

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

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

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

- - -

PROCEEDINGS

before Ms. Greta M. See and Ms. Sarah J. Parrot,
Hearing Examiners, at the Public Utilities Commission
of Ohio, 180 East Broad Street, Room 11-A, Columbus,
Ohio, called at 11:00 a.m. on Thursday, June 12,
2014.

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VOLUME VIII

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OCC EXHIBIT

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1 - Direct Testimony of
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1 Thursday Morning Session,

2 June 12, 2014.

3 - - -

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

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

10 MS. GRADY: Thank you, your Honor. On
11 behalf of the Office of Consumers' Counsel, Maureen
12 R. Grady, Joseph P. Serio.

13 MR. YURICK: On behalf of Kroger Company,
14 Mark Yurick and Zach Kravitz.

15 MR. DARR: On behalf of IEU Ohio, Frank
16 Darr and Matt Pritchard.

17 MR. PARRAM: On behalf of staff, Devin
18 Parram, Werner Margard, and Katie Johnson.

19 MR. K. BOEHM: Good morning, your Honors.
20 Kurt Boehm on behalf of the Ohio Energy Group.

21 MS. HUSSEY: Good morning, your Honors.
22 Rebecca Hussey and Kim Bojko on behalf of OMA.

23 MR. CASTO: Scott Casto, Jacob McDermott,
24 and Mark Hayden on behalf of FirstEnergy Solutions
25 Corp.

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

5 EXAMINER SEE: Thank you. Is there any
6 other?

7 MR. NOURSE: Your Honor, could I mention
8 one procedural thing on the record real quick I just
9 now remembered? It's my understanding that EDF --
10 or, I don't know if it's OEC or EDF Witness
11 Copithorne is no longer going to appear and that his
12 testimony is going to be withdrawn, correct?

13 EXAMINER SEE: That is the Bench's
14 understanding as well.

15 MR. NOURSE: Thank you.

16 EXAMINER SEE: Though Mr. Copithorne's
17 testimony has not yet been withdrawn, but that is my
18 understanding.

19 MR. NOURSE: Okay. That's the plan at
20 this point, I believe.

21 EXAMINER SEE: Yes.

22 MR. NOURSE: Thank you.

23 EXAMINER SEE: OCC want to call its first
24 witness?

25 MS. GRADY: Yes, your Honor. OCC calls

1 to the stand Dr. Woolridge.

2 EXAMINER SEE: Mr. Woolridge, if you'd
3 raise your right hand.

4 (Witness sworn.)

5 EXAMINER SEE: Thank you. Please turn
6 your mic on.

7 Ms. Grady.

8 MS. GRADY: Thank you, your Honor.

9 - - -

10 DR. J. RANDALL WOOLRIDGE
11 being first duly sworn, as prescribed by law, was
12 examined and testified as follows:

13 DIRECT EXAMINATION

14 By Ms. Grady:

15 Q. Good morning, Dr. Woolridge.

16 A. Good morning.

17 Q. Dr. Woolridge, can you state your name
18 and business address for the record, please.

19 A. My name is the initial J. Randall
20 Woolridge and that's spelled W-o-o-l-r-i-d-g-e, and
21 my business address is 310 South Allen Street, State
22 College, Pennsylvania.

23 Q. And, for purposes of this proceeding, by
24 whom are you employed and in what capacity?

25 A. I'm providing testimony on behalf of OCC.

1 MS. GRADY: Your Honors, at this time I
2 would ask to mark for identification purposes as OCC
3 Exhibit No. 12 the prefiled direct testimony of J.
4 Randall Woolridge, PhD. May I approach?

5 EXAMINER SEE: Yes.

6 (EXHIBIT MARKED FOR IDENTIFICATION.)

7 Q. Dr. Woolridge, do you have in front of
8 you what has been marked preliminarily for
9 identification purposes as OCC No. 12?

10 A. Yes, I do.

11 Q. Can you identify that for me, please.

12 A. That's my testimony, my attachments, and
13 my appendices.

14 Q. Dr. Woolridge, do you have any additions,
15 corrections, or deletions that you would make to your
16 testimony?

17 A. I'm providing an errata which includes an
18 update to my rate of return recommendation, and I
19 believe that's going to be marked separately.

20 Q. Yes.

21 MS. GRADY: Your Honor, at this time I
22 would ask to be marked for identification purposes as
23 OCC Exhibit No. 12A the errata sheet and revised
24 attachments for the prefiled direct testimony of J.
25 Randall Woolridge which was filed with the Commission

1 June 9th, 2014. May I approach?

2 EXAMINER SEE: Yes.

3 (EXHIBIT MARKED FOR IDENTIFICATION.)

4 Q. Dr. Woolridge, do you have now in front
5 of you what has been marked for identification
6 purposes as OCC Exhibit No. 12A?

7 A. Yes.

8 Q. Can you identify that for me, please.

9 A. That's the errata to my testimony and
10 attachments in this proceeding.

11 Q. Okay. And can you briefly explain the
12 nature of the errata contained in Exhibit 12A.

13 A. Yeah. Most of the errata relates to an
14 issue that came up during my deposition where at a
15 couple places Consolidated Edison was included in the
16 Avera proxy group in place of DTE Energy, and usually
17 when you have a proxy group of that size, one company
18 or another is not going to make a big difference, but
19 DTE is riskier than Con Edison and so after inserting
20 Con -- I mean, DTE into a couple other exhibits, I
21 indicated there are a higher equity cost rates
22 indicated by DCF and CAPM methodologies and so I
23 revised my recommendation accordingly.

24 So that's the main gist of the majority
25 of the errata. There's a lot of items there, and

1 that's in large part because I'm a professor and we
2 tend to repeat ourselves a lot since they don't
3 listen the first time, so we repeat. So a lot of
4 those are just repetitive changes which are included
5 in my testimony.

6 And there's pages attached to it which
7 show and highlight the change in the attachments
8 where there's a change in terms of the numbers.

9 Q. And is the yellow -- are you referring to
10 the yellow highlights in --

11 A. Yes.

12 Q. -- OCC Exhibit No. 12A?

13 A. Yes.

14 Q. And you did say that your ultimate
15 recommendation has changed; is that correct?

16 A. I went to a 9.0 percent return on equity
17 and 7.45 percent overall rate of return.

18 Q. And what was the -- what were the numbers
19 earlier?

20 A. 8.875 and 7.39.

21 Q. Are there any other additional
22 corrections, deletions, or modifications contained
23 within your direct testimony?

