I do not recall the specifics on the funding or -- of those expenses.

Q. But you don't argue that -- you're not arguing that -- you said subject to check so it's your belief that that was what the company used to fund the dollars in that case, correct?

A. I'm taking your word on it. Sitting here today I do not know otherwise.

Q. And you wouldn't be surprised.

A. No, I'd probably -- I mean, I wouldn't be surprised either way.

Q. All right. Let's move on to overtime recovery.

A. Okay.

Q. You're aware there's a $5 million threshold already established in rates dealing with major storms, correct?

A. Yes, sir.

Q. And that was based off of test year expenses as recommended by Staff Witness Hecker in that case, correct?

A. Yes, sir.

Q. Have you reviewed the company's overtime policies?

A. In the past I have had -- I have.

Q. Was that part of the rate case?

A. Not as part of the rate case but during the last storm case rider.

Q. So recently you're familiar with the union contracts and the overtime policies that are impacted for AEP Ohio, correct?

A. Yes, sir.

Q. Does your recommendation on overtime payment contradict the policies that are already in

1 place in contracts for the customers -- for the
2 company?
3 A. I think the policies for the company
4 speaks to what the company will compensate the
5 employees. The policies don't speak to the recovery
6 of those dollars so I don't think it contradicts the
7 company's policies.
8 Q. So you don't think the contracts of the
9 company and what they're already required to pay
10 their employees is a factor in basing what should be
11 applied against the company for recovery of storms?
12 A. No. I think that's fair, but I think
13 it's also fair to keep in mind that those policies
14 are discretionary in nature and that, you know, if
15 they should be considered.
16 Q. When you say "discretionary in nature,"
17 are you saying that the union contracts that are
18 already in place are discretionary and we, AEP, could
19 tonight tear them up and just issue new policies?
20 A. That's not what I'm referring to, but
21 they're not set in stone forever, infinitely.
22 They're subject to check. Management has the
23 discretion going forward on a going-forward basis to
24 push certain issues, certain -- union contracts do
25 change over the course of time.

Q. But in the base case and in the recent storm case the Commission was dealing with actual contracts that are currently in place that reflect the cost of the company to respond to major storms, correct?

A. That is correct.

Q. And your testimony is that because in the future those could change, that the Commission should change its formation of the storm rider that -- even though it won't be reflective of the current contracts and responsibilities of the company, correct?

A. That's not what I'm trying to say. What I was referring to -- if you don't mind, if I could take a step back, are we referring to union -- can you clarify which type of labor expenses we're referring to here?

Q. We'll talk about union right now if that helps.

A. Union? Okay. Staff's position is that union straight time labor should not be recovered because those dollars are already being recovered in base rates. We take no exception to the fact that the overtime, the incremental be recoverable through the storm rider.

Q. Yes, but your testimony, as I understand it, is that essentially there's a netting at the end and after you're reviewing the costs of the storm, you subtract off 40 hours and then start from there to see what's going to be recoverable as incremental, correct?

A. If I understood you correctly, yes.

Q. What did you not -- restate it for me then. I want to make sure we're on the same page.

A. Could you restate your question? That would help.

Q. Sure. I want to make sure I understand your testimony.

A. Okay.

Q. And I believe your testimony is for the union contractors and the amount that's in rates reflecting that, that when the Commission is looking at the storm rider and the recovery for the incremental costs that are to be recovered, that if there's a storm that takes place over a week, that the Commission should first subtract 40 hours of labor and then start from hour 41 to determine what are major storm hours that are eligible for the rider, correct?

A. Yes, I believe that's correct.

Q. And in your review of the union contracts is that consistent with how the union contracts read now?

A. It's hard to say. I recall through the previous case, the storm case, the union -- there is some language as to when those emergency hours are -- I can't sit here today and say "yes" or "no." I mean, there's a lot of complexities to those contracts.

So I'm not sure if that answers your question or not, but...

Q. Okay. It doesn't. So let me try to ask it a different way.

A. Okay.

Q. When you were making this recommendation to make sort of a sweeping policy for the storm rider, you didn't go back to review, for purposes of this case, any of the union contracts or any of the policies at all of the company, correct?

A. Not for this case, no.

Q. But in this case you're making a recommendation for how the Commission should apply the rider going forward in the future, correct?

A. Based upon my experience in previous cases, yes.

1 Q. When I asked you the question about how
2 this policy fits in comparison to the contracts and
3 responsibilities already in place today, you don't
4 have an answer because you didn't review those for
5 purposes of this case, correct?
6 A. Not for this case, no.
7 Q. And you don't remember from past cases
8 what those rights and responsibilities are from those
9 contracts, correct?
10 A. I can't even sit here today and give you
11 our state's union contract verbatim in its entirety,
12 so to answer your question no, I cannot.
13 Q. And your testimony doesn't cover HR
14 policies for the entire state, it's very focused on
15 the storm rider and how that should be applied going
16 forward for AEP Ohio, correct?
17 A. Speaking to union straight time labor and
18 overtime labor and how it will be recoverable, yes.
19 Q. Now, your analysis presumes that a
20 16-hour-long day responding to a major storm is equal
21 to two sequential 8 normal days for an employee,
22 correct?
23 A. In the netting effect that you referred
24 to earlier? Is that your question?
25 Q. I'm asking the underlying premise of your

1 testimony.
2 A. The underlining premise is that the first
3 40 hours in a workweek would be reduced out, if you
4 will, from the expenses and the overtime, at the
5 overtime rates, would be recoverable. So to further
6 answer your question, if the employee worked 16 hours
7 straight or 16 hours over the course of two or three
8 multiple days doesn't matter, as long as it's within
9 the workweek, the first 40 hours comes out.
10 Q. So you're looking at it more of on an
11 accounting spreadsheet hours are just hours and
12 they're always comparable regardless, correct?
13 A. Yes.
14 Q. And you're aware, though, that in storm
15 restoration the focus of the company is to restore
16 power as quickly and safely as possible, correct?
17 A. Yes.
18 Q. And many times employees are working
19 16-hour shifts in extreme temperatures and all of the
20 safety gear, correct?
21 A. Yes.
22 Q. Would you agree that the impact both
23 physically and emotionally of an employee is
24 different working a 16-hour day in those conditions
25 than going to the office for 8 hours on subsequent

1 days?
2 A. I can assume so. I've never experienced
3 that so I can't say given firsthand knowledge.
4 Q. That's a good point. You've never been
5 in the field having to restore power after a major
6 storm or an emergency, correct?
7 A. No, sir.
8 Q. Now, you also talk about, moving from the
9 union now to exempt and management employees, you're
10 not aware of the differentiation of the different
11 levels of overtime compensation at the different
12 levels of exempt and management, correct?
13 A. It's been a while. I have not reviewed
14 those policies since the last case that we referred
15 to earlier so I cannot sit here today and recite
16 those differences.
17 Q. So, again, for purposes of making the
18 recommendation on the narrow issue that you're
19 testifying on, you didn't review any of those
20 policies either for purposes of this case, correct?
21 A. No, sir, I relied on our -- on staff's
22 position in previous cases where the facts should
23 hold true.
24 Q. I'm sorry. You didn't do any independent
25 analysis, you're just relying on what you heard in

1 the past positions of staff; is that your testimony?
2 A. No, that's not my testimony. My
3 testimony is supporting staff's position that we took
4 in the last AEP storm case we're carrying it forward
5 and recommending that it be applied, our position in
6 that case be applied in general to the storm rider on
7 a going-forward basis on these issues.
8 Q. Right. And in the last case I believe
9 staff entered into a stipulation, correct?
10 A. That is correct.
11 Q. And it was a black box stipulation so
12 there's no -- there's no attribute to what issue
13 staff was agreeing or not agreeing with, or the
14 company, correct?
15 A. The ultimate outcome, yes.
16 Q. So I'd like to ask you to keep your focus
17 in what we're presenting for the Commission in this
18 record to what you've shown and the evidence that you
19 provided and the preparation you've done for this
20 particular case, all right?
21 A. Okay.
22 Q. And I believe, just to back up to the
23 initial question, so you didn't do any independent
24 analysis for this case looking at the policies for
25 exempt employees and management employees for

1 overtime compensation, correct?
2 A. Only from recollection. Nothing recent.
3 Q. Okay. But you're aware that AEP does
4 have a policy to compensate exempt employees and
5 management who work on major storm restoration,
6 correct?
7 A. Yes, sir.
8 Q. And you're aware from previous cases that
9 you're referring to that AEP has applied that
10 consistently, correct?
11 A. Consistency, I'm not sure. I've only --
12 only aware of one storm case and it was applied in
13 that case. If you want to say it's consistently
14 applied in one case, it depends on how you look at
15 that.
16 Q. You're certainly not, though, trying to
17 undo any previous Commission ruling in this area,
18 correct?
19 A. Not that I'm aware of.
20 Q. And if there's precedent on this issue or
21 a finding on this issue from a past case, you're not
22 trying to contradict the Commission and change that,
23 correct?
24 A. I think what I'm trying to do is put
25 forth staff's position that supports staff's position

and I'm not aware today sitting here that it contradicts any Commission precedent, but if it would, I would urge the Commission to reconsider.

Q. But if the Commission's found in the past that AEP has applied this policy consistently and, therefore, it's appropriate to compensate employees that respond to major storm outages that are in the exempt class and management class, you're not arguing with the Commission's finding there, are you?

A. If that was the Commission's finding, that is the Commission's finding. I stand behind my recommendation here in this testimony that it should be considered and I still put forth this position.

Q. Okay. So what I heard then, just to be clear, is if the Commission's found that in the past, you are asking the Commission to make a change in its past precedent then, correct?

A. I think that would be fair.

Q. Now, if AEP did not utilize exempt employees and management in response to major storm outages and the response times, those -- and had to use contractors instead, those costs would be recoverable under the storm rider, correct?

A. Yes, because I would -- I'm thinking that would be incremental. Incremental labor, that would

be recoverable.

Q. Let's move on to mutual assistance, around page 6 and 7 I think you talk about that in your testimony.

A. Yes, sir.

Q. And you say on lines 10 to 12 I believe on 7 "Therefore, Staff believes the entire amount reimbursed to Ohio Power Company for mutual assistance should be applied as a reduction to the SDRR revenue requirement," correct?

A. Yes, sir.

Q. Are you referring to the reimbursements for labor, equipment, and other resources provided to mutual assistance partners when responding to emergencies?

A. Yes, sir.

Q. And you understand that the materials are provided at cost and the reimbursement for any hotels, expenses, and labor covered what was used by the employee and are not revenues for the company, correct?

A. Can you restate that?

Q. Sure. You understand that the materials are provided at cost and the reimbursement for any hotels, expenses, and labor cover what was used by

1 the employee and are not revenues for the company,
2 correct?
3 A. I think for accounting purposes they
4 would be recognized as revenues. Maybe I'm not
5 understanding your question, but I think they would
6 be booked as such. There's expenses associated with
7 providing that service, any in-flows would be, under
8 my understanding of this program, would be from an
9 accounting perspective booked as a revenue.
10 Q. Okay. That's fair. So you're
11 approaching it as an accounting exercise; is that
12 correct?
13 A. I think that's fair, yes.
14 Q. So if AEP Ohio responds to let's use
15 super-storm Sandy and sends trucks out to New York
16 and New Jersey to help and we incur expenses for
17 hotels and equipment and things that we're offering
18 to help the flooded area and things are billed back
19 to AEP Ohio -- let me rephrase that.
20 So AEP Ohio is offering assistance to
21 super-storm Sandy and the New Jersey area and, as a
22 result of that case, AEP gives the invoice to those
23 utilities for expenses it had to assist in the
24 emergency, and that company then pays back AEP Ohio
25 for those costs that it incurred. You're considering

1 those revenues that need to be offset against the
2 storm case?
3 A. Yes, because many of those expenses
4 you've talked about have already been covered under
5 base rates so you're getting those -- you're getting
6 compensated, if you will, for those costs through
7 base rates and through the reimbursement from the
8 host utility.
9 Q. So the hotels for the nights' stay of the
10 gentleman and women that have to go out and respond
11 to the storm and the meals that they eat when they're
12 there and on their way, those are already considered
13 in base rates?
14 A. The hotels and meals are -- depending on
15 the test year expenses used to develop your base
16 rates they may or may not have been somehow captured
17 if you were providing mutual assistance during the
18 last base rate case, may or may not be included, that
19 I don't know. If they were not, then they would be
20 incremental.
21 I'm specifically, primarily I should say,
22 focused in my testimony on the labor particularly and
23 the fact that customers are not receiving benefit for
24 the -- receiving benefit from the rates that they pay
25 as a result of the mutual assistance, therefore, you

1 know, I deem it appropriate -- I feel it's
2 appropriate that those revenues be offset against the
3 storm costs.
4 Q. Did you go back to review the base rate
5 cases to see if those items were included?
6 A. I did some review internally to identify
7 the type of storm expenses through mutual assistance
8 programs that may or may not be captured in base
9 rates. For example, overtime labor. Overtime for
10 your base rates was a composite, if you will, of
11 historical, test year, and there was no adjustment
12 for overtime, therefore, the overtime that's included
13 in base rates, that portion of it may or may not
14 include -- may or may not have been increased as a
15 result of any mutual assistance you may have been
16 providing during the course of your last base rate
17 case.
18 Q. And in that review did you go to see if
19 there were expenses for food and hotels and other
20 things for mutual assistance included in that? Did
21 you look to that degree?
22 A. I tried. The information, the time, the
23 detail needed, that analysis could not be performed.
24 Q. So you were unable to find that is your
25 testimony.

A. Testimony?

Q. Right now. That's your testimony.

A. Oh. Yes, that is correct. I'm saying there is a possibility it could be in there, but I cannot definitely say it is or is not.

Q. And would that be the same for labor?

A. The overtime labor?

Q. Labor in general.

A. Labor would, my assumption and my understanding is that the labor would be included. The straight time labor.

Q. I mean the labor that is attributed to mutual assistance. Was there any special demarcation within the base rates that dealt with labor for mutual assistance?

A. There was no adjustment for mutual assistance labor.

Q. And if items were excluded from base rates that dealt with mutual assistance, would that change your point of view that all these things that you're considering revenue from an accounting point of view should be offset in a storm rider?

A. If I'm understanding you correctly, if you're asking me if the labor straight time or overtime was not included in base rates, should there

be an offset to the storm rider, if that's the correct understanding, then I would agree with you because you're only getting -- you're not getting recovery through base rates.

Q. And that would be the same with food and hotel and other things, correct?

A. I mean, to a degree. I mean, you have to be practical, that's one consideration --

Q. I agree.

A. -- in reviews and from an auditing perspective at what levels, how much time and effort is put into auditing. So from a quantitative perspective it's quite difficult to parse out each of those aspects including the benefits that the customers are not receiving as a result of the labor, the equipment, and the supplies being used in other areas despite the fact that a large portion of that, being labor, is already being paid for by those customers.

Q. We'll get to that in a minute. Let me just stay with what we're at. Your review, to make this recommendation though, you didn't look into -- you couldn't find any of these details looking to the past base rates and you didn't look further or ask any questions to determine that as the basis to make

your recommendation, correct?

A. No, that -- I'm sorry. That's not fair. I definitely did ask questions internally of staff. I've had experience in other storm rider cases. I don't think that's a fair characterization.

Q. But you're assuming that, you didn't go do the research yourself or ask the questions yourself, correct?

A. No, I did ask the questions myself and I did some research. I did.

Q. And did you ask any discovery on these points to clarify this?

A. I did have some discovery on mutual assistance. I do not recall specifically what that question was and the response.

Q. But your level of review is limited to what we discussed earlier as to what you were unable to look into deeper, or practically just wasn't convenient to look at any further, correct?