24 A. Not that I'm aware of. Although I did
25 just get a copy of my testimony, and I see that it's

1 listed as being completed on the month of May 6th,
2 I don't know where that -- anyhow, that's obviously
3 not a month.

4 Q. So that should be May, right?

5 A. Yes.

6 Q. Thank you.

7 Dr. Woolridge, if I asked you the -- if I
8 pose to you the questions and the answers that are
9 presented -- let me strike that.

10 Was this testimony prepared by you or
11 under your direct supervision or control?

12 A. Yes.

13 Q. And if I were to ask you the questions
14 contained within your testimony, within Exhibit 12
15 including the modifications in Exhibit 12A, would
16 your answers be the same if I directed the same
17 questions to you?

18 A. Yes, they would.

19 MS. GRADY: Your Honor, at this time I
20 would move for the admission of Exhibits 12 and 12A
21 and present Mr. Woolridge for cross-examination.

22 EXAMINER SEE: Any cross for this
23 witness, Ms. Mooney?

24 MS. MOONEY: No cross, your Honor.

25 EXAMINER SEE: Ms. Petrucci?

1 MS. PETRUCCI: No questions.

2 EXAMINER SEE: Mr. Casto?

3 MR. CASTO: No questions, your Honor.

4 EXAMINER SEE: Ms. Hussey?

5 MS. HUSSEY: No questions, your Honor.

6 EXAMINER SEE: Mr. Boehm?

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

8 EXAMINER SEE: Mr. Darr?

9 MR. DARR: No questions.

10 EXAMINER SEE: Mr. Yurick?

11 MR. YURICK: No questions at this time,
12 your Honor, thank you.

13 EXAMINER SEE: Mr. Conway?

14 MR. CONWAY: Thank you, your Honor.

15 - - -

16 CROSS-EXAMINATION

17 By Mr. Conway:

18 Q. Good morning, Dr. Woolridge.

19 A. Good morning.

20 Q. Dr. Woolridge, at the outset of your
21 testimony you provide your estimate of AEP Ohio's
22 overall cost of capital; is that right?

23 A. Yes.

24 Q. And I believe at page 2 perhaps the
25 corrected total rate of return is now 7.45 percent;

1 is that right?

2 A. Yes.

3 Q. And in the course of developing your
4 estimate of the company's overall cost of capital,
5 7.45 percent, you relied upon a particular capital
6 structure of the company, correct?

7 A. Yes.

8 Q. And the capital structure that you use is
9 the same one that AEP Ohio Witness Renee Hawkins
10 provided in her testimony, right?

11 A. Yes.

12 Q. And that's 47-1/2 percent equity and
13 52-1/2 percent long-term debt?

14 A. Yes.

15 Q. And you agree that that capital structure
16 that Ms. Hawkins sponsored is reasonable, right?

17 A. Yes.

18 Q. And I believe you also rely upon the
19 long-term debt rate that Ms. Hawkins recommended; is
20 that right?

21 A. Yes.

22 Q. And do you recall what that rate is?

23 A. I believe it's 6.05 percent.

24 Q. Thank you.

25 And in order to develop your estimate of

1 the cost of equity component of the overall cost of
2 capital, you composed and relied upon a proxy group
3 of companies; is that right?

4 A. Yes. I had two proxy groups.

5 Q. And one is your own proxy group that you
6 developed from the ground up, and the other is the
7 Avera proxy group, correct?

8 A. Yes.

9 Q. And you incorporated into your analysis
10 as part of it Dr. Avera's proxy group in addition to
11 the group that you composed from the ground up on
12 your own; is that right?

13 A. Yes.

14 Q. And you believe that Dr. Avera's proxy
15 group is a reasonable proxy group, right?

16 A. I believe it's one proxy group. I've
17 included a broader proxy group, which I tend to do.
18 As a matter of fact, I think Dr. Avera in many cases
19 has a little broader proxy group.

20 Q. So your answer to the question then is
21 yes, you think that Dr. Avera's group is a reasonable
22 group but there are other reasonable groups such as
23 the one that you developed; is that correct?

24 A. Yes.

25 Q. And the primary difference in the

1 criteria that Dr. Avera used to compose his proxy
2 group compared to the way you did it is that he
3 constrained his group a bit more as a result of using
4 a stricter measure of bond ratings; is that right?

5 A. Yes.

6 Q. And do you recall what the bond ratings
7 are that he used that provided the stricter criterion
8 in that regard?

9 A. I believe he restricted to company --
10 utilities rated BBB, in the BBB category.

11 Q. Okay. And what are the -- what is, then,
12 the bond ratings of AEP Ohio?

13 A. AEP is rated BBB.

14 Q. AEP or AEP Ohio?

15 A. Both AEP and Ohio Power Company are rated
16 BBB by Standard & Poor's.

17 Q. And within the different gradations of
18 BBB was there any difference between the two
19 companies?

20 A. Well, when you talk about bond ratings,
21 I'm talking about the corporate credit ratings are
22 the -- what Standard & Poor's puts out and that rates
23 the business enterprise. Then they have different
24 bond ratings for different levels of bonds depending
25 on whether they're secured, unsecured, first

1 mortgage, and that sort of thing.

2 So the corporate credit rating is kind of
3 the base level, but usually the secured bonds have a
4 slightly higher rating, maybe one notch up, and
5 then -- but the corporate credit rating is generally
6 what you look at first because it -- the bonds are
7 going to have different levels of security behind
8 them.

9 Q. And the ratings that you just referred
10 to, they're the ones that -- they're the ones that
11 were in effect at the time that you prepared your
12 testimony or at an earlier time; which one is it?

13 A. Yeah, I mean, they had -- BBB is the
14 corporate credit rating.

15 Q. Did you and Dr. Avera assign the same
16 bond ratings in your analyses, the same bond ratings
17 for AEP Ohio?

18 A. I have -- in my analysis in JRW-4 I
19 provide the bond ratings that are published by AUS
20 Utilities Reports and they are -- they do not have
21 specifically the corporate credit rating. This is
22 the range of bonds for -- the bond ratings
23 themselves, not the corporate credit rating.

24 Q. Now, let me turn to the discounted cash
25 flow method which is one of the techniques that you

1 used for estimating cost of equity. My first
2 question is is that correct, you do use the DCF
3 method as one of your techniques?

4 A. Yes, I do. I give it primary weight.

5 Q. Now, in order to apply that model the
6 analyst, which would be you in this case, you need to
7 determine growth expectations of investors; is that
8 right?

9 A. Yes.

10 Q. And you agree that the growth rate that
11 matters when you're applying the DCF model is the
12 growth rate that investors expect?

13 A. It is -- it should be the growth rate
14 that investors expect, that's correct.

15 Q. And you agree that an estimate of
16 earnings per share growth is an accepted measure to
17 use when estimating investors' growth expectations?

18 A. It is. And I give it primary weight.

19 Q. And if you could turn to page 40 of your
20 testimony, and I'm focusing on your question and
21 answer No. 47. Are you there?

22 A. Yes.

23 Q. At that point you're relying upon, as
24 part of your DCF analysis, earnings per share growth
25 rates as measured by analysts' forecasts, correct?

1 A. Yes.

2 Q. And specifically it's relying upon
3 analysts' forecasts of expected five-year earnings
4 per share growth rates; is that right?

5 A. Yes, it is.

6 Q. Okay. And then those are the analysts'
7 projected long-term earnings per share growth rates
8 that you used for companies in your proxy group when
9 developing your DCF results; is that right?

10 A. Yes. I mean, I consider other growth
11 rates as well, but I gave primary weight to the
12 projected earnings per share growth rates of
13 analysts.

14 Q. And you also used those same five-year
15 earnings per share growth rates when you applied your
16 DCF method to the Avera proxy group, correct?

17 A. Yes.

18 Q. And I believe that you indicate or have
19 indicated that the long-term earnings per share
20 growth rate forecasts that you rely upon are
21 collected and summarized and published by Yahoo!,
22 Zacks, and Reuters; is that right?

23 A. Yes.

24 Q. Now, as part of your DCF approach, you do
25 also rely upon Value Line's projected growth rates

1 for earnings per share; is that right?

2 A. Yes.

3 Q. Now, at page 38 of your testimony you
4 explain your view that analysts' earnings per share
5 growth rate forecasts are upwardly biased; is that
6 right?

7 A. Yes.

8 Q. And specifically at the bottom of page
9 38, I'm looking at line 21, you make the comment that
10 stock prices reflect that upward bias; is that right?

11 A. Yes.

12 Q. And that is your belief that that
13 happens, that stock prices do, in fact, reflect that
14 upward bias that you discuss, correct?

15 A. Yes. It's based on the widespread
16 knowledge of the upward bias, then investors would be
17 aware that they're upwardly biased and consider that
18 when they price shares.

19 Q. And your belief that stock prices do
20 reflect the upward bias you describe, that belief is
21 an assumption or opinion on your part, right?

22 A. It's based -- I mean, in Appendix B I
23 discuss the research on analysts' long-term growth
24 rates -- analysts' long-term earnings per share
25 growth rates and there have been studies around for

1 25 years that have demonstrated the upward bias in
2 these growth rates. So the presumption is that's
3 pretty well known. There's studies by McKinney and
4 others as well.

5 Q. My question isn't about that aspect. My
6 question is about whether you agree that the
7 incorporation of that upward bias, that purported or
8 actual upward bias, whichever it is, in the analysts'
9 forecasts, that incorporation of that into actual
10 stock prices is a matter of opinion on your part,
11 right?

12 A. Yes. Definitely.

13 Q. And it's an assumption you make as you go
14 forward in your analysis, correct?

15 A. Well, I do, and again, I still give
16 primary weight. I mean, the average for my group's
17 like 5.1 percent. I used 5 percent. So, I mean, I
18 still give primary weight to those over -- I think
19 it's important also to look at historic numbers as
20 well since 90 percent of the data investors get is
21 historic data and that sort of thing. But no, I give
22 primary weight to them.

23 Q. You did not conduct a quantitative study
24 to affirm the assumption that the upward bias is
25 actually incorporated in stock prices, did you?

1 A. No. No, I did not. But that is my
2 opinion.

3 Q. Now, the other method that you used to
4 estimate the cost of equity is the capital asset
5 pricing model, or CAPM, right?

6 A. Yes.

7 Q. And as part of CAPM, you must estimate
8 the risk-free rate of return; is that right?

9 A. Yes.

10 Q. And you used 4.0 percent as the risk-free
11 rate in your analysis?

12 A. Yes, I do.

13 Q. And Dr. Avera uses either 3.8 or
14 4.2 percent as a risk-free rate in his analysis?

15 A. Yes, he does.

16 Q. And then as part of the CAPM formula, you
17 have to estimate the expected return for the overall
18 stock market, right?

19 A. Yes, and subtract the risk-free rate to
20 get a market risk premium.

21 Q. Okay. That was my next question. And
22 then you multiply that difference between the beta of
23 the company you're studying, right?

24 A. Yes.

25 Q. And the beta is a measure of that

1 company's relative volatility compared to the overall
2 stock market; is that right?

3 A. Yes.

4 Q. And then that gets you the risk premium
5 component of the CAPM formula, right?

6 A. Yes.

7 Q. And what you're doing with the CAPM, as
8 well as with the DCF approach, is you're performing
9 an estimate of the objective, right? The rate of
10 return.

11 A. Yes. I believe that I -- yeah, I believe
12 I understand what you're asking.

13 Q. Let me try it again. Let me go back one
14 step to the risk premium that we've just been talking
15 about in connection with the CAPM method. What
16 you're doing in that event with regard to determining
17 the equity risk premium in the CAPM is you're making
18 an estimate, right?

19 A. You're -- yes, you're making an estimate
20 about the expected market risk premium.

21 Q. It's not a cut-and-dried calculation,
22 it's a matter of judgment, correct?

23 A. It's the biggest mystery in the world of
24 finance.

25 Q. Right.

1 A. The market risk premium.

2 Q. And on top of that you're doing it on an
3 ex ante basis as opposed to an ex post basis, right?

4 A. Yeah, there's different ways of trying to
5 measure it or gauge it as I explain, some people use
6 historic returns and some people use surveys and some
7 people use ex ante models or expected return models.
8 So there's three different ways of trying to measure
9 the market risk premium.

10 Q. But what you're doing here, would you
11 agree, is making an estimate of the equity risk
12 premium on an ex ante basis?

13 A. Yes. I'm using those different methods
14 and the results of many, many studies to measure
15 what -- to provide an estimate of what the expected
16 market risk premium is.

17 Q. And Dr. Avera, he also conducted his
18 analysis of what the equity risk premium is for the
19 CAPM, his version of the CAPM, on an ex ante base,
20 right?

21 A. Yeah, he -- yes. He conducts his own
22 study, but -- he doesn't rely on the studies of
23 others. He has his own study that he does.