A. Not convenient. Information available.

Q. Okay.

A. Yes.

Q. But your basic assumption overall that led to your recommendation is that these mutual assistance costs were in base rates, and you've done

1 nothing independently to verify that in your review
2 of the base rate case, correct?
3 A. One, the information was not available to
4 do that. I do not have the data here to go back
5 years to see when did you provide mutual assistance,
6 who did you provide it to, the costs that were
7 incurred as a result of it, the revenues that were
8 received as a result of it; that information was not
9 received.
10 I'm going off of historical data from
11 previous storm cases and recognizing the fact that
12 there's definitely revenues that are coming in to the
13 company from mutual assistance programs.
14 Q. So the answer is "yes"?
15 A. Can you restate the question?
16 MR. SATTERWHITE: Sure. Could you reread
17 the initial question, please?
18 (Record read.)
19 A. My answer to that is no because I have
20 done work independently. I have done analysis. I
21 have done research. There's no denying from my --
22 that has been done. The conclusions I can draw --
23 that I've drawn from that are difficult to quantitate
24 and to -- they're not as detailed as I would like,
25 but the research, the work, the independently

1 researched and questioning, that has been done.
2 Q. But your answer prior to when I asked for
3 the question to be reread is that you looked into the
4 storm case, my question was you're assuming there's
5 something in base rates and you've been unable to
6 confirm if that's in base rates by looking
7 independently from an audit point of view at the
8 information from the base case, correct?
9 A. I'm just hesitant to answer that question
10 because I'm not -- obviously, in my mind, and unless
11 I'm wildly wrong, the labor used would definitely be
12 considered to be in base rates.
13 Q. Right. But my question is, and I asked
14 you to approach this as an auditor point of view, and
15 an auditor has to go back and find the source
16 document, correct?
17 A. If you're taking it to that level, then
18 the answer to your question is no, I'm not able to
19 source it that -- to that detail.
20 Q. But the premise of your argument is based
21 on that, this is in existence in base rates in the
22 base rate case, correct?
23 A. Yes.
24 Q. And we can agree that mutual assistance
25 is an important program to participate in for a

1 utility, correct?
2 A. I think I would agree to that.
3 Q. And you're not trying to undermine
4 AEP Ohio's mutual assistance program with your
5 recommendation, correct?
6 A. No, I am not trying -- well, I don't --
7 undermine the mutual assistance program? No. I'm
8 just trying to be fair and to all -- to all parties
9 and to make sure that the accounting is proper and is
10 being addressed properly.
11 Q. But your goal, if the effect of your
12 recommendation was to undermine AEP Ohio's mutual
13 assistance program, you agree that would be an
14 unintended consequence, correct?
15 THE WITNESS: Can you restate the
16 question, please?
17 (Record read.)
18 A. I'm not sure what you mean, "undermine."
19 If you can clarify or restate. I'm not sure, I'm
20 honestly not sure what your question is.
21 Q. Harm, lessen the effectiveness, decrease
22 the response time, that's not your intention,
23 correct?
24 A. No. That is not my intention.
25 Q. And it would not make sense for a utility

like AEP to maintain a workforce year-round to be able to react to a storm like the 2012 derecho, correct?

A. I think that's fair.

Q. So participation in the mutual assistance programs with other utilities benefits customers in ensuring there's an available pool of resources to respond to major catastrophes without having to carry those costs year-round, correct?

A. It really depends. I mean, if you really want to get the hard numbers, that's a quantitative analysis that would change from year to year, there are many factors that go into that, many moving parts such as the overtime needed to address outcatch up, if you will, the amount of labor that's going out, the amount of time that's being provided, the lack of services that customers here in Ohio are seeing as a result of mutual assistance. There's so many factors in that. How often is it performed. The number of crews you're sending out.

I mean, I don't think it's appropriate -- and I'm not saying that AEP does this, but, to give you an example, I don't think it's appropriate that you constantly bid into mutual assistance to the degree that it harms Ohio Power customers.

1 But given the appropriate management
2 decisions, yes, I do believe it's a very beneficial
3 program to this state, to other states, and customers
4 in general.
5 Q. And you would agree that participating in
6 mutual assistance -- let me rephrase that.
7 Utilities sign agreements with other
8 utilities to enter into mutual assistance agreements,
9 correct?
10 A. My understanding is that they have the
11 option to bid in at given points in time and there's
12 a buyer and a seller, and Ohio Power may, given a
13 storm -- super-storm Sandy, Ohio Power's not
14 obligated, in my understanding, to send X number of
15 crews for X number of days. They're able to bid in
16 their resources to help with that need.
17 Q. So your understanding of mutual
18 assistance is that it's a commodity market and the
19 utility's out bidding to say what they're going to
20 get back from the other units for use of their
21 resources?
22 A. Not quite. I understand there are actual
23 contractual agreements in place, but my understanding
24 is that, you know, at any point in time there's not
25 an obligation to provide services or certain

1 resources, that there is a -- from my understanding
2 is that there's actually a bidding-in process, for
3 lack of a better term, that any resources that are
4 made available from the utilities, they would offer
5 them up through this process. And sometimes the
6 company -- if Ohio Power needed resources, the amount
7 being bid in may not always meet the level of need
8 that Ohio Power requires. So there's this bidding
9 process is my understanding.
10 Q. And what do you understand -- you keep
11 saying your understanding. What do you use to base
12 your understanding from?
13 A. This is, again, from -- I've heard this
14 through testimony, subject to my memory being
15 correct, Selwyn Dias perhaps in the previous storm
16 case when it was -- through the hearing, the previous
17 hearing on the last storm case, that's -- I seem to
18 recall him describing that process; my independent
19 analysis into mutual assistance programs and how they
20 work, a combination of those two and conversations
21 with the company.
22 Q. Was it Mr. Kirkpatrick who was describing
23 the phone calls to see what resources were available
24 in the storm case? Does that help?
25 A. It could have been. To be honest with

1 you, it's been quite a while. It might have been.
2 Q. And isn't it correct, if you were
3 attending that hearing, that testimony was provided
4 to say that first the utility needs to make sure its
5 needs are addressed and then any extra crews that it
6 can share with other utilities are what are entered
7 into or loaned to other utilities? Is that correct?
8 A. Yes. But I think it's -- I'm not sure if
9 needs are met, but if that's true, then why is Ohio
10 Power claiming that they need to provide overtime in
11 order to get caught up? If their needs are
12 addressed, overtime then would not be needed to catch
13 up.
14 Q. Right now I'm asking you a question based
15 on your understanding and trying to, you keep
16 referring to this commodity bidding market I assume
17 because you keep saying "bids," and I was trying to
18 clear up if you remember from that case the
19 discussion of, first, AEP Ohio needs are addressed
20 and then, second, anything that's available beyond
21 that is then offered to assist other utilities. Is
22 that your understanding?
23 A. Generally -- generally, yes.
24 Q. I don't know if we covered yet or not, I
25 apologize, but if AEP as a result of this process did

not provide mutual assistance to other utilities, it's your understanding that other utilities would then in the future not provide their resources to AEP Ohio when it needed help, correct?

A. I -- you know, I don't have any basis to say "yes" or "no" to that.

Q. So, again, this is just an audit exercise divorced from the realities of mutual assistance in the real world, correct?

A. Not exactly, no. As a financial manager, if I were to be in your position, even though you don't provide service to me, if I have the same accounting treatment that we currently have and I'm able to bid in and get double recovery, I'm going to bid in even if you're not willing to bid in and provide service to me.

Q. And you keep saying "bid in" and I don't understand this concept because I thought --

A. We --

Q. Let me finish.

A. I'm sorry.

Q. -- I thought we established that utilities agree to offer their services when it's available and not bid in. When I hear you say "bid in," you're assuming different prices. Isn't this a

1 courtesy back and forth between the utilities versus
2 a bid process?
3 A. Okay. I apologize. Not -- I was not
4 referring to price, from a price standpoint. What I
5 mean is make available. Make available X number of
6 employees to provide service.
7 I understand that the prices are tied to
8 your labor agreements and things of that nature so it
9 should be one to one plus any loadings that may be
10 added to that. What I'm referring to is make
11 available. Make available to -- those resources.
12 Q. And when a resource is made available
13 from AEP Ohio to New Jersey for super-storm Sandy and
14 an employee makes more than their normal wage, that
15 goes to the employee, not to the company in the end,
16 correct?
17 A. The company incurs that cost, straight
18 time plus overtime, for simplicity let's just say
19 $150. The company makes an outlay of that $150. The
20 host utility then reimburses Ohio Power in this case
21 that $150 plus loading to compensate them for that
22 outlay.
23 Q. And the costs go to -- or, the revenue
24 that you've described in your case, in your
25 recommendation, is actually payment for the employees

who have traveled to New Jersey and are working in extreme conditions to restore power, correct?

A. It's their salary --

Q. Okay.

A. -- that's included in base rates and that's now being reimbursed by the host utility.

Q. But you didn't do a review of the base rate case, you said earlier, so you really can't say that, correct?

A. If you -- to the degree -- to the point of -- to the points of employee ID numbers, no, I have not taken it to that level. Under the assumption that every person under the -- within those crews that are sent to super-storm Sandy, none of them were included in base rates, none of them were included on the company's payrolls at that time, if that's the case, then no, it would not be in base rates.

But personally, professional judgment, as an auditor, if I'm going to audit that, I'm assuming some of those are going to be in there.

Q. And is it your assumption that when an employee travels to another state to assist in restoration, that the work that needs to be done back in Ohio doesn't still need to be done when they

return to work?

A. I thought I heard earlier that part of the requirement is that the needs in Ohio are met first. So if the needs are being met, I can only go on the fact that those needs are being met, the work's being done.

Q. So are you accepting my question as fact then earlier in my question about what's needed in Ohio versus what goes -- what is sent to another jurisdiction?

A. As I hoped to make clear through my testimony, there are many scenarios that can occur that can result, depending on the workload here in Ohio, the extent of the damage and how long crews need to be out. It is dependent.

Q. Let me ask you this way, then: If a lineman is supposed to replace, I won't get into the technical parts --

A. Please don't.

Q. -- I'll say widgets --

A. Okay.

Q. -- 12 widgets on a line that day but a hurricane comes through and wipes out the city of New Orleans, is it your testimony that AEP Ohio should make sure that lineman gets those 12 widgets done,

which is the normal ongoing work that he has to do, versus going down to assist the people of New Orleans?

A. My testimony is not speaking to that. My testimony speaks to the fact that when the decision is made and they are sent off, that the revenues the company is receiving for those services, those resources, be offset against the costs that the company seeks to recover through their storm cost riders.

Q. So when the lineman returns from helping, if AEP Ohio decides it's important to go help another utility and citizens in that situation, those 12 widgets still need to be replaced on the AEP Ohio system, correct?

A. Maybe. Maybe not. It really depends. Maybe there was -- there was management decisions that could be made to address those needs at that point while that individual was off. Does Ohio Power shut down and stop doing everything that was -- that was planned for and wait until those crews return? I mean, it's not that simple.

Q. So you really have no idea how the system is run in AEP Ohio, correct?

A. I probably have a better idea than the

average on the street. The individuals sitting on this side of the room, the company employees, probably have a better understanding than me given their involvement in the day-to-day.

Q. But your testimony about the 12 widgets is anything could happen, maybe they don't have to do their ongoing work of 12 widgets when they get back is just an assumption on your part and not based on any type of management or understanding of the distribution system, correct?

A. What I'm trying to testify to is that I understand work needs to be done, but what I'm trying to get to is perhaps it could be staggered. Perhaps other -- perhaps employees that are not sent off can address it, you know, within their normal course of duties. You know, maybe it could be delayed. Maybe it was a planned outage -- a plant, you know, maintenance that can be pushed off or deferred until a later point in time.

I mean, thankfully you went with the widgets route and did not get too technical but what I'm trying to say is not every job, every activity that would occur otherwise needs to take place immediately upon return.

Q. And isn't that exactly the point, that

1 mutual assistance can be provided so that other
2 utilities and AEP in return don't have to maintain
3 that large workforce but when the help is done and
4 the emergency's over, that the utilities coming into
5 Ohio and Ohio utilities going elsewhere still have to
6 come back and get their base work done that's
7 considered in base rates, correct?
8 A. Yes, the ongoing base work should
9 always -- I think the customers have an expectation
10 that that work constantly be done.
11 Q. Okay. And earlier you were talking about
12 you didn't necessarily agree, I believe, and correct
13 me if I'm wrong, that a utility maybe shouldn't
14 maintain a workforce large enough to respond to a
15 storm, that that necessarily wasn't a true
16 proposition, correct?
17 A. Not to -- if the storm incurred
18 $62 million and that's a one-time or very infrequent
19 event, it probably -- it doesn't make a lot of sense
20 to have staff that's able to address, you don't want
21 staff or a labor force that could handle such a storm
22 on an everyday basis.
23 Q. So it's not your recommendation that the
24 company stop doing mutual assistance and employ
25 employees for the worst storm day that we could

1 possibly incur, correct?
2 A. That is not my testimony. My testimony
3 is that when mutual assistance is provided, the
4 revenues that are received, if there's the potential
5 for double recovery, that the reimbursement goes to
6 offset the storm costs that Ohio Power seeks to
7 recover in this storm rider.
8 Q. But customers are avoiding the increased
9 cost from ramping up to that worst potential day by
10 an active participation in mutual assistance across
11 the country, correct?
12 A. Yes.
13 Q. Okay.
14 A. Customers and the company, because it
15 would not make financial sense to employ three to
16 four times your current -- so that is an unreasonable
17 position to assume that Ohio Power needs to maintain
18 a super-storm Sandy size crew.
19 Q. Okay. And so that's a benefit. And the
20 benefit also is that those other utilities, when they
21 can, will provide resources to address when Ohio
22 citizens are out of power, correct?
23 A. It's a benefit that is also at times
24 offset by the benefits that Ohio Power customers are
25 not receiving as a result of the crews they're paying

for, the resources they're paying for on a daily basis, are being sent out to provide services to other utilities.

Q. Right, that's what we discussed earlier, you came up with lots of theories for our engineering staff of how stuff can be delayed and done later, but the work still has to be done, correct?

THE WITNESS: Can you restate the question, please?

Q. I'll just rephrase it. You had agreed earlier with some different examples when we were talking about the widgets that when we offer labor to another utility to help through their emergency, that when they come back, whether it's just a delay, maybe not immediately, but that work still has to be done, correct?

A. Either the work was being done while the crews were sent off and picked up by other employees or there was some point -- work never got done, some things are rescheduled, some things are pushed off, I think in any industry that's true. Otherwise every time somebody took a vacation, a week's long vacation, how are they going to get a week's worth of overtime to be made whole. In every environment that I'm aware of it's not a one to one.

Q. So it's your assumption that when setting base rates that vacation for employees are not incorporated into the base level of rates?

A. No.

Q. Okay.

A. That's not what I'm saying.

Q. Are you aware that in setting labor rates in a base case the staff decreases the total labor amount by around 40 percent for labor projected to be capitalized in projects?

A. I'm not -- I can't speak to that. I'm not sure.

Q. And you weren't involved in this part in the rate case?

A. No, sir.

Q. If that were true, wouldn't the base case not be representing 40 hours but representing a smaller amount of hours to be considered as -- for your recommendation, the amount of hours that should be cut off of the storm case?

A. Assuming what you've just stated, if I'm understanding correctly, staff traditionally removes 40 percent of the labor -- can you restate your question because I'm not sure I'm following it.

Q. Yeah. Assuming that's set in base rates,

when determining base rates, there's a 40 percent decrease in the O&M associated with labor costs because that's going to be attributed to a capitalized project in the future, your 40 hours would not be a correct number to use in your analysis, correct?

A. I'm not sure I'm following because just because it's capitalized, is the company still not getting full recovery of that one way or another through base rates?

Q. I'm asking your understanding. Do you understand that question, and what is your answer?

A. I guess given my understanding of the question I would say that the company is getting a hundred percent of the recovery either through O&M or through recovery of capital.

Q. And your recommendation is based on the O&M included in rate cases -- in the base case for labor, correct?

A. I'm saying my recommendation is based upon the recovery through any mechanism, the recovery of labor wherever it may be in base rates.

Q. If the Commission were to require the company to use a long-term debt rate to finance the storm damage regulatory asset, would you agree that

the level of debt should be removed from the company's cap structure in a base case to avoid the same debt being used twice?

A. I can't say I can answer that because I'm not involved in that component and there may be other factors that I'm not able to take into consideration here today.

Q. So there are other witnesses that are more knowledgeable about the use of long-term debt; is that your testimony?

A. I think that's fair. I work in the utilities accounting division. We have a section developed specifically for that. But in working with them and getting their -- consulting with that section and our staff policies, our recommendations are funneled through each of our chiefs when they're put forth, is that long-term debt is the appropriate way for storm damage.

Q. So who exactly did you talk to to make your recommendation from the other departments in this case?

A. Doris McCarter who's head of the capital recovery section was able to review my testimony. We've had conversations through the course of new riders related to storms and I'm comfortable to say

that she's in agreement with our position.