24 Q. And just getting back to the ex ante
25 forward-looking aspect of this analysis, what we're

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1 measuring, again, is what the future -- what the
2 investors -- excuse me, strike that.

3 What we're doing here when we're looking
4 at this issue on an ex ante basis is we are trying to
5 determine or estimate what investors' expectations
6 for the future are going to be. That's what we're
7 trying to measure, right?

8 A. Yes.

9 Q. Okay. And you would agree that
10 developing that estimate of what investors expect in
11 the future involves a substantial degree of judgment,
12 right?

13 A. Yeah. I mean, there's judgment
14 everywhere in terms of both what I do, what Dr. Avera
15 does, how you study it, how you measure it. There is
16 judgment used in all this.

17 MR. CONWAY: Thank you. Just a second,
18 your Honor.

19 Thank you, Dr. Avera -- I mean
20 Dr. Woolridge. Excuse me. Freudian slip. Thank
21 you, Dr. Woolridge.

22 Your Honors, that completes my
23 examination.

24 EXAMINER SEE: Any redirect, Ms. Grady?

25 MS. GRADY: May I have just two minutes

1 with the witness?

2 EXAMINER SEE: Yes.

3 MS. GRADY: Thank you.

4 EXAMINER SEE: Let's go off the record.

5 Excuse me, Ms. Grady, Dr. Woolridge. I
6 forgot someone.

7 Mr. Parram, any cross?

8 MR. PARRAM: No cross, your Honor, thank
9 you very much.

10 EXAMINER SEE: Thank you.

11 Off the record.

12 (Recess taken.)

13 EXAMINER SEE: Ms. Grady, are you ready?

14 MS. GRADY: Yes, your Honor. Your Honor,
15 at this time we have no redirect. We would now
16 re-move for the admission of OCC Exhibit 12 and 12A.

17 EXAMINER SEE: Are there any objections
18 to the admission of OCC Exhibits 12 and 12A?

19 MR. CONWAY: No, your Honor.

20 EXAMINER SEE: With that, OCC Exhibits 12
21 and 12A are admitted into the record.

22 (EXHIBITS ADMITTED INTO EVIDENCE.)

23 EXAMINER SEE: Thank you, Dr. Woolridge.

24 EXAMINER PARROT: Mr. Yurick.

25 MR. YURICK: Thank you, your Honor. At

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1 this time the Kroger Company would call witness Kevin
2 Higgins.

3 EXAMINER PARROT: Please raise your right
4 hand.

5 (Witness sworn.)

6 EXAMINER PARROT: Please have a seat.

7 - - -

8 KEVIN C. HIGGINS

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

11 DIRECT EXAMINATION

12 By Mr. Yurick:

13 Q. Good morning, Mr. Higgins. Mr. Higgins,
14 could you please state your full name and spell your
15 last name for the record.

16 A. My name is Kevin C. Higgins.

17 Q. That's --

18 A. Spelled H-i-g-g-i-n-s.

19 Q. And how are you employed, sir?

20 A. I'm a principal in the consulting firm
21 Energy Strategies.

22 Q. And your business address at Energy
23 Strategies?

24 A. 215 South State Street, Suite 200, Salt
25 Lake City, Utah 84111.

1 Q. In the course of your employment with
2 Energy Strategies are you submitting testimony on
3 behalf of the Kroger Company in this case?

4 A. Yes, I am.

5 MR. YURICK: Your Honors, may I ask the
6 court to mark for identification Kroger Exhibit
7 No. 1, the direct testimony of Kevin C. Higgins.

8 EXAMINER PARROT: So marked.

9 (EXHIBIT MARKED FOR IDENTIFICATION.)

10 Q. And showing you, Mr. Higgins, what's been
11 marked as -- for identification as Kroger Exhibit
12 No. 1, is that a copy, in fact, of your testimony
13 prefiled in this case on May 6th, 2014?

14 A. Yes.

15 Q. And was this testimony prepared by you or
16 at your direct -- with your direct supervision?

17 A. Yes, it was.

18 Q. And if I asked you the questions set
19 forth in Kroger's Exhibit 1 today, would your answers
20 to those questions be the same?

21 A. Yes.

22 Q. Do you have any additions, deletions, or
23 corrections to the testimony?

24 A. No, I do not.

25 MR. YURICK: Subject to

1 cross-examination, your Honors, I would now move the
2 admission of Kroger Exhibit 1 into evidence and
3 tender the witness for cross-examination.

4 EXAMINER PARROT: Thank you, Mr. Yurick.

5 Before we proceed with cross-examination
6 there is an outstanding motion that was filed by Ohio
7 Power Company on May 23rd, 2014. That motion was
8 to strike portions of the testimony of Kroger Witness
9 Higgins as well as OEG Witness, I believe is it
10 Baron, Mr. Boehm? Am I saying that right, Baron or
11 Barone?

12 MR. K. BOEHM: It's Baron, your Honor.

13 EXAMINER PARROT: Thank you.

14 Memoranda contra were filed by OEG and
15 Kroger with respect to that motion.

16 The Bench has now had an opportunity to
17 review the motion as well as the memoranda contra and
18 upon that review we are going to grant the motion to
19 strike the testimony of Kroger Witness Higgins and
20 OEG Witness Baron in its entirety. The portions of
21 Kroger Witness Higgins' and OEG Witness Baron's
22 testimony that will be stricken from the record are
23 consistent with the line numbers and pages that are
24 referenced in Ohio Power Company's motion.

25 The basis for the motion, we do agree

1 with Ohio Power Company that the testimony that's
2 been offered by those two witnesses falls outside the
3 scope of this particular proceeding.

4 As Ohio Power Company notes in its
5 motion, there is a Commission rule, specifically it's
6 Rule 4901:1-35-03(C) (3) of the Ohio Administrative
7 Code that does require the company to provide a
8 comprehensive rate analysis pursuant to an ESP
9 application, and that is specifically to include the
10 impact of any post-ESP deferrals.

11 As we understand it, that was the reason
12 that the company did, to some limited extent, address
13 the RSR in its application as well as the testimony
14 of Witness Allen. With that understanding, the
15 company has made it clear that it is the company's
16 intention to file through a separate proceeding an
17 application addressing the RSR.

18 And with that, again, we're going to
19 grant the motion to strike.

20 Any questions --

21 MR. NOURSE: Thank you, your Honor.

22 EXAMINER PARROT: -- for purposes of
23 clarification?

24 (No response.)

25 EXAMINER PARROT: Any cross-examination,

1 Ms. Mooney?

2 MS. MOONEY: No cross-examination.

3 EXAMINER PARROT: Ms. Petrucci?

4 MS. PETRUCCI: No questions.

5 EXAMINER PARROT: Mr. Casto?

6 MR. CASTO: No questions.

7 EXAMINER PARROT: Ms. Hussey?

8 MS. HUSSEY: Nothing, your Honor.

9 EXAMINER PARROT: Mr. Boehm?

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

11 EXAMINER PARROT: Mr. Darr?

12 MR. DARR: No questions.

13 EXAMINER PARROT: Mr. Serio or Ms. Grady?

14 MS. GRADY: No questions, your Honor.

15 EXAMINER PARROT: Mr. Nourse?

16 MR. NOURSE: Thank you.

17 - - -

18 CROSS-EXAMINATION

19 By Mr. Nourse:

20 Q. Good morning, Mr. Higgins.

21 A. Good morning, Mr. Nourse.

22 Q. I have substantially less questions for
23 you. Just a few on your last topic in your
24 testimony -- well, it's next-to-last I guess, the DIR
25 starting on page 9 and carrying through the top half

1 of page 11.

2 A. Yes.

3 Q. Do you recall that discussion?

4 A. Yes, I do.

5 Q. Okay. And one of your conclusions I
6 guess, maybe it's your penultimate conclusion on
7 this, is lines 8 and 9 on page 11, you say the best
8 forum for such consideration is a distribution rate
9 case, right?

10 A. Yes, sir.

11 Q. Okay. Now, so in a sense you're saying
12 deny the DIR and have the company file a distribution
13 base rate case.

14 A. That would be the company's choice if the
15 company wanted to recover the costs or incremental
16 costs that it is seeking. But my recommendation
17 would be to deny incremental DIR recovery. So my
18 recommendation does not extend to the current level
19 of the DIR, but to the extent that the company wishes
20 to increase rates further for distribution service,
21 then it would be up to the company to decide whether
22 it wanted to file a distribution rate case to do
23 that, unless, you know, the company was brought in on
24 a show-cause by staff, say.

25 Q. Okay. And have you reviewed the

1 investment plan that Witness Dias had set forth in
2 support of the DIR in this case?

3 A. Yes, I have.

4 Q. Okay. Would you agree that the
5 investments being proposed would have a positive
6 impact on customer reliability?

7 A. Well, I read Mr. Dias's testimony in that
8 regard. I don't have any reason to dispute his
9 conclusion that improving the distribution system
10 would, you know, correlate with improved customer
11 satisfaction. It's not an independent conclusion
12 that I would come to myself, necessarily.

13 Q. Okay. But are you saying you agree or
14 you have no reason to disagree that the investments
15 supporting the DIR would benefit customers including
16 the Kroger Company in terms of reliability?

17 A. I have no reason to disagree with that
18 conclusion, no.

19 Q. And is it accurate to say if the Kroger
20 Company stores have service interruptions or other
21 problems with reliability, that affects their
22 business adversely from a financial standpoint?

23 A. Yes.

24 Q. Okay. Do you know, do you have an
25 opinion or do you know if the company's indicated

1 whether those DIR investments be made absent approval
2 of the DIR?

3 A. My understanding is that the company is
4 seeking the DIR for the purpose of recovering those
5 investments. I believe that an electric distribution
6 company has a responsibility to provide reliable
7 service and so my belief would be that it would -- if
8 the company believes these are prudent investments,
9 that the company should go ahead and make them
10 irrespective of whether it has a DIR.

11 Q. So the company should make investments
12 regardless of cost recovery in a timely fashion?

13 A. It's not a matter of regardless of cost
14 recovery. The traditional rate of recovering costs
15 for distribution system investments is for the
16 utility to bear that burden of deciding what is --
17 investments need to be made, and if the company feels
18 that it is underrecovering as a result, then the
19 company is free to seek recovery in a rate case. So
20 I'm not disputing the company's ability to recover
21 prudently incurred costs.

22 Q. Okay. Well, setting aside a distribution
23 rate case and your preference for that is it your
24 understanding that the company is permitted to
25 include the DIR in an electric security plan such as

1 this case?

2 A. Yes. The company's permitted to include
3 one. My understanding was that, you know, based on
4 the ESP 2 case, that the DIR that was approved was
5 approved only until the end of the ESP 2 period and
6 so this is an opportunity for a new look at whether
7 that mechanism is the appropriate vehicle for going
8 forward. But I understand that the company is
9 permitted to seek a DIR.

10 Q. So it's permitted to seek one and you're
11 not contesting the current DIR operation; is that an
12 accurate summary?

13 A. Yes.

14 MR. NOURSE: Okay. Thank you. That's
15 all the questions I have, your Honor.

16 EXAMINER PARROT: Thank you, Mr. Nourse.
17 Mr. Parram?

18 MR. PARRAM: No questions, your Honor.

19 EXAMINER PARROT: Any redirect?

20 MR. YURICK: If I could have a few
21 moments with my witness.

22 EXAMINER PARROT: You sure may.

23 MR. YURICK: Thank you.

24 (Recess taken.)

25 EXAMINER PARROT: Let's go back on the

1 record.

2 Mr. Yurick.

3 MR. YURICK: Your Honors, at this point
4 there is no redirect of Witness Higgins, and the
5 Kroger Company would, again, move the admission of
6 Kroger's Exhibit No. 1.

7 EXAMINER PARROT: Are there any
8 objections to the admission of Kroger Exhibit 1?

9 MR. NOURSE: No, your Honor.

10 EXAMINER PARROT: Hearing none, it is
11 admitted.

12 (EXHIBIT ADMITTED INTO EVIDENCE.)

13 EXAMINER PARROT: Thank you, Mr. Higgins.

14 THE WITNESS: Thank you.

15 EXAMINER PARROT: Let's go off the
16 record.

17 (Recess taken.)

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

20 Mr. Parram.

21 MR. PARRAM: Yes, your Honor. I would
22 like to call Staff Witness Barbara Bossart to the
23 stand.

24 EXAMINER SEE: Miss Bossart, if you would
25 raise your right hand.

1 (Witness sworn.)