Q. But you don't have an understanding of how this would affect the cap structure for purposes of the recommendation you're making, correct?

A. I do not.

Q. And you mentioned you're just -- you're a member of our -- an employee in the utilities department. You're not an employee in the service monitoring and enforcement department as well, correct?

A. No, I'm not.

Q. Are you aware that -- when I say "SMED," are you familiar with what I'm referring to?

A. Yes, sir.

Q. That's the service monitoring and enforcement department.

A. Yes, sir.

Q. Are you aware that SMED works with utilities through major storms and outages?

A. Yes, sir, I'm aware of that.

Q. In fact, many companies report to SMED what the outages are, correct?

A. Yes, sir. And we use that to verify that the storm costs, those reports, we use that to verify and confirm that these -- the costs that you seek to

1 recover are for major storms. So, yes, we do work
2 with that section to make that determination.
3 Q. Are you aware that there are reports
4 given to the director of SMED, John Williams, that
5 deal with lessons learned from major storms and best
6 practices to apply going forward in major storms?
7 A. I was not aware of such a report.
8 Q. Did you discuss this testimony with John
9 Williams as it affects overtime and mutual assistance
10 to make sure your recommendations lined up with the
11 real-world application?
12 A. I will say I did not consult with John
13 Williams on my testimony.
14 Q. Did you consult with anyone from the
15 service monitoring and enforcement department?
16 A. Actually, I think I did. I think Pete
17 Baker was in a conversation that we had at one point
18 in time where it was made -- I informed him or
19 through the course of the conversation that staff's
20 position was that mutual assistance -- are we
21 referring to mutual assistance or in general with my
22 entire testimony?
23 Q. We can start with your entire testimony,
24 but are you saying just mutual assistance is what you
25 discussed?

A. I seem to recall a discussion with Pete Baker on our position on mutual assistance.

Q. But you didn't think it was appropriate to set up a formal meeting and have the director who deals with utilities responsible for these on a day-to-day basis to make sure that your accounting recommendations lined up with the experience of the SMED department in dealing with utilities; is that correct?

A. There was not a formal meeting with John Williams.

Q. And I believe you said the only involvement that that department had was that it came up in a conversation that you were having with Pete Baker, someone that works for Mr. Williams, correct?

A. Yes. The conversation was storm related. It was still company -- it was specific to accounting and operations and so it was just not a -- it was not a water cooler conversation, it was a work-related conversation.

Q. But your testimony was not provided to the director of service monitoring and enforcement department to determine if it was in line with the experience of that department in dealing with utilities in responding to emergencies, correct?

A. My testimony was made available to any member of staff as when they're sent to the AGs they're sent out on a wide distribution list. So they were made available. I did not get -- I did not meet specifically with John Williams and discuss it with him but it was made available.

Q. And I'm asking you to make -- sit on the stand and make a representation on behalf of staff, you didn't approach John Williams and say "Here is the recommendation that I want to make, here is my testimony, is that in line with the real-world application of this," correct?

A. I did not do that.

MR. SATTERWHITE: Thank you. Thank you, that's all I have.

THE WITNESS: Thank you.

EXAMINER SEE: Any redirect, Mr. Margard?

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

EXAMINER SEE: Thank you, Mr. Lipthratt.

Are there any objections to the admission of Staff Exhibit 12?

MR. SATTERWHITE: No objections.

EXAMINER SEE: Hearing none, Staff Exhibit 12 is admitted into the record.

(EXHIBIT ADMITTED INTO EVIDENCE.)

EXAMINER SEE: It's now almost 1:10. Let's take a lunch break until 2 o'clock. We're off the record.

(Thereupon, at 1:08 p.m., a lunch recess was taken.)

- - -

1 Wednesday Afternoon Session,
2 June 11, 2014.
3 - - -
4 EXAMINER PARROT: Let's go back on the
5 record.
6 Mr. Darr.
7 MR. DARR: Thank you, your Honor. IEU
8 calls Joseph G. Bowser, please.
9 EXAMINER PARROT: Please raise your right
10 hand.
11 (Witness sworn.)
12 EXAMINER PARROT: Please have a seat.
13 Mr. Darr.
14 - - -
15 JOSEPH G. BOWSER
16 being first duly sworn, as prescribed by law, was
17 examined and testified as follows:
18 DIRECT EXAMINATION
19 By Mr. Darr:
20 Q. Please state your name.
21 A. Joseph G. Bowser.
22 Q. By whom are you employed?
23 A. I'm employed by McNees, Wallace & Nurick.
24 Q. What is your job title with McNees
25 Wallace?

A. Technical Specialist.

Q. What is the business address at McNees Wallace?

A. 21 East State Street, 17th floor, Columbus, Ohio 43215.

MR. DARR: With the Bench's permission I'd like to have marked as IEU Exhibit 2 the direct testimony of Joseph G. Bowser.

EXAMINER PARROT: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Mr. Bowser, do you have in front of you what's been marked for identification as IEU Exhibit 2?

A. Yes.

Q. Could you identify that for us, please.

A. That is my prefiled testimony.

Q. Was this prepared by you or under your direction?

A. Yes, it was.

Q. Do you have any additions or corrections to that testimony?

A. No, I do not.

Q. If asked the questions contained in that document marked as IEU Exhibit 2, would your answers be the same?

A. Yes, they would.

MR. DARR: The witness is available for cross-examination, your Honor.

EXAMINER PARROT: Thank you.

Mr. Williams?

MR. WILLIAMS: No questions, your Honor.

EXAMINER PARROT: Mr. Petricoff?

MR. PETRICOFF: Yes, thank you, your Honor.

- - -

CROSS-EXAMINATION

By Mr. Petricoff:

Q. Good afternoon, Mr. Bowser.

A. Good afternoon.

Q. Let me ask you a couple of questions in terms of setting up how customers create bad debt. Is it your understanding that a CRES provider, if they're not paid by their customer, do they have the ability to shut the customer's power off?

A. I don't know.

Q. So you don't know whether only the utility can shut the power off?

A. I believe that only the utility has that ability.

Q. And in a normal commercial setting

wouldn't the seller have the option of not delivering the product if they weren't paid?

MR. DARR: Objection. The question is ambiguous as to "normal" seller.

MR. PETRICOFF: Well, apparently the -- well, I'll rephrase the question.

Q. Your knowledge extends to commercial transactions beyond the realm of utilities, correct?

A. And what do you mean by my analogy?

Q. I'm sorry. Your background, your understanding.

A. Extends beyond --

Q. Just the way goods are bought and sold for utility services. Actually, let me try that again.

Do you have any knowledge about commercial transactions outside of the utility industry?

A. Only in a general sense.

Q. So when you testify about the purchase of receivables program, you are only talking about purchase of receivable programs within the utility industry?

A. For purposes of this testimony, that's correct.

Q. Okay. Do you know if a customer is -- if a CRES provider is using consolidated billing and the customer doesn't pay the consolidated bill, do you know whether under the tariff AEP Ohio sends the customer off to standard service?

A. No, I don't.

Q. Do you know what percentage of the customers who are in arrears are on standard service?

A. No, I do not.

Q. If you would, turn to page 3 of your testimony, line 20, and there we're talking about the POR program should be without recourse, and that's in quotes. Do you see that, that line?

A. Are you on page 3?

Q. Page 3 of your testimony, yes.

A. I see that term, yes.

Q. Okay. And you're familiar with what that term means, "without recourse."

A. Yes, I am.

Q. Are you familiar with the Duke purchase of receivable program approved by this Commission?

A. Only in a general sense.

Q. Do you know whether that is with recourse or without recourse?

A. No, I do not.

Q. Are you familiar with the Columbia Gas of Ohio purchase of receivables program approved by this Commission?

A. No, I'm not.

Q. So I assume you wouldn't know whether that was with recourse or without recourse.

A. Correct.

Q. Would the same be true of the East Ohio Gas Company and Vectren?

A. Yes, it would.

Q. Are you familiar with the purchase of receivable programs from the FirstEnergy companies in Pennsylvania?

A. No, I'm not.

Q. How about the Ameren or Commonwealth programs in Illinois?

A. No.

Q. Do you know of any utility program, purchase of receivables program, which are other than on a nonrecourse basis?

A. I'm not aware whether any are on a recourse or nonrecourse basis.

Q. If you would, then, turn to page 4 of your testimony, I think it's down on -- also down around line 20 is where you're talking about the

1 proposed residential late-payment fee of 1-1/2
2 percent. Do you see that --
3 A. Yes, I do.
4 Q. -- statement? Do you know whether
5 commercial and industrial customers in AEP Ohio pay a
6 late-payment fee?
7 A. From Mr. Spitznogle's testimony it's my
8 understanding that they do.
9 Q. All right. But you're not familiar with
10 the tariffs as to the amount of the terms?
11 A. No, I'm not.
12 Q. Is it IEU's position that it is equitable
13 and fair to charge a late-payment fee to commercial
14 and industrial customers but not to residential?
15 A. It seems like it would be fair to charge
16 one to residentials if there's one for commercial and
17 industrial.
18 Q. You would agree with me that the cost of
19 money to AEP Ohio is the same whether the late
20 payment is coming from a residential customer or
21 commercial customer.
22 A. The cost of money to AEP?
23 Q. Right.
24 A. I would expect that it would be.
25 Q. Now, if you would turn to page 7 of your

1 testimony, line 4, and this is where you give the
2 percentages of shopping customers.
3 A. Yes, I see that.
4 Q. And you'll agree with me that the
5 50 percent that you refer to here on line 4, that
6 that is load, not number of customers? It's
7 50 percent of the load.
8 A. Yes, that's correct.
9 Q. Do you know what percentage of the
10 customers are shopping?
11 A. No. I've only looked at it in terms of
12 the load.
13 Q. And how about for residential customers,
14 do you know the percentage of either the load or the
15 number of customers that are shopping who are in the
16 residential class in AEP Ohio?
17 A. I know that overall the percentage for
18 AEP Ohio is somewhere north of 60 percent. I think
19 the commercial and industrial classes are greater
20 than 60 percent, and the residential is less than
21 that, but I don't recall the exact figure. But
22 residential is less than commercial and industrial.
23 Q. Okay. And we know mathematically that if
24 the total is 60 percent and that the residential and
25 commercial are greater than 60 percent, the

residential's got to be less.

A. Correct.

Q. I only have one more question for you and that is on -- one more series of questions potentially for you, and that is on page 9 of your testimony, line 16. And this is where you say "Based on the interrogatory responses the Company has provided, it does not appear that large customers would receive much." Do you see that, that line?

A. Yes.

Q. What's your definition of "large customer"?

A. I was thinking mostly of the industrial customers there or large commercial customers.

Q. Okay. Are we -- can we give it a number? Can we say that, for example, we have a kilowatt-hour number for mercantile customers? Were you thinking mainly of mercantile customers?

A. I don't think I can put a number on it. I would think it would be larger than that since I think mercantiles are 700,000 kWh per year, which that's not a very big customer.

Q. Okay. So you were thinking of even larger than mercantile.

A. Correct.

1 Q. Okay. Now, you say "Based on the
2 interrogatory responses." Did that include
3 Interrogatory No. 10-162 that the company sent out
4 which responds to, I think these were the responses
5 to the Consumers' Counsel's Office?
6 A. Yes, that's correct. And it's attached
7 to my testimony.
8 Q. Right. And do you have that handy? If
9 not, I can --
10 A. Yes, I do.
11 Q. -- give you a copy. You have it handy?
12 Okay, great.
13 Take a look at the second paragraph in
14 the response, and it says "A POR program also allows
15 the implementation of payment options such as a
16 budget, an average monthly payment plan, which helps
17 customers manage their bills." Would having a budget
18 plan or an average monthly plan be of assistance to
19 commercial customers?
20 A. I don't know for sure. My understanding
21 is that these two payment options are geared more
22 toward residential customers.
23 Q. But, going back to the question, wouldn't
24 they have -- wouldn't they have some value if
25 commercial customers are able to elect a budget or an

average monthly payment plan?

A. It potentially would, if they're eligible for those programs.

Q. Okay. And earlier I asked you the question of whether a CRES customer could turn off the service to a customer who had not paid them for power. Now I want to ask you can a CRES customer -- can a CRES provider, if they can't turn off the nonpaying customer, can they pursue payment through the courts? Get a judgment or a lien on a garnishee?

A. You're outside my expertise on that one.

MR. PETRICOFF: Okay. Well, your Honor, at this point I have no further questions.

Thank you very much, Mr. Bowser.

EXAMINER PARROT: Let's go off the record just for a moment.

(Discussion off the record.)

EXAMINER PARROT: Let's go back on the record.

Any questions, Mr. Casto?

MR. CASTO: No questions, your Honor.

EXAMINER PARROT: Mr. Clark?

MR. CLARK: No, thank you, your Honor.

EXAMINER PARROT: Ms. Hussey?

MS. HUSSEY: No questions, your Honor.

EXAMINER PARROT: Mr. Boehm?

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

EXAMINER PARROT: Mr. Yurick?

MR. YURICK: Nothing, your Honor, thank you.

EXAMINER PARROT: Mr. Serio?

MR. SERIO: Yes, thank you, your Honor, just a couple questions.

- - -

CROSS-EXAMINATION

By Mr. Serio:

Q. Mr. Bowser, you were just asked a question about whether there was a benefit to commercial and industrial customers having the option of budget billing payment options. Do you recall that?

A. Yes.

Q. To the best of your knowledge, is there anything that precludes CRES providers from offering commercial or industrial customers the opportunity to do budget billing today?

A. I don't know. I'm not familiar enough with the rules that might surround that.

Q. And you had a series of questions about POR programs, other programs that were with or

without recourse. Am I correct that your opposition to the POR is -- doesn't matter whether it's with recourse or without?

A. That by itself, no. If it was with recourse as currently proposed, I would still oppose it.

Q. And if it was without recourse, you would oppose it. Are you opposing it in both instances?

A. As currently proposed, yes, since there's no discount rate. There's no discount on the receivables.

MR. SERIO: Okay. Thank you. That's all I have, your Honor.

EXAMINER PARROT: Mr. Satterwhite?

MR. SATTERWHITE: Thank you, your Honor.

- - -

CROSS-EXAMINATION

By Mr. Satterwhite:

Q. Good afternoon, Mr. Bowser.

A. Good afternoon.

Q. First, a little background, I know you said you work for the law firm but do you have a formal position with IEU as well?

A. No. No, I do not.

Q. If more CRES providers entered into the

1 market and offered new offerings to large customers,
2 would that be a benefit for those large customers?
3 A. Without knowing the specifics of what
4 those offers were relative to what's out there, I
5 don't know.
6 Q. So you have no opinion whether more
7 options are better or not for large customers?
8 A. Again, it depends what those options
9 would be.
10 Q. All right. But you can't foresee any
11 possibility of having more offerings being a benefit
12 to large customers, is that your testimony?
13 MR. DARR: Objection. Asked and
14 answered.
15 MR. SATTERWHITE: He hasn't answered at
16 all, your Honor, he's saying he doesn't know what
17 those would be so now I'm asking him to think in his
18 own mind what those offerings would be and if they
19 would be a benefit.
20 MR. DARR: It requires the witness to
21 speculate, and it's objectionable on that basis.
22 MR. SATTERWHITE: All of his testimony is
23 speculative in giving an opinion, your Honor, and I'm
24 trying to further explore that.
25 EXAMINER PARROT: The objection is

1 overruled.
2 A. Without knowing what those specifics were
3 I can't say whether that would be useful or not.
4 Q. So when you view judging a market and
5 whether a market's competitive or not, you're going
6 to withhold judgment unless you understand and know
7 every single offer that's involved in that market; is
8 that your testimony?
9 A. No, that's not my testimony.
10 Q. But just a second ago you said without
11 knowing what the offerings would be you couldn't give
12 an opinion or not whether that was a benefit to large
13 customers if there were more CRES providers, correct?
14 A. You might have more CRES providers, but
15 perhaps they'd be making the same offers as all the
16 other providers.
17 Q. So you don't have the opinion of
18 competition that the more competition there is that
19 those competitors tend to drive down prices of their
20 other competitors; is that your testimony?
21 A. I haven't performed any analysis to
22 determine whether that's the case or not.
23 Q. So you have no opinion on if competition
24 helps decrease prices for customers; is that your
25 testimony?