2 EXAMINER SEE: Have a seat.

3 - - -

4 BARBARA BOSSART

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

7 DIRECT EXAMINATION

8 By Mr. Parram:

9 Q. Good morning, Miss Bossart.

10 A. Good morning.

11 Q. Would you please state and spell your
12 name for the record.

13 A. My name is Barbara Bossart,
14 B-a-r-b-a-r-a, Bossart, B-o-s-s-a-r-t.

15 Q. And by whom are you employed?

16 A. Public Utilities Commission of Ohio.

17 Q. And what is your --

18 EXAMINER SEE: I'm going to need you both
19 to speak up and move the mic just a little closer.

20 Q. And what is your position with the PUCO?

21 A. I'm the Chief of the Reliability Service
22 Analysis Division.

23 MR. PARRAM: Your Honor, I'd like to have
24 marked as Staff Exhibit 13 the prefiled direct
25 testimony of Barbara Bossart.

1 EXAMINER SEE: So marked.

2 (EXHIBIT MARKED FOR IDENTIFICATION.)

3 Q. Miss Bossart, do you have a copy of Staff
4 Exhibit 13 in front of you?

5 A. Yes.

6 Q. And what is Staff Exhibit 13?

7 A. It is my prefiled testimony.

8 Q. And did you prepare or have prepared
9 under your direction Staff Exhibit 13?

10 A. Yes.

11 Q. And if I were to ask you the same
12 questions that are contained in Staff Exhibit 13
13 today, would your answers be the same?

14 A. Yes.

15 Q. And do you have any revisions or
16 modifications to Staff Exhibit 13?

17 A. No.

18 MR. PARRAM: Your Honor, I move for the
19 admission of Staff Exhibit 13 pending
20 cross-examination and tender the witness for cross.

21 EXAMINER SEE: Just for clarity, this is
22 the version of Miss Bossart's testimony filed when?

23 MR. PARRAM: This is --

24 EXAMINER SEE: The most recent version?

25 MR. PARRAM: This is the most recent

1 version. This was not -- this version was not filed
2 on the docket. This was a copy of -- revised copy of
3 Miss Bossart's testimony that was handed out to all
4 the parties and provided to the attorney examiners
5 yesterday. If it would be preferable for us to file
6 a new version, we can do that also.

7 EXAMINER SEE: That's fine. It will be
8 filed with the transcript once it's admitted into the
9 record.

10 MR. SATTERWHITE: I'm sorry, your Honor,
11 I didn't hear what the decision was on that, whether
12 it was going to be filed in the docket. The company
13 would prefer the updated version be filed in the
14 docket.

15 EXAMINER SEE: That was the whole point
16 of this discussion, that this is the updated
17 testimony filed by Miss Bossart and distributed to
18 the parties -- I believe you said yesterday,
19 Mr. Parram?

20 MR. PARRAM: Yes. It was not filed on
21 the docket.

22 EXAMINER SEE: Okay. And this is the
23 version that will be included with the transcript.

24 MR. SATTERWHITE: Okay. Thank you.

25 MR. PARRAM: Just to be clear, does staff

1 need to file this version with the docketing
2 division, your Honor?

3 EXAMINER SEE: I see no reason to. It's
4 been distributed to the parties, it will be included
5 with the transcript.

6 MR. SATTERWHITE: Thank you.

7 EXAMINER SEE: Thank you for that
8 clarification.

9 MR. PARRAM: Yes, your Honor.

10 EXAMINER SEE: With that, is there any
11 cross-examination of this witness, Ms. Mooney?

12 MS. MOONEY: No cross.

13 EXAMINER SEE: Miss Petrucci?

14 MS. PETRUCCI: No questions.

15 EXAMINER SEE: Mr. Casto?

16 MR. CASTO: No questions, your Honor.

17 EXAMINER SEE: Miss Hussey?

18 MS. HUSSEY: Nothing, your Honor.

19 EXAMINER SEE: Mr. Boehm?

20 MR. K. BOEHM: Nothing, your Honor.

21 EXAMINER SEE: Mr. Darr?

22 MR. DARR: Very briefly, your Honor. I'd
23 like to get a clarification on the testimony that
24 Miss Bossart provided on pages 6 and 7.

25 - - -

CROSS-EXAMINATION

By Mr. Darr:

Q. Miss Bossart, the area that I'm concerned about clarifying begins at the bottom of page 6, line 19, and continues over in your answer to that question on page 7 through line 12. There you indicate that you feel it may be appropriate -- or, that you're not opposed to a POR with a discounted rate, and then you indicate that you would exclude large commercial and industrial customers. Do you see that?

A. Uh-huh.

Q. Is that a "yes"?

A. Yes. Sorry.

Q. And I want to understand what you mean by "excluding large commercial and industrial customers." What's intended by that?

A. That they would not participate in a purchase of receivable program.

Q. So the contracts associated with the CRES provision of generation service to a commercial or industrial customer would be excluded from the POR, purchase of receivables; is that correct?

A. Correct.

Q. And then, based on Mr. Donlon's

1 testimony, the calculation on a company-by-company
2 basis or CRES-by-CRES basis would be based on the
3 residential and small industrial and commercial
4 contracts?

5 A. You'd have to ask Mr. Donaldson -- or,
6 Donlon.

7 Q. Okay. So you're not testifying as to the
8 mechanics of how this would work.

9 A. Correct.

10 Q. With regard to the contracts associated
11 with what you describe as large commercial and
12 industrial customers, would those remain the
13 responsibility of the CRES provider in terms of
14 collection?

15 A. Correct.

16 Q. And for purposes of drawing a line
17 between what is large and what is a not-large
18 commercial or industrial customer, what is the
19 definition that you're using to define what
20 constitutes a large commercial or industrial
21 customer?

22 A. I would refer to AEP's tariff, either G-3
23 or G-4 tariffs.

24 Q. Okay. So small commercial and industrial
25 would be those customers on the general service 1 and

1 general service 2 tariffs?

2 A. Yeah, I think those were the low load.

3 Q. And then anything above the GS-2 level,
4 which not surprising are GS-3 and 4, would be
5 considered large commercial and industrial?

6 A. Yes, that's how I would determine it.

7 Q. Would this apply to any other customer
8 classes that are not covered by either one of the
9 residential or the general service tariffs? For
10 example, there are lighting tariffs also.

11 A. I did not, you know, consider them. I'm
12 not sure.

13 MR. DARR: Okay. That's all I have.
14 Thank you.

15 EXAMINER SEE: Mr. Yurick?

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

18 EXAMINER SEE: Mr. Serio?

19 MR. SERIO: Thank you, your Honor, just a
20 few.

21 - - -

22 CROSS-EXAMINATION

23 By Mr. Serio:

24 Q. Miss Bossart, just so I'm clear, on the
25 top of page 7 you say you're not opposed to a POR

1 program with a discounted rate. If the POR was
2 proposed at a zero discounted rate, if you had a POR
3 with a zero discounted rate as proposed by the
4 company, does the staff support or oppose that?

5 A. Staff would oppose that.

6 Q. Okay. On page 4 of your testimony you
7 talk about AEP's collection policies. Do you see
8 that? And you indicate there that the reports that
9 you have access to did not show what benchmark or
10 criteria that the company uses?

11 A. Correct.

12 Q. Is there anywhere in the application in
13 this case that would have the reports that you
14 referred to?

15 A. No.

16 Q. And they're not attached to any of the
17 company testimony, correct?

18 A. No.

19 Q. At the top of page 5 of your testimony
20 you indicate that the absence of specific evaluation
21 criteria raises questions as to what standards AEP
22 expects its outsourced collection agencies to
23 achieve. Is there any analysis anywhere that would
24 compare what the company is doing versus what other
25 Ohio EDUs are doing?

1 A. There may be, I wasn't provided that.

2 Q. And, similarly, you weren't provided any
3 information that would compare how the company's
4 doing against other Ohio utilities in general.

5 A. No.

6 Q. Or how the company's doing compared to
7 other national EDUs or other national utilities.

8 A. No, I wasn't provided.

9 Q. Now, you indicate in your testimony that
10 Duke electric had an accounts receivable that was
11 purchased at a discount prior to the implementation
12 of the bad debt rider, correct?

13 A. Correct.

14 Q. And it's the staff's position that that
15 is the correct order of way things should be done if
16 you were going to have a POR program with a bad debt
17 rider?

18 A. That's the way I believe, yes.

19 Q. Mr. Darr asked you about your testimony
20 referring to the large commercial and industrial
21 customers and you reference that \$7.2 million that
22 was an industrial company's chargeoff. Do you see
23 that in your testimony?

24 A. Yes, I do.

25 Q. Am I correct that any economic

1 development or any special arrangement discounts
2 associated with that industrial company that occurred
3 were already paid for and are being paid for by
4 residential customers? Correct?

5 A. I'm not sure I can answer that.

6 Q. Now, in addition to the lack of a
7 standard on the credit and collection practices
8 there's nothing that you're aware of in the
9 proceeding, in this proceeding, that would indicate
10 that the collection efforts that the company has are
11 prudent, is there?

12 MR. SATTERWHITE: Objection, your Honor.
13 I mean, we asked some establishing questions to
14 understand what was in the testimony before, now I
15 believe this is friendly cross going even beyond that
16 trying to take that --

17 MR. SERIO: Let me clarify it, your
18 Honor.

19 Q. Your testimony is that there's no
20 comparison, correct?

21 A. That they didn't provide what -- the
22 criteria that they used, the benchmarks.

23 Q. Yes.

24 A. Yes.

25 Q. If there were criteria, just having

1 criteria doesn't address any prudence question, does
2 it?

3 A. No.

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

6 EXAMINER SEE: Mr. Satterwhite?

7 MR. SATTERWHITE: Thank you, your Honor.

8 - - -

9 CROSS-EXAMINATION

10 By Mr. Satterwhite:

11 Q. Good afternoon, Ms. Bossart.

12 A. Good afternoon.

13 Q. If I start to talk too fast or I didn't
14 make sense in my question, please, like you normally
15 do, just ask me to restate it or slow down, all
16 right?

17 Now, you work with AEP Ohio staff on a
18 pretty regular basis, wouldn't you say?

19 A. Yes.

20 Q. And you feel you have a good relationship
21 with the AEP Ohio staff?

22 A. Yes, I do.

23 Q. And would you characterize your
24 relationship with them as transparent in the actions
25 of the company?

1 A. I would hope.

2 Q. You don't have any --

3 A. I believe. I mean yeah.

4 Q. You don't have any reason to doubt that
5 you have an open and transparent relationship with
6 the AEP Ohio staff, correct?

7 A. Correct.

8 Q. Now, on page 2 of your testimony you
9 define purchase of receivables as an agreement
10 between CRESs and a utility whereby the utility
11 purchased, usually at a discounted rate, receivables
12 billed on behalf of the CRES. Do you see that?

13 A. Correct.

14 Q. And you say "usually at a discounted
15 rate" within that definition. Is that a definition
16 of POR codified somewhere by the Public Utilities
17 Commission?

18 A. No. I had referenced Staff Witness
19 Stacey's testimony, that's what he put in his
20 testimony.

21 Q. Staff Witness who, I'm sorry?

22 A. Not staff witness. Company Witness
23 Stacey.

24 Q. Stacey Gabbard?

25 A. Yeah.

1 Q. Okay. And are you aware of the -- are
2 there any other programs in the state of Ohio that
3 offer purchase of receivables in any other utility?

4 A. Yes.

5 Q. And that would be Duke, correct?

6 A. Correct.

7 Q. And is that offered at a discounted rate?

8 A. Not currently.

9 Q. On page 3 of your testimony you discuss
10 AEP's collection policies and practices. Is this a
11 normal ongoing function of your department, to review
12 the collection practices and procedures of a utility?

13 A. It has been in the past.

14 Q. And do you particularly tie those to
15 utilities that have a bad debt mechanism to recover
16 bad debt?

17 A. Yes.

18 Q. Does Duke have a bad debt mechanism to
19 collect bad debt?

20 A. Yes.

21 Q. And have you reviewed their collection
22 practices and procedures?

23 A. They were part of the credit collection
24 audit performed by a consultant in the gas case.

25 Q. So the gas case looked at both the

1 electric side and the gas side?

2 A. They looked at the gas utility -- or, the
3 Cincinnati -- or, I'm sorry, Duke's credit
4 collections policy and procedures as a gas and
5 electric company, but as far as dollars, they only
6 looked at the gas side. But the policies and
7 procedures that they have in place would be
8 companywide.

9 Q. And North Star was the auditor in that
10 case, correct?

11 A. Correct.

12 Q. And did they make any recommendations for
13 changes to the Duke collection policy in that case?

14 A. They made a few.

15 Q. Do you know what those were?

16 A. Not all of them. Not all of them.

17 Q. Would you say it was just the general
18 categorizations from that report that all of the
19 utilities need to make sure, for instance, when
20 customers are no longer eligible for PIPP, that the
21 paperwork's done properly, those type of
22 recommendations?

23 A. The recommendations were off of their
24 review of the information, their workpapers that were
25 provided by the company, so if there was nothing

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1 that, I believe, that they thought needed to be
2 changed, that they didn't recommend those changes.

3 Q. So has staff done an independent analysis
4 since then of the Duke company's collection policies
5 in relation to the bad debt rider that they have?