A. That's not necessarily my testimony. Without additional analysis to know what happened to prices as a result of increased auctions, I can't speculate on that.

Q. I'm talking at a higher level. I'm talking about just the theory of competition. And my question is under the theory of competition is it your understanding that the more competitors you have, there tend to be lower prices as a result of the presence of competition?

A. Generally speaking, you could expect that would be the case, but I don't think that you can say with certainty that it necessarily would be the case.

Q. So in Ohio if there were more suppliers and more suppliers were offering -- all offering service to large customers that aren't offering it today, there's a potential to have a benefit for those customers, correct?

A. There's always that potential.

Q. Did you participate in the POR discussions in the 12-3151 committee group meetings here at the Commission?

A. Was that the COI case?

Q. Yes.

A. No, I did not.

Q. So you weren't involved in any of the industrywide stakeholder discussions that led up to the intricacies of a POR, of a purchase of receivables program, correct?

A. Correct.

Q. I believe in your testimony you do reference the existence of a POR program in the Duke territory around page 11, correct?

A. Yes, I did reference that.

Q. And the purpose of including that is just to say it can't be used as authority because it came out of a stipulation, versus independent judgment by the Commission, of opposing parties in the case, correct?

MR. DARR: Objection. Misstates the testimony.

MR. SATTERWHITE: I can rephrase.

Q. Mr. Bowser, what's the purpose of including this in your testimony?

A. Mr. Gabbard had mentioned in his testimony the fact that Duke had this bad debt rider and POR program as support for why the Commission should approve AEP's request, and so I put it in there to say that in my opinion that because that was a stipulated case it doesn't really provide precedent

with the caveat that I am not an attorney.

Q. Do you think it matters to a CRES provider that's considering entering the Ohio market whether a purchase of receivables program was approved as part of a stipulation or by any other means?

A. It might be something that they would have to consider in terms of whether or not they would be successful in having a POR program.

Q. Well, let me ask it this way: If the purchase of receivables is approved in this case for AEP Ohio, do you think it will matter to a CRES provider seeking to enter the Ohio market that once the purchase of receivables program was approved it was approved pursuant to a stipulation?

MR. DARR: Objection. Suggesting knowledge that isn't inherent.

MR. SATTERWHITE: I'm sorry. I didn't hear that, Frank.

MR. DARR: It's asking the witness to speculate on what a CRES provider would do.

MR. SATTERWHITE: That's the issue in this case is to see what this witness knows and doesn't know about CRES providers and whether this is the proper program or not for Ohio, so.

MR. DARR: That's a different -- excuse me, your Honor, may I continue?

EXAMINER PARROT: Go ahead.

MR. DARR: Thank you. The way the question was phrased is what do you think CRES providers would do. How can he get inside the head of a corporate organization? The question doesn't make any sense. That's the nature of the objection.

EXAMINER PARROT: The objection's overruled.

Mr. Bowser, please answer to the best of your ability.

THE WITNESS: Could I have the question read back, please?

EXAMINER PARROT: Yes.

(Record read.)

A. Yeah, I don't know what a CRES provider would be thinking.

Q. But you're -- have you read the testimony of certain CRES providers in this case that discuss the desire to have a purchase of receivables program?

A. Yes, I have.

Q. And are you aware of the testimony that discusses a desire for consistency across the state in purchase of receivables programs?

A. I don't recall that specifically.

Q. In general, though, when you're dealing -- I'm sorry, were you done? I didn't mean to cut you off.

A. Yes.

Q. In general in your dealings with CRES providers is a common request that there be consistency across the state of Ohio in the market?

A. I actually don't have many dealings with CRES providers.

Q. Let's turn to page 12 of your testimony.

A. All right.

Q. At the bottom of page 12, lines 11 through 23, and the top of page 13 you're discussing the potential costs that could go into the bad debt rider as a result of AEP Ohio's proposal, correct?

A. Yes.

Q. And you discuss specifically the dollars that are associated with Account 904, correct?

A. Yes, that's right.

Q. And you mention on line 18 it's the uncollectible expenses in Account 904, and then on 18 you say with the exception of the Percentage of Income Payment Plan expenses that are offset by revenues collected. Do you see that?

A. Yes.

Q. Now, nowhere in your testimony then do you track what that dollar amount would be to represent the number -- the dollars that could be at risk to be put into the bad debt rider, correct?

A. That's correct. I was looking at the overall trend in Account 904.

Q. Are you aware of the amount of dollars that are excluded as indicated in your parentheses on line 18?

A. No, I'm not, but in terms of the magnitude, in response to question IEU 5-4 the company had indicated that the net amount that would be in base rates if it was adjusted for 2013 would be about $22-1/2 million versus the current 12.2 million in base rates. So even though, I think what you're getting at is that those USF revenues are potentially a significant offset to many of those 904 dollars, nevertheless it appears that the trend in the direction of the bad debt costs is upward and that's the point that I'm trying to make with this testimony.

Q. Right. But what you left out was a discussion -- did you do a -- let me rephrase that.

You also asked for a quantification of

what Account 904 would be excluding PIPP in your discovery, correct?

A. I believe that's correct, yeah.

MR. SATTERWHITE: Your Honor, may I approach the witness?

EXAMINER PARROT: You may.

MR. SATTERWHITE: I'd like to mark as AEP Exhibit 20 the response to IEU Interrogatory 5-003.

EXAMINER PARROT: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Mr. Bowser, do you recognize what I have put in front of you and marked as AEP Exhibit No. 20?

A. Yes, I do.

Q. And was this an interrogatory requested by you of the company?

A. Yes, it was.

Q. And does this represent the amount in Account 904 excluding PIPP, which is the Percentage of Income Payment Plan, in the base case?

A. That's my understanding, correct.

Q. And what is the total dollar amount in Account 904 represented on this data request?

A. $65,000.

Q. And that's a negative $65,000 because it's in parentheses, correct?

A. Yes, that's correct.

Q. Okay. And did you ask for this data request prior to preparing your testimony? Strike that.

Did you get the response to this data request, the answer, prior to filing your testimony?

A. I don't recall.

Q. And certainly now after reviewing this, the dollar amounts that you represent on page 12 to 13 would appear to be a lower dollar amount than is represented in your testimony, correct?

A. With respect to the Account 904 impact on bad debt, that's correct. Nevertheless, IEU -- the response to IEU 5-5 indicates that those expenses are increasing.

MR. SATTERWHITE: Thank you. That's all I have.

Thank you, your Honor.

EXAMINER PARROT: Staff?

MR. PARRAM: No questions.

EXAMINER PARROT: Any redirect?

MR. DARR: May I have just a couple minutes?

EXAMINER PARROT: You sure may.

(Recess taken.)

EXAMINER PARROT: Any redirect?

MR. DARR: Very briefly, your Honor.

- - -

REDIRECT EXAMINATION

By Mr. Darr:

Q. Mr. Bowser, you were asked a series of questions with regard -- by Mr. Petricoff regarding the recourse or nonrecourse nature of the proposed POR. Do you recall that?

A. Yes.

Q. And it's your understanding that the company's proposing a nonrecourse purchase of receivables, correct?

A. Correct.

Q. Mr. Serio followed up with a question with regard to whether or not the purchase of receivables program being recourse or nonrecourse would affect your recommendation. I believe your answer was "no"; is that correct?

A. Correct.

Q. If the program were designed as a recourse purchase of receivables, would that -- does that affect in some way the structure of a program that you would find acceptable?

A. Yes. For instance, with the current

1 nonrecourse proposal, if there was a discount on the
2 receivables for the amount that the company would
3 pay, that would make that more palatable. On the
4 other hand, if it's a recourse program, that
5 potentially makes it better too because then, you
6 know, that's not a risk that's potentially being
7 passed on to somebody else in the case we have here
8 where there's a bad debt rider.
9 Q. You also had a series of questions
10 presented to you by Mr. Satterwhite concerning the
11 effect of I believe amounts collected through PIPP as
12 the effect of bad debt expense; is that correct?
13 A. Yes.
14 Q. And he referenced I believe it's IEU
15 Interrogatory 5-3 and the company's response to that,
16 correct?
17 A. That's correct.
18 Q. And that's identified as AEP Exhibit 20?
19 A. Yes, that's correct.
20 Q. Now, did the company provide additional
21 information that is more current as to what its bad
22 debt expense is?
23 A. Yes. And in trying to convey that I
24 referred to the wrong data request response.
25 Q. What is the correct data response?

A. It's IEU 5-4, and in that response the company updated Company Exhibit 20 which was as of the current base rates as to what things would look like based on calendar year 2013, and the Account 904 figure increased from negative 65,000 up to $8.8 million indicating, you know, that the trend from what's in base rates today to where things would be based on actuals today is to increase those bad debt expenses.

MR. DARR: Thank you, your Honor. That's all I have.

EXAMINER PARROT: Mr. Williams?

MR. WILLIAMS: No questions, your Honor.

EXAMINER PARROT: Mr. Petricoff?

MR. PETRICOFF: No recross-examination, your Honor.

EXAMINER PARROT: Mr. Casto?

MR. CASTO: No questions, your Honor.

EXAMINER PARROT: Mr. Clark?

MR. CLARK: No questions.

EXAMINER PARROT: Ms. Hussey?

MS. HUSSEY: No questions, your Honor.

EXAMINER PARROT: Mr. Boehm?

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

EXAMINER PARROT: Mr. Yurick?

MR. YURICK: No questions, your Honor.

EXAMINER PARROT: Mr. Serio?

MR. SERIO: Just one, your Honor.

- - -

RECROSS-EXAMINATION

By Mr. Serio:

Q. Mr. Bowser, if I understand, you said if a POR was with recourse, it would be better because there would be no risk passed on to customers. Is that what you said?

A. No. Oh, I'm sorry. Pardon me, did you say "with" recourse?

Q. If it was with recourse, it would be better because the risk would not be passed on to customers.

A. Yes. Correct.

Q. Does that presume that the company would absolutely take the debt back to the CRES provider?

A. Yes, it does assume that.

Q. Okay. And if they did not, then that -- not passing the risk on to the customer wouldn't be true, correct?

A. Correct.

MR. SERIO: Okay. That's all, thank you, your Honor.

EXAMINER PARROT: Mr. Satterwhite?

MR. SATTERWHITE: Thank you, your Honor.

- - -

RECROSS-EXAMINATION

By Mr. Satterwhite:

Q. Mr. Bowser, you were just discussing with your counsel Interrogatory 5-004 and you talked about the $8.7 million in bad debt, correct?

A. Yes.

Q. Are you aware of the $7.2 million Ormet chargeoff that occurred in this year?

A. Not specifically, no.

Q. But I believe you used this interrogatory to express that there was a trend going up in the bad debt in Account 904, correct?

A. That's the change from what's currently in base rates based on 2013, correct.

Q. And was there also the interrogatory response directly after that, 5-005, that dealt with 2012? If you need me to refresh your memory, I can show you a copy.

A. I think I might have a copy of that here. Okay, now I'm with you.

Q. What was the amount in 904 excluding PIPP for 2012?

A. $59,000.

Q. So it was negative 65 in the first example, then 59,000, and then in 2013 we had the $8.7 million one, correct?

A. Correct.

Q. Did you review Staff Witness Bossart's testimony in this case?

A. Yes, I did.

Q. And isn't it true that on page 5 of her testimony she indicates the $7.2 million in bad debt from Ormet?

A. It may be. I don't recall that specifically.

Q. If that's the case, would that explain why the 2013 number is such an outlier compared to the other two numbers that we have discussed today?

A. That would appear to be the bulk of that change.

MR. SATTERWHITE: Thank you. That's all I have, your Honor.

EXAMINER PARROT: Staff?

MR. PARRAM: No questions, your Honor.

EXAMINER PARROT: Thank you, Mr. Bowser.

MR. DARR: Move the admission of IEU Exhibit 2.

EXAMINER PARROT: Are there any objections to the admission of IEU Exhibit 2?

MR. SATTERWHITE: No objections.

EXAMINER PARROT: Hearing none, it is admitted.

(EXHIBIT ADMITTED INTO EVIDENCE.)

MR. SATTERWHITE: Can I move -- sorry. Can I move AEP Exhibit No. 20 as well, your Honor?

EXAMINER PARROT: Are there any objections to the admission of AEP Ohio Exhibit 20?

MR. PETRICOFF: No objection.

EXAMINER PARROT: Hearing none, it is admitted.

(EXHIBIT ADMITTED INTO EVIDENCE.)

EXAMINER PARROT: Mr. Whitt, next witness.

MR. WHITT: Thank you, your Honor. IGS would call Matt White.

EXAMINER PARROT: Please raise your right hand.

(Witness sworn.)

(EXHIBIT MARKED FOR IDENTIFICATION.)

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MATTHEW WHITE

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

DIRECT EXAMINATION

By Mr. Whitt:

Q. Good afternoon, Mr. White. Could you introduce yourself, please, by telling us your full name and where you work.

A. My name is Matthew White and I work at IGS Energy.

Q. What's your position there?

A. Manager of Legal and Regulatory Affairs.

Q. Mr. White, do you have in front of you a document that's marked IGS Exhibit 2?

A. Yes.

Q. Is this the direct testimony that you've prepared for this proceeding?

A. Yes.

Q. Do you have any corrections to make to your testimony?

A. No.

Q. If I were to ask you the same questions that appear in IGS Exhibit 2 today, would your answers be the same?

A. Yes.

MR. WHITT: Thank you. The witness is available for cross.

EXAMINER PARROT: Mr. Petricoff?

MR. PETRICOFF: No questions, your Honor.

EXAMINER PARROT: Mr. Casto?

MR. CASTO: No questions.

EXAMINER PARROT: Mr. Clark?

MR. CLARK: No questions, your Honor.

EXAMINER PARROT: Ms. Hussey?

MS. HUSSEY: No questions.

EXAMINER PARROT: Mr. Boehm?

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

EXAMINER PARROT: Mr. Darr?

MR. DARR: No questions, your Honor.

EXAMINER PARROT: Mr. Yurick?

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

EXAMINER PARROT: Mr. Serio?

MR. SERIO: Thank you, your Honor.

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CROSS-EXAMINATION

By Mr. Serio:

Q. Good afternoon, Mr. White.

A. Good afternoon.

Q. Page 5 of your testimony on line 17 you

1 indicate "Thus, the favored product." Do you see
2 that reference?
3 A. Yes.
4 Q. Is it your testimony that the standard
5 service offer is the favored product in this
6 instance?
7 A. My testimony is that the standard service
8 offer in the AEP service territory currently gets
9 favored regulatory treatment over all other products
10 in the markets.
11 Q. But where you're saying here that the
12 favored product has less pressure to be innovative,
13 are you saying that that -- is that reference to the
14 standard service offer? On page 5, line 17.
15 A. Yeah, so that question is a broader,
16 general question, but later on in my testimony, yes,
17 I discuss that the standard service offer receives
18 favored regulatory treatment.
19 Q. So you're saying that because it's
20 favored, there's less pressure to innovate the
21 standard service offer; is that correct?
22 A. I would say there's less pressure to
23 innovate both the standard service offer and other
24 products in the market.
25 Q. What pressure is there at all to innovate

1 the standard service offer?
2 A. Scheduling, delivery, you know, there's a
3 lot of different -- there's potential for different
4 types of pressure to innovate not only the standard
5 service offer but other products and services in the
6 marketplace that are available to customers.
7 Q. I understand your testimony with respect
8 to the other products. I'm just focusing on the
9 standard service offer right now. And my question to
10 you is: What pressure is there to innovate the
11 standard service offer which is also the default
12 service, correct?
13 A. Pricing more efficiently, to name one off
14 the top of my head.
15 Q. So you're saying that because it's
16 favored, there's less pressure to make the price
17 better for the standard service offer?
18 A. That's not what I said in my testimony.
19 The question you're referring to is a general
20 question about competition.
21 Q. And my specific question is: With regard
22 to competition in Ohio in the AEP service territory
23 is the standard service offer, quote, the favored
24 product?
25 A. I said "yes."

1 Q. Okay. So if it's the favored product, my
2 question to you is: Where is this pressure to
3 innovate the standard service offer?
4 A. As I explained in my previous answer, the
5 question that you're asking me about is not referring
6 just to the standard service offer but it's referring
7 to all other products in the market. I also
8 explained to you that pricing is one of those
9 pressures.
10 Q. So there's pressure on the standard offer
11 to make it more efficient which would result in the
12 standard offer price being lower, correct?
13 A. Can you please repeat the question?
14 Q. Sure. So you're saying that there is
15 less pressure on the standard service offer to be
16 more efficient which would result in a lower price,
17 correct?
18 A. I'm saying in my testimony as a general
19 matter when one product is favored over other
20 products in the market, there is less pressure on all
21 products in the market to be innovative.
22 Q. I understand your general statement. I'm
23 asking you a specific statement. Your statement here
24 is "Thus, the favored product will have less pressure
25 to innovate and become more efficient," and then you

have "and." I'm not worried about the second half of that sentence, I'm worried about that first half.

You're saying that there's pressure on the standard offer to be innovative and more efficient.

A. Yes.

Q. And if it was innovative and more efficient, that would result in the standard offer price being lower, correct?

A. It would result in the price being most efficient which is reflect -- the true cost of providing service in a market.

Q. In your opinion, is the AEP electric retail market today a robust market?

A. In my opinion, it's not a robust retail market.

Q. Is the Duke Energy Ohio retail electric market a robust market?

A. It's not -- it's not robust, no.

Q. Do you believe that the AEP retail market is competitive?

A. I believe that there are parts of the AEP retail market that are competitive and there are parts of the AEP retail electric market that are anticompetitive.

1 Q. When you say "parts," are you referring
2 to the difference between residential, commercial,
3 and industrial services?
4 A. Not just that.
5 Q. Let me ask you this way: Is the AEP
6 residential retail market a competitive market?
7 A. I will stay with my previous answer and
8 say that there are parts that are competitive and
9 there are parts that are not competitive.
10 Q. Are you aware of how many current CRES
11 providers offer service in the residential electric
12 retail choice market for AEP?
13 A. I don't know the exact number off the top
14 of my head.
15 Q. Would you accept, subject to check, that
16 AEP Witness Gabbard indicated that there were
17 currently 29 CRES providers that were active in the
18 residential market?
19 A. Yes.
20 Q. So if we assume there's 29 CRES providers
21 active in the residential retail choice market, your
22 testimony is that that's not sufficient for it to be
23 a competitive market.
24 A. Yes. I believe that the number of CRES
25 providers, a significant number of CRES providers is

1 necessary but not sufficient to be considered a
2 competitive, a fully competitive market.
3 Q. Is there a specific number of CRES
4 providers necessary in order for a market to be
5 considered competitive?
6 A. There is no number on itself of CRES
7 providers in a market that would make the market a
8 competitive -- fully competitive market.
9 Q. Is the lack of a purchase of receivable
10 program in the AEP electric service market a barrier
11 to entry?
12 A. I believe that a lack of a purchase of
13 receivables program will be a factor into -- as some
14 providers not to enter into the AEP market.
15 Q. But do you consider it a barrier to
16 entry?
17 A. What is your definition of "barrier to
18 entry"?
19 Q. Well, let's attack it this way: Your
20 position at IGS is manager of legal and retail
21 affairs, correct?
22 A. Regulatory Affairs, Manager of Legal and
23 Regulatory Affairs.
24 Q. And Legal and Regulatory Affairs would
25 include cases at the Public Utilities Commission

where IGS has argued in favor of a purchase of receivables program, correct?

A. Yes, we have argued in favor of a purchase of receivables program.

Q. And do you know if IGS argued for a purchase of receivables program in The Cleveland Electric Illuminating Company ESP case, Case No. 12-1230-EL-SSO?

A. I believe that we did.

Q. And is it your understanding that the Commission found there that neither suppliers nor IGS demonstrated that the absence of a POR program is a barrier to competition?

A. I don't know what the order says off the top of my head.

Q. Are you aware of any evidence presented by any CRES in this proceeding that would be different than evidence presented in the 12-1230 proceeding to show that the lack of a POR is a barrier to entry?

A. Well, I don't know a hundred percent of all the evidence that was presented in this proceeding. I believe that there's been two more years -- two to three more years, there's been significant discussion in the Ohio RMI proceeding

that I think, you know, the RMI proceeding about POR. I think a lot of the parties have since then become more comfortable with the concept.

Q. Regardless of how comfortable parties might be with the concept are you aware of any additional evidence presented by any CRES in this proceeding that's different or beyond the evidence presented in the 12-1230 proceeding?

MR. WHITT: I'll object to the question. The witness has already indicated that he doesn't know all of the evidence in either this proceeding or the other one he's being asked to compare this proceeding to.

MR. SERIO: I'll rephrase, your Honor.

Q. Are you aware of any additional evidence that IGS has proposed in this proceeding beyond the evidence that IGS proposed in the 12-1231 proceeding?

A. IGS specifically?

Q. IGS specifically.

A. We did not put on additional evidence, although the company has -- AEP has put on evidence which wasn't the case in the FirstEnergy proceeding where the company did not support POR.

Q. And the evidence that the company's put on the record, could you point to the specific

evidence that you're talking about?

A. I believe it was witness -- and I don't -- I think it's Gabbard who put on that testimony.

Q. Yes. That's his name.

A. Don't impeach me if I'm incorrect. Okay.

Q. You referenced the RMI proceeding. Are you aware of any evidence that was presented in the RMI proceeding that shows that the lack of a POR is a barrier to entry?

MR. WHITT: I'll object to the question insofar as it assumes that the RMI proceeding was, in fact, an evidentiary proceeding.

MR. SERIO: Well, if counsel wants to stipulate that it wasn't, that would eliminate a couple of questions.

MR. WHITT: I'll stand on my objection.

MR. SERIO: My response --

EXAMINER PARROT: Do you have a response, Mr. Serio?

MR. SERIO: Yeah, my response was if it was an evidentiary proceeding, I'd like him to point to the evidence. If it wasn't an evidentiary proceeding, then we can't rely on it being an evidentiary proceeding. Can't have it both ways,

your Honor.

MR. WHITT: The question simply made an assumption to which I objected. Counsel can characterize the proceeding however he wishes.

EXAMINER PARROT: I am going to ask you to rephrase, Mr. Serio.

Q (By Mr. Serio) Mr. White, you're an attorney by training, correct?

A. Yes.

Q. You understand an evidentiary proceeding before the PUCO?

A. Yes.

Q. And for an evidentiary proceeding you generally have evidence, witnesses, sworn testimony, et cetera?

A. Generally, yes.

Q. Was there any evidence taken in the RMI proceeding?

A. There was testimony. There was comments. There was a significant number of workshops. There was a Staff Report. So to me that's evidence.

Q. The testimony you're referring to, that was testimony that various parties gave directly to the Commission, correct?

A. Yes, I believe that's the case.

Q. Was there any cross-examination of any of those witnesses by other parties?

A. Again, I'm recalling, so this is simply my recollection, there was cross-examination by the Commission, I don't remember if other parties had the opportunity to ask questions to the witnesses.

Q. Is it your understanding of PUCO proceedings that generally when testimony's put into evidence that parties that don't agree with that get to ask cross-examination as we're doing today?

A. Yes. In some hearings parties do have the opportunity to cross.

Q. Can you tell me any proceedings where parties put a witness on the stand and parties that oppose are not given an opportunity to cross-examine?

A. I believe that the en banc hearing where the Commissioners directly asked questions.

Q. But there's no proceedings where other parties are not given that opportunity, only if it's an en banc proceeding before the Commission, correct?

A. Yes, that I'm aware of. But don't quote me because I haven't memorized all the rules, so.

Q. I understand.

Now, you also referenced the various workshops. Do you know if those workshops are

transcribed?

A. I do not believe that they were.

Q. So without a transcript how do we know that what anybody has said about any of those workshops is accurate to the extent that it would qualify as evidence as you understand the term "evidence"?

A. I believe that there was notes taken, minutes taken, a Staff Report -- staff submitted a summary of the staff -- of what was said in the meeting. The summary was -- of the Staff Report -- the Staff Report, which included a summary, was filed at the Commission and all parties had an opportunity to comment on that Staff Report and voice whether or not they believed what was said in that Staff Report was accurate.

Q. You're generally familiar with the concept of a Staff Report in other Commission proceedings, correct?

A. Yes, generally.

Q. And generally, when the staff has a Staff Report, don't they put witnesses on the stand that can be cross-examined in order to authenticate the Staff Report and enter it into evidence?

A. Not in all instances when there's a Staff

Report.

Q. Other than the RMI proceeding can you point to other proceedings where a Staff Report is put into evidence without a witness verifying it?

A. Not off the top of my head.

Q. Now, is your understanding of the -- you have an understanding of the SSO product in the AEP service territory. Do you also understand what the SSO product in FirstEnergy, DP&L, or Duke, what it entails?

A. I do generally.

Q. Would you agree with me that, generally, in all -- in the instance of all four EDUs in Ohio that have a standard offer, that the standard offer is a similar-type product?

A. Than AEP's current product or what AEP's proposing in this ESP?

Q. Well, I'll start with the current product.

A. I think all four utilities have different products, SSO products.

Q. Is the difference between the current AEP product and the proposed one, in your mind, the OVEC issue?

A. No. There's a lot of differences in the

1 current AEP product. There's different riders,
2 there's different means for cost recovery, there's --
3 than all the other utilities in, you know.
4 Q. Is the standard offer the default service
5 for all four EDUs in Ohio?
6 A. All four EDUs in Ohio have an SSO.
7 Q. And is it the default service for all
8 four EDUs?
9 A. Yes.
10 Q. And am I correct that in the instance of
11 all four EDUs that a customer that does not actively
12 select a choice contract defaults back to that
13 standard offer?
14 A. Yes.
15 Q. Now, to the extent that in your testimony
16 you criticize the AEP standard offer for being
17 anticompetitive, would that also apply to the
18 standard offer for the other three EDUs in Ohio?
19 A. Many of the same principles that I take
20 issue with in -- with the AEP SSO apply to the SSO
21 currently being offered by all the investor-owned
22 utilities in Ohio.
23 Q. On page 6 of your testimony, I think you
24 list four items, I guess it starts at the bottom of
25 page 6, carries over to page 7. Let's go through

them one by one. The first one is all new and legacy customers are enrolled in the SSO by default. That's true in all four EDU choice programs, correct?

A. Yes.

Q. The second criticism is that all new customers must stay in the SSO for a period of time before they can switch. Is that true with all four standard service offers?

A. I believe so.

Q. Your third point is that there's different regulatory rules for the standard offer. Would that be true for all standard offers?

A. Yes.

Q. And then the fourth one is that the standard offer product is the price to compare. Would that be true for all four?

A. Yes, in Ohio.

Q. So your testimony is that not only is the AEP standard offer anticompetitive but that all four standard offer products in Ohio are anticompetitive.

A. Yes.

Q. Now, in your testimony on page 6 you reference costs that are commonly referred to as customer acquisition costs. Do you see that?

A. Yes.

Q. Without an exact amount that may or may not be a trade secret can you give me a magnitude of the cost of customer acquisitions that marketers have?

A. Every marketer's different. Every product's different. Every state's different. Every -- there's no easy way to give an exact or magnitude.

Q. Are those costs what you would consider to be significant costs?

A. I would consider them to be significant.

Q. What dollar amount would you assign to call something a significant cost? More than a million dollars? Less than a million? Give me a ballpark.

A. It depends. If you're talking per customer, it's different. You know, if you're talking aggregate.

Q. Let's -- for residential customers on a per-customer basis, what would you consider to be a significant customer acquisition cost?

A. I mean, I think any cost above $5 would be significant.

Q. Are there marketers that might have costs that are less than $5 per customer, per residential

1 customer?
2 A. I don't know.
3 Q. Is there anything in the record of this
4 case that shows any kind of quantification as to what
5 customer acquisition costs might be?
6 A. Not that I'm aware of.
7 Q. On page 7 of your testimony, on line 5,
8 you talk about assignment of customers to a
9 particular product by default creating a significant
10 cost advantage. Can you give me any kind of
11 quantification of what significant cost advantage
12 you're referring to there?
13 A. I'm referring to the cost of acquisition.
14 Q. So we're back --
15 A. Whatever a supplier would spend on the
16 cost of acquisition.
17 Q. So it would be that greater than $5 per
18 residential customer number that you gave me
19 previously?
20 A. Yes. Greater than $5, it could be much
21 higher.
22 Q. Now, on page 7 of your testimony you also
23 indicate there that it is more likely that the
24 customer would remain on SSO service even after a
25 mandatory SSO period expires. Do you see that?

1 Lines 11 through 13.
2 A. Page 7, you said?
3 Q. Page 7, lines 11 through 13.
4 A. Yes, I do say that.
5 Q. Have you done any kind of analysis that
6 shows that customers are more likely to remain with
7 the SSO if they have to stay in it for a period of
8 time before they can move?
9 A. I personally have not.
10 Q. Has IGS done any such analysis that
11 you're aware of?
12 A. We do market analysis, I know some of
13 those questions we ask, but I am not personally aware
14 of exactly that analysis.
15 Q. There's no such analysis attached to your
16 testimony, is there?
17 A. No.
18 Q. Now, you've got at the bottom of page
19 7 -- you talk about a number of regulatory
20 requirements that CRES providers have to follow in
21 enrolling customers. Do you see that?
22 A. Yes.
23 Q. Does AEP not have a number of regulatory
24 requirements that they have to follow in order --
25 when they're setting up the standard service offer?

A. The regulatory requirements that AEP has are significantly different than the regulatory requirements that a competitive supplier has.

Q. But they do have regulatory requirements that they have to meet, correct?

A. They likely do, and those are likely recovered through distribution rates.

Q. Do you know that for fact, that they do get to recover all those costs in distribution rates?

A. I know that there are regulatory and compliance expenses that AEP is allowed to recover through distribution rates.

Q. And you indicated -- do you know if they get to recover all of them?

A. I don't know if they're all, but I do know that there are compliance and regulatory requirements that AEP is able to recover through distribution rates.

Q. In other words, they pass those costs along to their customers, correct?

A. In other words, all customers including shopping customers have to pay for those costs even as those costs benefit only SSO customers.

Q. Are all customers eligible for the SSO?

A. I believe so.

Q. So the SSO does provide a benefit for all eligible customers, correct?

A. That was not my testimony.

Q. I'm asking you that question. Would you agree that the SSO provides a benefit to all customers because all customers are eligible to take the SSO?

A. I think if you read my testimony, I think it says the SSO harms customers because it does not allow markets to work and competitive offers to be efficient.

Q. So the fact that all customers are eligible to take the SSO is not a benefit, in your opinion.

A. No.

Q. So the fact that all customers are eligible to take CRES service is not a benefit either, correct?

A. I think customers are benefitted when all products are given the same treatment and not -- and an SSO product is not favored in the marketplace.

Q. That's not my question. My question was: If it's not a benefit if all customers can have access to the SSO, then is it also not a benefit for all customers to have access to CRES service?

MR. WHITT: I'll object. He just answered that question.

MR. SERIO: Your Honor, if you go back and read the answer, he did not answer the question. He answered the question he wanted to answer, not the one I asked.

EXAMINER PARROT: I agree, Mr. Serio.

Please answer the question, Mr. White.

A. I believe it's a benefit for customers to be able to choose a competitive supplier.

Q. Is it a benefit if the competitive supplier they choose is the default service?

A. I do not believe that's a benefit.

Q. The SSO is a variable monthly rate, correct?

A. Yes, the AEP SSO is variable.

Q. AEP does -- they're not able to offer any kind of fixed SSO rate, correct?

A. The AEP SSO, it is my understanding, currently varies quarterly.

Q. It's not any kind of fixed rate beyond that, quarterly, correct?

A. No.

Q. And the AEP SSO rate doesn't include any kind of hybrid option where it's fixed for a period

of time and then variable after that, correct?

A. My understanding is that the AEP SSO is set for a quarter then the new FAC charge comes out and it's reset.

Q. CRES providers can offer variable monthly options, correct?

A. Yes.

Q. They can offer fixed options also, correct?

A. Yes.

Q. They could offer products that are fixed for a quarter and then change after that, correct?

A. If the -- yes. That is a product that CRES providers can offer.

Q. Yet the standard offer doesn't have all those variable alternatives, correct?

A. Well, first of all, the standard offer is different -- the current standard offer is different than what AEP is proposing in the ESP so you've got to clarify what standard offer you're referring to.

Q. Let's start with the current standard offer first.

A. The current standard offer, like I said, is set, from my understanding, and if I'm wrong, I'm wrong, but it's set quarterly and it varies based on

1 changes to the FAC.
2 Q. Now for the new standard offer can they
3 offer the same variety of options that CRES providers
4 can offer?
5 A. The standard offer again is what -- what
6 AEP is proposing with its new standard offer is
7 tiered contracts which I'm not sure how often that
8 would vary, but it's my understanding that would vary
9 somewhat frequently.
10 Q. Is there anything that would preclude
11 CRES providers from offering a similar tiered
12 product?
13 A. I do not believe so.
14 Q. On page 9 of your testimony you talk
15 about aggregation, correct?
16 A. Yes.
17 Q. And it's your understanding that there's
18 a law in Ohio that permits aggregation, correct?
19 A. Yes, that's my understanding.
20 Q. Yet your testimony is critical of
21 aggregation because it doesn't require customers to
22 shop, correct?
23 A. I would not say it's critical of
24 aggregation. It's stating a -- it's a factual
25 statement.

Q. Do you endorse aggregation? Does IGS endorse the idea of aggregation?

A. IGS -- well, I take no position on aggregation.

Q. Do you know if IGS has taken a position on aggregation?

A. Not that I'm aware of. We have at times, depending on the issue with respect to aggregation, supported certain elements about aggregation, we've also opposed certain things about aggregation. I think it just is a very complicated question that can't be answered with "yes" or "no."

Q. What are the aspects of aggregation that you or IGS have not supported?

A. One that comes to mind is that we have disagreed with the concept of aggregation, being allowed to charge cancellation fees. Aggregation customers being charged cancel fees.

Q. And your disagreement is that if you're an aggregation customer, you can be charged a termination fee or you can't?

A. We have taken the position that aggregation customers -- they should not be allowed to charge cancellation fees on customers that are in an opt-out aggregation.

Q. Okay. What else have you disagreed with aggregation on?

MR. WHITT: Your Honor, at this point I'm going to object. The only reference to aggregation in the testimony is simply a factual statement that a certain portion of the switching rate is attributable to aggregation. That's all the testimony said. We are now getting into a critique of either the witness's personal opinion or the company's position with respect to various hypothetical aggregation programs at some point in time historically and whether the company has agreed or disagreed with aggregation. And it's beyond the scope.

MR. SERIO: I'll tie it back, your Honor. I'll ask a different question.

Q. Your table on page 10 separates aggregation from all other products in the market. Do you see that?

A. Yes.

Q. In your opinion, is aggregation different than Choice?

A. I think, as I mention in my testimony, that aggregation is different in that it does not -- opt-out aggregation does not require a customer to affirmatively consent to enrollment in the product.

Q. And is it your understanding that the reason that that type of aggregation is allowed is because the assumption is that the elected officials in those communities are acting on behalf of the customers in those communities?

A. I do not want to speculate as to why that is allowed.

Q. I wasn't asking to you speculate. I was asking if you know that.

A. I can't speculate.

Q. So you don't know.

A. I don't know.

Q. Do you know if IGS has served aggregation communities in the electric markets?

MR. WHITT: I'll again object. It's beyond the scope.

MR. SERIO: Your Honor, I'm trying to understand what his position is on aggregation, if IGS likes aggregation or they don't.

MR. WHITT: Which is itself a topic beyond the scope of the witness's direct testimony.

MR. SERIO: The witness is implying in his testimony that aggregation is a lesser product and that IGS has a problem with it. If they've got a problem with it and they've served aggregation load,

that would seem to contradict his testimony. I think I'm entitled to explore that.

MR. WHITT: That's not what it says, your Honor.

EXAMINER PARROT: I'll allow the particular question.

A. So, and I'm happy to answer that question, IGS does serve aggregation, and my testimony does not imply that we have a problem with aggregation.

Q. Now, you've indicated that the SSO default rate product is 73 percent of the AEP residential market, correct?

A. Yes.

Q. And I believe it's your testimony that because 73 percent of the market is not shopping, that means that customers have not affirmatively made any decision to stay with the SSO which they've just been defaulted, correct?

A. My testimony is that 73 percent have remained on the SSO.

Q. Do you know how many of that 73 percent have made decisions to not participate in Choice and, therefore, have made the decision to stay on the SSO?

A. No.

Q. Have you done any kind of analysis or surveys of customers to determine if, in fact, they haven't made a conscientious decision to stay with the SSO?

A. I personally have not, I know my company does that kind of analysis or is doing that kind of analysis, but I do not have anything to offer in my testimony.

Q. Okay. Would it be fair to say that it's possible that some customers have chosen not to participate in the electric retail choice market because they've had bad experiences with choice markets?

MR. WHITT: Objection. Lack of foundation. The witness has already indicated he hasn't done studies that would enable him to answer that question.

MR. SERIO: I'm asking the witness if he has any understanding as to whether that would be one of the reasons. He indicated he's familiar with the company having done the studies, and I believe he said there was none attached to his testimony.

EXAMINER PARROT: Overruled.

A. So I would say that I don't know -- I don't know.

1 Q. You don't know.
2 On page 11 of your testimony on line 18
3 you say "Thus the anticompetitive structure and
4 existence of the SSO price is effectively a subsidy
5 to the SSO price." Do you see that?
6 A. I'm sorry. Can you -- what was the line
7 again?
8 Q. Line 18 through 20 on page 11.
9 A. Yes.
10 Q. If the SSO stayed the same but there was
11 a POR program in place, would you still believe that
12 there was an anticompetitive structure in place?
13 A. Yes.
14 Q. Are you familiar with any electric
15 distribution service territories that don't offer a
16 default product like a standard service offer?
17 A. The default rate in multiple states is
18 set by multiple different means, so yeah. Yes.
19 Q. But all states do have a default product,
20 correct?
21 A. And this is -- caveat this is the United
22 States.
23 Q. Yes. Yes.
24 A. All states have a provider of last resort
25 product, but not all states have a product similar to

1 the product structure that AEP is proposing where it
2 is a -- customers are automatically assigned to that
3 product by default.
4 Q. Now, in your testimony, I believe on page
5 14, you talk about a retail auction.
6 A. Yes.
7 Q. So that we can try to get some
8 terminology, would you consider the current auctions
9 that AEP has to be wholesale auctions?
10 A. Yes.
11 Q. And the difference being that a CRES
12 provider in the current auctions serves a tranche, or
13 whereas in a retail auction you would actually get
14 specific customers assigned to that CRES provider,
15 correct?
16 A. I think the difference is that there is a
17 direct retail relationship. I think under the
18 current structure providers already serve the SSO,
19 competitive suppliers already serve the SSO. I think
20 the distinction, though, is that there is a direct
21 retail relationship with the customer in a retail
22 auction whereas the wholesale auction is a
23 pass-through.
24 Q. What does the direct retail relationship
25 involve?

A. It involves the customer knowing who is serving that generation for probably the first thing.

Q. And that would be accomplished by identifying the marketer on a bill?

A. Among other things.

Q. Well, what else would you do to inform that customer?

A. Let's just be clear. There's plenty of ways you can do it, but one of that is being -- giving notice to the customer, affirmative notice, of the supplier and the price that that customer will receive from that supplier.

Q. Is there anything today that precludes a marketer that's serving customers through the auction process from sending a letter to customers saying this is the price of the product you're getting?

A. I don't know if staff would allow them to do that or the Commission would allow a marketer to do that.

Q. Do you know if any marketers have made such a request?

A. I'm not aware of any.

Q. You know for fact that IGS hasn't, correct?

A. No.

Q. What else would a retail auction do that a wholesale auction doesn't?

A. It would -- as I propose it, the retail auction would make -- have the customer affirmatively choose another offer in the market.

Q. So the customer would no longer have that default option.

A. No, that's not the case. A customer that enrolls, as I proposed it, a customer that enrolled with AEP, there would still be an SSO service but that SSO service would be directly supplied by a competitive supplier.

Q. Don't competitive suppliers provide electricity that AEP purchases in the wholesale auctions?

A. Yes.

Q. So in both instances the energy, the electricity, is coming from CRES providers, correct?

A. The actual energy, yes.

Q. Are there any other differences between a wholesale and a retail auction?

A. As I propose it, the customer would remain with that, the competitive supplier, until the customer chooses another supplier. Also, there are options -- in my testimony I recommend there is a

1 process that's started to develop what a retail
2 auction would look like in the AEP marketplace.
3 Q. Am I correct that the move to a retail
4 market or a retail auction would simply be one step
5 towards eventual disbanding of the default service as
6 it currently exists?
7 A. I can't predict the future.
8 Q. Is that your recommendation, that you
9 would eventually disband the standard service offer
10 as it exists today?
11 A. My recommendation would be to change the
12 way provider of last resort service and default
13 service is provided today, yes. And I state that in
14 my testimony.
15 Q. And in that scenario that you recommend a
16 customer would be required to make a choice, correct?
17 A. In the standard -- in the scenario I
18 recommend the customer would not be required to make
19 a choice. The customer could say "AEP, I want your
20 standard service offer," and in that scenario, if you
21 read my testimony, the customer would be assigned to
22 a competitive supplier that is serving that standard
23 service offer.
24 Q. Now, you talk about a retail auction
25 you're proposing involving a one-time ascending clock

1 auction on page 15 of your testimony, line 3,
2 correct?
3 A. Yeah.
4 Q. And the ascending clock auction would be
5 different than the current descending clock auction
6 that is in place, correct?
7 A. Yes. It would be a differently
8 structured auction.
9 Q. And has IGS, to your knowledge, filed any
10 comments with the Commission pointing out that there
11 were concerns with the descending clock auctions that
12 are used to conduct the SSO auctions?
13 A. IGS has made similar recommendations.
14 Q. Let me phrase the question this way:
15 After each auction the company submits its results to
16 the Commission, correct?
17 A. Yes.
18 Q. As a result of that submission has IGS
19 ever filed comments or any kind of proceedings
20 indicating that the descending clock auction was
21 inappropriate and that an ascending clock auction
22 should have been used instead?
23 A. I do not believe we have.
24 Q. Are you aware of anything that would have
25 precluded IGS from taking such action?

A. No.

Q. Are you aware of any EDUs in Ohio that use an ascending clock auction?

A. No.

Q. Now, on page 19 of your testimony you talk about the RPA, correct?

A. Yes.

Q. Are you familiar with the rate stabilization charges that various utilities in Ohio have charged?

A. I am generally familiar, but I may not know all aspects of them.

Q. Just in general terms.

A. Yes. I know that there were rate stabilization charges, yes.

Q. And, generally speaking, those rate stabilization charges are a means where an EDU gets additional revenues in order to stabilize its financial position, correct?

A. Yes, that's my understanding.

Q. Isn't the retail price adjustment a rate stabilization charge for CRES providers?

MR. WHITT: Objection to the extent it calls for a legal conclusion.

MR. SERIO: Well, I'm not asking him for

a legal conclusion, even though he is an attorney. I'm just asking if it's not a rate stabilization charge for CRES providers.

EXAMINER PARROT: Overruled.

A. No, it is not.

Q. Would the RPA as you've proposed it not increase the revenues that CRES providers would get as a result of providing service to customers?

A. As I proposed the RPA none of the revenues would go to CRES providers. All the revenues would be returned to all distribution customers at AEP.

Q. So you increase the charge in order to flow some dollars back.

A. Yes. I would -- there would be a charge on the SSO and the revenues would be returned -- that would reflect -- it would be designed to reflect the cost of providing retail service in the market and the dollars would then be flowed back to all distribution customers.

Q. Your testimony is critical of the SSO today because you believe it's subsidized, correct?

A. Yes.

Q. Meaning that dollars flow to the SSO that should not flow to the SSO, correct? Or, in the

1 alternative, that costs do not flow that otherwise
2 would.
3 A. Meaning it's an artificially suppressed
4 price.
5 Q. Doesn't the RPA artificially increase the
6 price of the SSO?
7 A. The RPA corrects that price discrepancy
8 and I think also if you see -- if you read my
9 testimony, I propose, the first proposal is a retail
10 auction but if the Commission determines that it
11 still wishes to require to have a wholesale auction,
12 in order to correct that price discrepancy I propose
13 an RPA.
14 Q. Now, on pages 19 and 20 of your testimony
15 you talk about the type of actual costs that should
16 be included in the retail adder, correct?
17 A. Yes.
18 Q. And the first one is a portion of the
19 costs that AEP spends on litigating ESP proceedings
20 should be attributed to the RPA, correct?
21 A. Yes.
22 Q. Do you know how much AEP spends on
23 litigating ESP proceedings?
24 A. I don't know.
25 Q. And what portion of costs that you don't

1 know should be attributed to the RPA? Is there a
2 percentage?
3 A. As I propose in my testimony, I propose
4 that there is a proceeding where parties can submit
5 evidence as to those costs.
6 Q. Did you conduct any discovery in this
7 proceeding to find out how much AEP spends on
8 litigating the ESP proceedings?
9 A. No, I did not.
10 Q. All right. The second item is that AEP
11 must allocate time of its employees. It is required
12 to make the SSO generation service available to
13 customers. Do you know currently how much time AEP
14 employees spend in making the SSO generation service
15 available to customers?
16 A. I don't know.
17 Q. Do you know what the cost associated with
18 that time is?
19 A. I don't know.
20 Q. Did you do any discovery in this
21 proceeding to determine how much time or how much
22 cost is incurred by AEP employees in making SSO
23 generation service available to customers?
24 A. No.
25 Q. Third item is employee time and other AEP

1 infrastructure needed to provide SSO generation
2 service. Do you know how much AEP infrastructure is
3 needed to provide the SSO generation service?
4 A. No.
5 Q. Do you know how much cost is associated
6 with AEP infrastructure needed to provide SSO
7 generation service?
8 A. I know there's a cost, but I do not know
9 the cost.
10 Q. Do you have any idea of the magnitude of
11 that cost?
12 A. I believe it's significant.
13 Q. What is that belief based on? Is there
14 any evidence in this record that gives you reason to
15 believe it is a significant cost?
16 A. I know how much time we all spend in this
17 proceeding and I'm sure that's not free and that's
18 just one aspect of it. I know that you can't just
19 snap your fingers and electricity appears. I know
20 there's a requirement -- and I also know that as a
21 competitive supplier, we spend significant dollars
22 doing services to make a retail product available in
23 the market, so I make the assumption that AEP would
24 have to do the same.
25 Q. Is there any evidence that supports that

assumption that you're making in the record of this proceeding?

A. Other than what I'm saying, no.

Q. Now, you also identify a portion of the OCC assessment should be allocated to the RPA. Do you know what the OCC assessment to AEP is, what magnitude of dollars?

A. Not off the top of my head.

Q. Did you do any discovery to determine that level of the OCC assessment?

A. I think it's publicly available, but I haven't checked it in a long time.

Q. And how would you allocate a portion of that assessment based on the time that OCC spends benefiting SSO customers?

A. I would, again, pointing back to my testimony, I would establish a proceeding where parties can conduct discovery and put on evidence to determine what the actual cost allocation is.

Q. Then the last item you identify is that AEP has dedicated a portion of its call center to service questions about AEP SSO rates. Do you see that?

A. Yeah.

Q. Do you know what the costs associated

with that call center might be?

A. No, I don't at this time.

Q. Does AEP's call center also service questions that customers have about CRES providers and CRES providers' services?

A. There are likely some customers that call in to discuss CRES provider services, but CRES providers have their own call center which AEP would refer to those -- that call center much like if for instance an SSO customer called IGS's call center, we would refer them to AEP's call center if they were on the SSO rate.

Q. To paraphrase part of your other testimony, don't you think customers would prefer just to deal with the one entity instead of being referred to call somebody else? If they called the AEP call center and they have a question about CRES providers and CRES service.

A. I think customers would prefer to talk to the right person that can address their concerns and if that means that they have another supplier, and AEP's not responsible for their generation service, then they would prefer to be referred to their other supplier.

Q. Have you done any analysis or surveys of

1 customers to determine that that's what customers do
2 or don't want?
3 A. Not personally.
4 Q. Do you know if IGS has done such surveys?
5 A. I point back to my other answer that we
6 do do customer surveys, although I'm not aware if one
7 of those questions were asked to customers in those
8 surveys.
9 Q. And there's no such survey results
10 attached to your testimony or anywhere in the
11 evidence of this proceeding, correct?
12 A. That's correct.
13 Q. Now, I hate to do this, but I have to go
14 back to page 6. I'm consolidating questions from
15 various people so I didn't have them all handy.
16 On line 10 you talk about customers
17 staying on the SSO product for a minimum period of
18 time. Do you see that?
19 A. Yes.
20 Q. Are you familiar with the Ohio
21 Administrative Code Section 4901:1-10-12 where new
22 customers are provided a customer rights and
23 obligations summary when they start new service?
24 A. I am not completely familiar with that
25 section.

1 Q. So you don't know whether that section
2 includes customers' rights which include information
3 about how to obtain a list of CRES providers,
4 et cetera?
5 A. I don't know if that says that in that
6 section.
7 Q. The retail auction that you've
8 recommended, would that result in a lower price for
9 residential customers than the current wholesale
10 auction?
11 A. With the caveat that I don't know what
12 prices will be in the future, I believe that as you
13 increase competitive -- if you enhance competitive
14 markets and make markets more competitive, pricing
15 will become more efficient and over time that will
16 create downward price pressure on all competitive
17 offers in the market and that, yes, over time retail
18 prices will come down.
19 Q. Have you done any kind of studies or
20 analysis to determine the impact that a retail
21 auction would have on the prices that residential
22 customers pay in the AEP service territory?
23 A. I haven't done any specific studies or
24 analysis.
25 Q. Do you know if IGS has done any kind of

1 studies or analysis that would look at that?
2 A. I do not know.
3 Q. Nonetheless, there's nothing attached to
4 your testimony that would show that type of analysis,
5 correct?
6 A. Yes.
7 MR. SERIO: Thank you, Mr. White.
8 That's all I have, your Honor.
9 EXAMINER PARROT: Mr. Conway?
10 MR. CONWAY: Thank you, your Honor.
11 - - -
12 CROSS-EXAMINATION
13 By Mr. Conway:
14 Q. Good afternoon, Mr. White.
15 A. Good afternoon.
16 Q. I think this is the first time I've ever
17 had the opportunity to cross-examine someone who used
18 to sit on my side of the table. I'll try not to
19 duplicate unduly the examination that Mr. Serio has
20 already conducted.
21 Could you turn to page 4 of your
22 testimony.
23 A. Okay.
24 Q. I have a series of questions which are at
25 a fairly high level, just to try to make sure that I

1 understand the structure of your proposals, your
2 positions, and as I understand it, at the beginning
3 of your testimony at pages 4 and 5, you essentially
4 summarize what your positions are regarding AEP's --
5 AEP Ohio's proposal for procuring generation service
6 for the SSO during the next ESP and also you
7 summarize your recommendations, many of which
8 Mr. Serio's already discussed with you in some
9 detail. Is that a fair characterization of what's
10 going on at pages 4 and 5?
11 A. Yeah, it's a summary essentially of my
12 testimony.
13 Q. Okay. Now, at lines 4 through 6 on page
14 4 you state that AEP's proposal for its SSO during
15 the ESP should be modified to remedy distortions
16 created by the default service product in the market.
17 Do you see that?
18 A. Yes.
19 Q. And then in the next sentence you state,
20 in part, starting on line 7 "As proposed by AEP Ohio,
21 the SSO product is positioned as the favored product
22 in the market, which harms competition and ultimately
23 customers." Do you see that?
24 A. Yes.
25 Q. Now, the problems that you see affecting

1 AEP Ohio's standard service offer product that it's
2 proposing to implement for the ESP starting in June,
3 those criticisms that you have, those concerns you
4 have, they're not unique to AEP Ohio's SSO, are they?
5 A. No. I believe, as I told Mr. Serio, the
6 principles apply to the SSO service in all the EDUs
7 in Ohio.
8 Q. Okay. And I believe that you may have
9 resisted Mr. Serio's effort to establish that
10 AEP Ohio's proposed SSO product, now I want you to
11 correct me if I'm wrong here, but AEP Ohio's proposed
12 SSO product that will be furnished during the ESP
13 upcoming, that it's similar to the SSO products that
14 other EDUs in Ohio furnish that procure their
15 wholesale generation service through a competitive
16 bidding process. Did you follow that?
17 A. Yes.
18 Q. So my question is: Isn't it true that
19 what we're proposing to do, AEP Ohio's proposing to
20 do, as far as an SSO product during the ESP 3
21 upcoming is basically the same kind of product that
22 others like FirstEnergy or Duke have implemented in
23 their service areas as a result of their competitive
24 bidding process mechanisms?
25 A. I think there are certainly some

similarities and there are certainly some differences, but I do think that with respect to the procurement through a wholesale auction it's similar.

Q. Okay. Then in that same paragraph on page 4 you indicate, I think at line -- starting at line 9 after indicating what your concerns and criticisms were, at least in broad strokes in the first about six lines of that paragraph, you then indicate that the purpose of your testimony is to recommend a number of modifications to AEP Ohio's proposal for establishing its SSO product, right?

A. Yes.

Q. And then you have a sentence at the end, at the end of that paragraph, which starts "Further" on line 12. "Further," then you make recommendations that you believe will enhance Ohio's competitive retail electric markets and which will ultimately lead to more dynamic and cost-effective product offerings for customers.

And my question is: What is the -- is the -- are the bulleted points that follow, I think there's four of them, are those bulleted points the modifications and recommendations that you're referring to in the paragraph here?

A. They're a summary of the modifications

1 and the recommendations.
2 Q. Is there some way to, I mean, you say --
3 excuse me, strike that.
4 you indicate in that paragraph that
5 you're proposing and recommending a number of
6 modifications and then you're also making
7 recommendations about these enhancements in the last
8 paragraph. Are they all from the same category or
9 are they -- are some of them modifications and other
10 ones enhancements of those bulleted points?
11 A. I think they're both modifications and
12 enhancements.
13 Q. So each bullet point is both a
14 modification and enhancement, then?
15 A. I will have to read through each bullet
16 point to confirm that.
17 Q. It's not a huge point. I was just
18 curious how you categorized, how you classified, how
19 you organized things here.
20 A. I would say that each one, the proposals
21 I make are the modification of the ESP that would
22 also enhance the ESP.
23 Q. Okay. Then the recommendations and
24 modifications, the recommendations for modifications
25 and enhancements that are summarized in your bullet

1 points, are those modifications and enhancements that
2 would apply generally to all of the Ohio EDUs' SSO
3 products?
4 A. I think generally the modifications and,
5 again, without getting into specifics, but generally
6 the modifications and enhancements that I recommend
7 would benefit not just AEP but all the EDU products.
8 Q. So your view is these modifications and
9 enhancements should be implemented on a statewide
10 basis, right?
11 A. I believe that there's -- as most
12 modifications or enhancements occur, there is always
13 the first utility that has to implement them, but
14 ultimately I think it would be reasonable to
15 implement them throughout the entire utility.
16 Q. That's --
17 A. All the utilities.
18 Q. I think that confirms my point which is
19 that you're not singling out AEP Ohio for these
20 modifications and enhancements. It's your hope, your
21 expectation, your ambition to have them -- have these
22 modifications and enhancements implemented throughout
23 the state of Ohio for each of the EDUs in Ohio; is
24 that right?
25 A. With the caveat that each utility's in a

1 different ESP schedule, each utility's structured
2 differently at all times so, you know, there are
3 distinctions.
4 Q. Let me be a little more specific, then.
5 Is it your view that each of the Ohio EDUs should use
6 a retail auction to procure SSO customers in a
7 fashion that you've described?
8 A. I believe a retail auction would be a --
9 it would improve the market for each of the utilities
10 beyond what they currently are doing for the
11 utilities in Ohio.
12 Q. Okay. So all the EDUs should -- your
13 primary recommendation is that all the EDUs should
14 adopt a retail auction, correct?
15 A. I would have to view each EDU
16 specifically, which I haven't had the chance to do.
17 I think a retail auction is a good way to move.
18 There are problems with the current default rate. I
19 think a retail auction is a good way to improve the
20 current default rate. Whether I would recommend
21 retail auctions specifically for each utility I would
22 have to review each utility's specific default rates.
23 Q. And so you've done that review for
24 AEP Ohio and concluded that a retail auction is a
25 good idea for AEP Ohio?

A. Yes.

Q. And what is potentially different about any other EDU in Ohio that would cause you to conclude, when you looked at the others more closely, that a retail auction wasn't appropriate for them?

A. Well, like I said, I think the point of my testimony is that the default rate, default rate in all the service territories needs to be improved. A retail auction is one means by which it can be improved. Whether there's different means in another service territory at a different time, then, you know, that would just take an analysis of the default rates point by point for each of the specific utilities' territories.

Q. So I guess I'm a little bit surprised at this but let me see if I understand it. So you could envision an end state for Ohio where one or more of the EDUs uses a retail auction and one or more of the EDUs does not.

A. I'll give you an example, and this is just a hypothetical example and not necessarily a proposal, but Ohio could -- AEP could approve -- or, the Commission could approve a retail auction for AEP. A year-and-a-half or two years later another utility such as DPL or Duke or -- DPL could come in

about there's a different state in their market where another default service mechanism is appropriate, whether that's a retail price adjustment or a complete exit of the merchant function or many other different -- different, you know, different potentials to structure an SSO product.

Q. So do you regard it as the options for the EDUs in Ohio as being a series of steps and that one EDU may be at one step or one stage and another EDU may be at a further step or stage and that causes a difference, or are you saying that you could envision where the end state for the various EDUs is actually different as far as how they provide for the SSO?

A. I think that Ohio is transitioning to more competition, fully competitive markets, and there is a difference as far as where a certain EDU might fall into that and not all EDS are the same.

MR. CONWAY: Could you read my question back for the witness, please?

(Record read.)

A. I think that ultimately the end state should be the same but each EDU could be, I'm not saying they are, I'm saying they could be at different points.

Q. Okay.

A. But what I'm ultimately saying is that to answer a question about other EDUs I would have to do more specific analysis about other EDUs which I currently can't, I'm not capable of doing or have not done for this proceeding.

Q. So you think that the end state would be a common position for all the EDUs but at any point in time between now and then one or another EDU may be at a different point in the evolution or the path towards that end state; is that what you're saying?

A. I think that's possible.

Q. Is that what you're saying? Is that what you envision happening?

A. I think that, yes, the end state is a -- there should be a certain point where the Commission says fine, you know --

Q. I'm sorry.

A. Where the Commission determines that the competitive markets are appropriately where they need to be.

Q. And what is that? Is that the retail auction or is it something else?

A. I think that's the determination the Commission should be making continuously.

Q. So we don't know what is the end state that we're shooting for at this point or we won't know what it is in the future either?

A. I do not believe that -- current should not be the end state.

Q. Well, I understand that, but are you saying that you don't know what or you don't have a view of what that end state is in the future?

A. I can't predict the future.

Q. Okay. But you do think there is an end state or do you think there is no end state?

A. Well, I think -- actually, I think from since the beginning of when electricity was available to customers the market for electricity has continued to evolve and will always continue to evolve.

Q. Okay. But we have -- we have to come up with a plan in the real world here today in 2014, and the question I have for you is sitting here today is it your view that there's going to be an end state as you see it today of one of these types of procurement mechanisms that you've described in your testimony? Or is this a moving target?

A. It's moving -- it continues to evolve.

Q. Okay.

A. It will continue to evolve.

1 Q. Are there any EDUs in Ohio that you
2 believe, other than AEP Ohio, that would, if the
3 Commission declines your first recommendation of the
4 retail auction, that should get the retail price
5 adjustment treatment?
6 A. Do I believe -- can you repeat the
7 question again? I'm sorry.
8 Q. Is there any other EDU in Ohio, other
9 than AEP Ohio, that you believe should get the retail
10 price adjustment treatment today?
11 A. I think, without understanding all
12 aspects of the other EDUs that I have not done the
13 analysis as much as I have with AEP Ohio, but I think
14 it would be reasonable for the Commission to include
15 an RPA for -- on the default rate for every EDU in
16 Ohio, I think that would be a reasonable decision.
17 Q. That would be a reasonable first step for
18 all the EDUs?
19 A. Yes, I think that would be a reasonable
20 decision.
21 Q. So you're not sure whether or not all the
22 EDUs should be subjected to a retail price auction
23 process, but you are confident that at least they
24 should each adopt a retail price adjustment.
25 A. Let's correct that. I did not say that I

have not -- I believe that I have to do the more in-depth analysis to completely determine what the next step should be, but I think generally it's appropriate to do an RPA and a retail auction for the other utilities in Ohio.

Q. Is this case the first proceeding where you have unveiled the strategy that you detail in your testimony which, as I understand it, at least for AEP Ohio is retail auction, if not retail auction, retail price adjustment?

A. There has been -- yes, I believe we've made similar proposals. They've not all been exactly the same in every -- in other ESPs.

Q. In other ESPs?

A. In other utilities, yes, we've made similar proposals.

Q. Could you -- I'm not asking for you to be a hundred percent comprehensive, but which other utilities come to mind for you and roughly which ESP proceeding for each of the utilities that comes to your mind?

A. We -- I believe we made it -- I believe, again, I believe we made it in AEP's last proceeding and also I believe we made it in Dayton Power and Light.

Q. How about in Duke Energy Ohio?

A. I do not think we made that proposal in the Duke Energy Ohio proceeding.

Q. And why is that?

A. Well, I think Duke Energy was prior to -- and again there was multiple -- there's multiple AEPs [verbatim] and there's a lot of different factors but from my understanding Duke Energy, and again we did not intervene in the first -- because there was multiple ESPs in the AEP ESP proceeding, I just was not a party to the first ESP proceeding that entered into a stipulation before the stipulation got denied by the Commission.

So we made that proposal in the, let's just call it the second ESP, I mean, I don't know what ESP proceeding it is but it was the same essential proceeding. We made it in the second half of that proceeding.

Q. Are you referring to Duke now or AEP?

A. AEP.

Q. Okay. My question was, I think, what about in Duke Energy Ohio, and I thought you started off by saying that -- something about Duke Energy being prior to, and then you started talking about the AEP ESPs.

A. Yes.

Q. Did you finish your answer about Duke Energy Ohio?

A. The short answer is the Duke Energy's ESP proceeding came before the ESP proceeding chronologically in time before the AEP ESP proceeding, the specific proceeding that we made that proposal in the AEP ESP proceeding.

Q. So it came -- you first set out your proposal that you included in this case in the ESP 2 for AEP Ohio, the 11-346 case; is that right?

A. Again, I don't know the numbers off the top of my head.

Q. The one that started in 2011 and went on to 2012.

A. Well, that case was split, bifurcated.

Q. It was --

A. Well, I mean, for lack of a better word.

Q. There was a do-over for that case?

A. We made it -- for lack of a better word there was a do-over.

Q. So you set forth your proposal for the retail auction and the retail price adjustment as the alternative, you set that out in that ESP 2 either in the first part or the second part.

A. Yes. To clarify, I'm not sure if we proposed the retail price adjustment. I'm pretty sure we proposed the retail auction.

Q. Okay. And then the Duke case, you didn't propose it in the most recent Duke ESP case.

A. Well, the most recent --

Q. Not the one that's just been filed but the one --

A. No.

Q. So no, you didn't propose it in the Duke case that was filed back at or before the time of the ESP --

A. Not that I'm aware of.

Q. Let me finish my question.

A. I'm sorry.

Q. -- back or before when the ESP 2 case was litigated for AEP Ohio?

A. Not to my recollection.

Q. Okay. And you haven't, you haven't advanced this retail auction or the retail price adjustment alternative to the retail auction in any of the FirstEnergy utility's ESP cases?

A. Not to my recollection.

Q. But for Duke and for FE, at the next opportunity you would advance these proposals?

A. That -- we have not made that determination.

Q. Okay. Do you expect that you would?

MR. WHITT: I'll object at this point, your Honor. I think it's getting into litigation -- beyond the relevance questions of it, into potential future litigation strategy.

MR. CONWAY: Fair enough. Withdraw the question.

Q. And there's been reference to the, I believe it's been referred to as the RMI proceeding. Are you familiar with that?

A. Yes.

Q. And what is that?

A. It was an investigation initiated by the Commission. I believe there was a lot of different phases in that proceeding but I believe it may have started roughly two years ago, I could be wrong, but, yes, essentially the Commission had different phases asking for comments of different parties as to where they believed that the retail market should go and what should be done with the retail electric market in Ohio.

Q. And then in that RMI proceeding, is that the 12-3151 proceeding?

A. Again, I don't know the case number, but I know of the proceeding and I will take it from your -- from you that that's the number.

Q. I think I picked that up either from Mr. Serio or from one of the other lawyers who's conducted examination of either -- not of you, but of other witnesses.

Okay. In the RMI proceeding have you advanced either of these proposals, the retail auction or the retail price adjustment proposal?

A. I think we filed comments supporting similar proposals, yes.

Q. All right. And what was the result of the Commission's decision in that proceeding with regard to your proposals?

A. The Commission did not adopt those proposals.

Q. Let me turn to the third bullet point which you have on page 5 at the top, lines 3 and 4. At that point you explain or you advance your recommendation that AEP should make available supplier consolidated billing as part of the new ESP. Do you see that?

A. Yes.

Q. And is that a position that you have

1 advanced in other companies' ESP proceedings?
2 A. Just to be clear, we are in a lot of rate
3 cases throughout the country. This is a position.
4 I'm not sure if we've made that -- taken that
5 position in Ohio. We may have.
6 Q. Let me just interrupt you. I am limiting
7 my inquiry at this point to Ohio.
8 A. Okay.
9 Q. And I thought that referring to ESP,
10 since it's so unique, at least in my understanding,
11 that that would make it clear, but if not, I'm
12 limiting it to Ohio.
13 A. I don't think we have in an ESP
14 proceeding in Ohio.
15 Q. Have you advanced your recommendation for
16 supplier consolidated billing in any other forum in
17 Ohio?
18 A. I think we may have. I can't --
19 Q. Do you recall whether you advanced it in
20 the RMI proceeding?
21 A. I can't say for a hundred percent.
22 Q. Okay. So is it the case, then, that this
23 may be the first time that you've proposed a
24 consolidated -- supplier consolidated billing?
25 A. I think in this proceeding, or in an ESP

1 case in Ohio I think it is. We may have advocated
2 for other venues, whether it's RMI I really can't
3 remember, whether, you know, I know we have taken
4 that position in the past in some other case in other
5 proceedings.
6 Q. And is it your position that each of the
7 EDUs in Ohio should implement supplier consolidated
8 billing?
9 A. I think that it would be an improvement
10 if, again, without knowing exact specifics of their
11 current ESPs, I think it would be an improvement if
12 supplier consolidated billing was implemented.
13 Q. Just to be clear in case I didn't cover
14 the point, is it the case that no EDU in Ohio, since
15 you've not recommended it anywhere else, that no EDU
16 in Ohio has implemented supplier consolidated billing
17 at this point?
18 A. I do not believe so.
19 Q. I do have a few questions turning to
20 pages 8 to 10 of your testimony regarding the
21 shopping statistics that you discuss there.
22 A. Yes.
23 Q. First, when did each of the Ohio EDUs
24 begin procuring -- who have begun doing this, when
25 did they begin procuring power for their SSO loads

through full requirements competitive bid process auctions? Roughly.

A. So there's been various phase-ins, so, again --

Q. How about FE, the FE utilities?

A. FE was the first is my understanding.

Q. Do you recall when they started procuring power for their SSO customers through the competitive bid process?

A. I want to say roughly around 2009-2010. I don't know, though.

Q. And how about Duke Energy Ohio?

A. Duke, again, I know there was some -- I believe there's some phase-ins for Duke but I think that came out of the last ESP case.

Q. So they've implemented a competitive bid process to procure their SSO loads' wholesale supplies, right?

A. I know they do a competitive bid process. I don't know if there's any blends in there or not at this time. I know they were ordered to go there but just like Dayton, AEP, Duke, I believe there were some phase-ins where you do some competitive bidding and then you do some, you know, base rates basically as a calculation of the SSO. And I'm not sure what

the schedules are for all of those.

Q. Would you -- would you say that or agree that Duke Energy Ohio is ahead of AEP Ohio in that process of implementing a competitive bid process to procure SSO load supplies?

A. That is my understanding.

Q. Okay. And is it the case that the shopping rates for FE utilities and the Duke Energy Ohio electric utility are higher than the switching rates for AEP Ohio?

A. I think it's in one of my exhibits so let me check.

Yes. Let me verify. Yes, that's the case.

Q. And when did each of the Ohio EDUs that has structurally separated from its legacy generation assets do that, and I don't need a specific date but if you could order them and who did it first, who did it second, third, and fourth.

A. FirstEnergy is first. Duke, second. And then Dayton and AEP are in that process right now.

Q. So FE and Duke both structurally separated their generation assets before AEP Ohio, right?

A. Yes. And I believe AEP was third and

then I think Dayton was last.

Q. Well, do you think there's at least a correlation between customer migration rates or shopping rates and commencement of procurement of SSO supplies through CBP auctions and a correlation with when generation divestiture occurs?

A. I think, if you look at the Dayton and the Duke, Dayton's got -- or, I'm sorry, if you look at the Duke and the FirstEnergy, Cleveland is aggregated, and in Duke's Cincinnati is aggregated. So I think that's really where you see the correlation of the migration and that does not necessarily have to do with when they had transitioned to a wholesale auction -- or, a competitive bidding process.

Q. And do you believe that AEP Ohio does not have aggregation?

A. I believe the largest city in Ohio, or in AEP Ohio's service territory, which is Columbus, hasn't aggregated whereas the largest city in FirstEnergy's service territories, which is Cleveland, has aggregated or, you know, in the NOPEC aggregation. And the same with Cincinnati, the city of Cincinnati, which is the largest city in the Duke service territory is aggregated.

Q. And I take it from your last answer you believe that, although it hasn't happened, it's possible that Columbus could aggregate at some point.

A. It's possible.

Q. And what would that do to the shopping statistics for AEP Ohio?

A. It would move a lot of residential customers away from the SSO.

Q. And that would be a -- would that be a fairly abrupt and significant change in the SSO load being served by AEP Ohio if and when that happens?

A. Without knowing the exact numbers of customers in the Columbus area of AEP, I would imagine that it would create a significant amount of migration if Columbus customers aggregated.

Q. And it would be a fairly abrupt significant change, correct?

A. Yeah, I think you would see a shift.

Q. Now, at page 13 in your testimony you mention that IGS does business in Texas. Correct?

A. Yes. Yes.

Q. And I take it from your comments at the top of page 13 that you like the Texas model and the Texas experience; is that right?

A. Yes.

1 Q. Is there a retail auction in Texas?
2 A. No.
3 Q. Do you have supplier consolidated billing
4 there?
5 A. Yes.
6 Q. And you mention at line 4 the provider of
7 last resort rate in Texas.
8 A. Yes.
9 Q. What entity provides the provider of last
10 resort service in Texas?
11 A. Competitive suppliers are responsible for
12 procurement of the generation of the provider of last
13 resort in Texas.
14 Q. So that responsibility is not carried by
15 the wires company, what would be the EDU in Ohio, in
16 Texas?
17 A. Yes, the competitive suppliers are the --
18 carrying the provider of last resort.
19 Q. Okay. So that would be a difference
20 between the Texas regulatory framework and Ohio's
21 framework, right?
22 A. In that the Texas default rate of
23 structure is -- or, the Texas POLR rate is structured
24 differently than the current Ohio POLR rate, is that
25 what you're saying?

Q. Well, the POLR provider is different in Texas than it is in Ohio.

A. Well, in Ohio competitive suppliers do supply the generation for, again, do or will soon in all the utilities supply the generation for the SSO rate.

Q. But in Ohio the EDU is responsible to furnish the POLR service, right?

A. In Ohio the EDU is responsible for providing an SSO option for the customers.

Q. Just a clarification point. At page 15 of your testimony at line 19 you refer to a retail adder. Do you see that?

A. Yeah.

Q. And I take it that's not the same thing as the retail price adjustment that you describe later on in your testimony, right?

A. It may be. I believe it's the same thing that I was referring to, the RPA and the retail adder, yes.

Q. Well, in this section --

A. That was --

Q. In this section of your testimony you're talking about the retail auctions, we'll start on page 14. Okay, so this reference to a retail adder

is in the context of your retail auction proposal which is separate from the retail price adjustment proposal, right?

A. I thought we were talking about page 19.

Q. Page 15, line 19.

A. Oh. I'm sorry.

So can you repeat the question?

Q. At page 15, line 19 there's a reference that you make to a "retail adder" and it's in the context of your discussion about the retail auction. Do you see the reference on line 19 on page 15?

A. Yes, I do.

Q. And I take it that you're not talking about the retail price adjustment there when you reference that retail adder; am I right or wrong?

A. It would be different, yes.

Q. And at page 15 you also explain that that retail adder that you've described would be paid by the winning bidders and would be added on to something, and my question is: What is it added on to? What is that something?

A. Where do I say "added on to something"?

Q. Well, you call it a retail adder.

A. So, okay --

Q. So what is it being added to is my

1 question.
2 A. It would be -- the price the CRES
3 suppliers would be willing to pay those customers,
4 that's what -- so it would be charged to the CRES
5 suppliers in the retail auction and it would be the
6 price that the CRES suppliers -- it would be
7 determined by an auction.
8 Q. And then did you describe what is it that
9 it's added to? It's the --
10 A. It's added -- it would be what the CRES
11 supplier, so the CRES suppliers, what they pay. The
12 CRES suppliers would pay a price which they bid in
13 the auction and that price, that money that the CRES
14 suppliers paid to receive customers, to serve
15 customers, would be flowed back to all distribution
16 customers.
17 Q. Let me try one more time then, if I still
18 don't get it, I'll continue, but I'm still not
19 understanding what it is that's being -- this retail
20 adder does and what it's being added to. Is there
21 a -- there's an auction that takes place and what
22 comes out of that auction? What does the winning
23 bidder pay in the auction and what is it for?
24 A. So the way I structure my testimony is
25 that there is a set price per customer that starts a

1 starting price in the auction, just as an example
2 let's say $50, and each supplier who wishes to serve
3 SSO customers would then say no, I'll serve that for
4 $55, I will serve that customer for $60, and you
5 will -- the supplier will increase their, what the
6 retail adder price that they're willing to pay to
7 serve that SSO customer and then that retail -- the
8 money that would be utilized, that would be gained
9 from that auction would then go to reduce the AEP
10 deferrals or reduce other -- some other charge that's
11 paid for by all customers.
12 Q. Okay. My understanding about the
13 purchase of receivables program is that, with regard
14 to that program, you're in favor of it; is that
15 right?
16 A. Yes. We support the purchase of
17 receivables.
18 Q. I believe that's indicated at page 22,
19 lines 13 through 14?
20 A. Yes. We thought AEP's testimony was so
21 good that we didn't need to expound any further.
22 Q. Well, thank you. Mr. Gabbard thanks you.
23 And you told me that you were involved in
24 the RMI proceeding, correct?
25 A. Yes.

Q. And so did you attend the workshops in that proceeding?

A. Yes.

Q. And are you familiar with the staff's recommendation in that proceeding that until the EDU would implement a POR program, the staff recommended that the EDU should provide CRES providers with various customer information like payment history information or payment arrangement information?

A. Yes, I'm aware that was generally something that has come out of that workshop.

Q. Would you be satisfied, would you regard it as an adequate result if in case -- instead of adopting a POR program in this case the company was simply to provide that kind of information to your company and to other CRES providers as a substitute for offering a POR program?

A. We think that POR is preferential so it's steps, so the POR is better than providing data, yes. We think the POR should be adopted as opposed to simply just providing customer data.

Q. So you would regard the just simply providing the customer data and stopping there as an inadequate result.

A. Yes.

MR. CONWAY: Okay. Thank you, your Honor. That's all I have.

Thank you, Mr. White.

THE WITNESS: Thank you.

EXAMINER PARROT: Mr. Parram?

MR. PARRAM: No questions, your Honor, thank you.

EXAMINER PARROT: Any redirect, Mr. Whitt?

MR. WHITT: No redirect, your Honor.

THE WITNESS: I don't want to be the guy who asks for redirect when everybody wants to go home, so...

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EXAMINATION

By Examiner See:

Q. Mr. White.

A. Yes.

Q. I have some questions for you. Refer to page 14 of your testimony, please. If you look at your statement starting on line 9 and continuing through to page 12, am I correct that it implies that -- well, does it not state that the SSO product is only a backstop service available to customers when no other product in the market is available?

A. Excuse me. What page were you talking about again? I thought --

Q. Page 14.

A. Oh, 14. Okay.

Q. The portion of your testimony starting on line 9 --

A. Yeah.

Q. -- carrying through to, and it's concluded on line 12, does it not say in part that the SSO product is only a backstop service available to customers when no other product in the market is available?

A. I believe that would be a simple solution to --

Q. I --

A. Excuse me.

Q. Mr. White, is that not what your testimony says?

A. Yes.

Q. Okay. If you move further down, you have a sentence starting on line 22 that states "the CRES supplier would remain the SSO customer's supplier until the customer affirmatively selects another product." Correct?

A. I'm sorry, again, can you repeat --

1 Q. Sure. Page 14, further down on that same
2 page.
3 A. Okay. I'm sorry.
4 Q. The last sentence on that page states in
5 part that "the CRES supplier would remain the SSO
6 customer's supplier until the customer affirmatively
7 selects another product."
8 A. Yes.
9 Q. I'm trying to understand your proposal
10 for the retail auction, when would a customer be
11 permitted to go back to the SSO product?
12 A. So just to be clear, when I say that --
13 the simplest solution would be to structure the SSO
14 product as a true provider of last resort service
15 where SSO product is only a backstop service
16 available to customers. That's an example of the
17 Texas model. I'm not proposing in this ESP the Texas
18 model. I am proposing the retail auction which I
19 clarified that it's a step -- a step to further
20 competitive markets.
21 So I'm referring to different things when
22 I'm talking about backstop service available to
23 customers. And then when I think of -- I discussed
24 the retail auction.
25 Q. Okay. And in trying to understand what

you were explaining to Mr. Conway, did I understand you correctly when you were talking about the retail adder on page 15, that there would be a minimum auction price and that any bid by a CRES provider above that auction price would go toward -- that delta would be applied to possibly AEP's deferrals?

A. Yes. So, yeah, you're correct, it would be the price that a retail supplier would be willing to pay to serve a retail customer and that amount would then go down to paying the deferrals that AEP will soon -- the capacity deferrals that will soon be coming due as a result of AEP's last ESP. And anything additional on top of that would be a credit to all distribution customers.

Q. But did I hear you say that that was different than your retail price adjustment proposal?

A. Yes. So the retail auction is -- or, in the alternative, if the Commission does not agree with the retail auction, then in the alternative we should have a retail price adjustment. So it is different, the two proposals are different.

EXAMINER SEE: Okay. Thank you.

THE WITNESS: You're welcome.

EXAMINER PARROT: Thank you, Mr. White.

THE WITNESS: Thank you.

MR. WHITT: With that, your Honor, we would move for admission of IGS Exhibit 2.

EXAMINER PARROT: Are there any objections to the admission of IGS Exhibit 2?

MR. CONWAY: No.

EXAMINER PARROT: Hearing none, it is admitted.

(EXHIBIT ADMITTED INTO EVIDENCE.)

EXAMINER PARROT: All right. Thank you, everyone.

I believe we are done for the day. Our witness schedule for tomorrow, June 12th, will be Mr. -- I'm sorry, let's go about it this way, OCC Witness Woolridge, Kroger Witness Higgins, RESA Witness Pickett, and Staff Witness Bossart, not necessarily in that order. We will decide that tomorrow. We will be starting -- as a reminder, we will be starting tomorrow at 11 a.m.

Anything else before we adjourn for the day?

MR. SERIO: Your Honor, because Dr. Woolridge is out of town he would be first, though, correct, at 11?

EXAMINER SEE: I think if you recall --

MR. SERIO: Assuming that Ms. Grady is

available, yes.

EXAMINER PARROT: That's what I said, we're not necessarily going about it in this order. Let's see. Assuming we can start at 11 and Ms. Grady is able to be with us at that time, we will definitely start with Dr. Woolridge.

MR. SERIO: Thank you.

EXAMINER PARROT: Let's do it that way. Anything else?

(No response.)

EXAMINER PARROT: Thank you, everyone, we're adjourned for the day.

(Thereupon, the hearing was adjourned at 4:44 p.m.)

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CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by me in this matter on Wednesday, June 11, 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.

(75822-MDJ)

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Case No(s). 13-2385-EL-SSO, 13-2386-EL-AAM

Summary: Transcript in the matter of the Ohio Power Company hearing - Volume VII held on 06/11/14 electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Jones, Maria DiPaolo Mrs.