6 A. We have done some review just recently.

7 Q. And out of that did Duke have certain
8 benchmarks that you refer to that AEP Ohio does not
9 have?

10 A. Well, since the credit collection audit
11 was done through the consultant who had gathered all
12 their information, what we used is just more an
13 evaluation tool to see if they were continuing on
14 that same pathway.

15 Q. And since we don't know what happened
16 from that prior one, my question is were there
17 benchmarks that you address in your testimony here
18 for AEP Ohio, were there similar -- were there
19 benchmarks in place when you looked at the Duke
20 system?

21 A. We used the report as to information that
22 was used then, so percentage of bad debt and what
23 their -- the recommendation in the report to make
24 sure that they completed the recommended changes that
25 they did.

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1 Q. I apologize, I'm not understanding your
2 answer. Are you saying that there was a prior report
3 and then you just checked to see how it fit in with
4 that prior report?

5 A. That they made the recommended changes
6 and that they continued the same practices that they
7 have held during that report.

8 Q. So prior to that report, then, and the
9 recommendations being made, when you reviewed the
10 company, did they have the benchmarks in place that
11 you're saying are lacking in AEP Ohio is my question?

12 A. The consultant did request those and
13 received the workpapers of those, and if they did not
14 believe they were -- had the correct -- lacking in
15 those benchmarks, it made a recommendation that they
16 would need to --

17 Q. I'm asking -- I apologize. I didn't mean
18 to cut you off.

19 I'm asking if you knew. You're saying if
20 there was something the auditor looked at it and then
21 made a recommendation based on it. I'm asking in
22 your position do you know if benchmarks were already
23 in place when the auditor went to look at this prior
24 to the auditor making recommendations?

25 A. I do know that Duke provided them the

1 subcriteria that they used when they evaluated their
2 procedures. But I'm not sure.

3 Q. Yeah, I'm just trying to understand what
4 that is. Because in this case you're asserting that
5 AEP Ohio doesn't have certain benchmarks, correct?

6 A. I'm saying they did not provide those to
7 me.

8 Q. So as far as you know, they don't have
9 the benchmarks is your opinion.

10 A. If they didn't provide them to me,
11 because I asked.

12 Q. Okay. So now I'm asking when you looked
13 at Duke, what was the nature of the benchmarks that
14 they provided to you that you would have liked to
15 have seen if AEP had benchmarks like that?

16 A. They have like a criteria of the
17 percentage of collection orders that were completed
18 and worked is one example.

19 Q. And I believe you were in the room when
20 AEP Witness Moore was questioned, correct?

21 A. Correct.

22 Q. And with that staff shared an exhibit
23 that did have some data that provided a number of
24 accounts worked, disconnected, and the different
25 occurrences that happened in the field with those

1 accounts, correct?

2 A. Correct.

3 Q. So that is some data that did talk about
4 accounts that had been worked and level of
5 collection, correct?

6 A. It was a report, yes.

7 Q. What about FirstEnergy, does FirstEnergy
8 have a bad debt collection mechanism?

9 A. I believe they do.

10 Q. And has staff reviewed that to determine
11 if they have the benchmarks that you assert are not
12 present in this case for AEP Ohio?

13 A. I'm not aware if they have.

14 Q. So staff hasn't looked into that to see
15 if they do or they don't; is that fair?

16 A. I'm not aware of any other staff that
17 has. I have not.

18 Q. But earlier when we discussed this you
19 said your department does -- it's your responsibility
20 to look into issues like this, correct?

21 A. Correct. And so I've been -- since I've
22 been in here since 2005, I don't know when FE -- I
23 don't know if we did that prior, sorry.

24 Q. No need to apologize. I'm just trying to
25 figure out where we are --

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1 A. Since I've been in this position, the
2 division since 2005, I did not.

3 Q. That's fair. But in preparation for this
4 case to determine whether AEP Ohio should have
5 certain standards you didn't review any type of
6 history with FirstEnergy to see if you had the same
7 expectations for their collections, correct?

8 A. Correct.

9 Q. What about Dayton Power and Light, do
10 they have a bad debt rider mechanism?

11 A. I honestly don't know.

12 Q. In general, though, have you reviewed
13 their collection procedures to see if they have
14 benchmarks for collection of whatever service they
15 provide?

16 A. Not for this review. Not -- no, I did
17 not.

18 Q. And are you aware of anybody in your
19 department that's done any type of analysis of the
20 collection benchmarks that, I'll call them "DP&L,"
21 have in place?

22 A. They may have prior to me -- they may
23 have at different division chiefs. I didn't always
24 do the credit and collection audits, I'm sorry.

25 Q. No problem. Don't apologize. And I

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1 don't want you to speculate. I want you to tell me
2 what you know. If you don't know, that's fine to
3 say. But in your position and your knowledge you
4 don't know of any type of staff review of Dayton
5 Power and Light's credit and collection benchmarks
6 that you're asserting that AEP Ohio does not have,
7 correct?

8 A. Of the benchmarks, correct.

9 Q. Were there other reviews of the credit
10 and collection policies that you are aware of Dayton
11 Power and Light --

12 A. Yes. We have reviewed their credit and
13 collection policies, yes.

14 Q. And what have you reviewed there?

15 A. You know, their timelines, their deposit
16 requirements, make sure they're in compliance with
17 our rules, and, you know, I think, you know, just
18 their credit and collection policies I think has,
19 years ago, been reviewed.

20 Q. And that's in the normal course of
21 general audits you tend to do of utilities, correct?

22 A. It depends on -- it depends on the issue.

23 Q. Is it fair to say it's likely that
24 AEP Ohio has also had a similar audit in the past
25 where you looked into the general deposits and these

1 same type of things you're talking about for Dayton
2 Power and Light?

3 A. Correct.

4 Q. Now, on the bottom of page 3 and the top
5 of page 4 of your testimony you talk about to
6 determine the effectiveness of AEP's policies you
7 requested and reviewed certain information. Are you
8 on that page?

9 A. I'm sorry. What page?

10 Q. The bottom of page 3 to the top of page
11 4. It's question and answer 9.

12 A. Yes.

13 Q. Breaking down that answer I have that you
14 reviewed information regarding AEP's outsourced
15 credit and collections functions, then the write-off
16 policy, then performance statistics for outsourced
17 collection agencies, and then, finally, criteria and
18 reports used by AEP to evaluate both external and
19 internal collection performances, correct?

20 A. Correct.

21 Q. And so the review, other than the
22 internal performance reports that you reference here,
23 was really focused on the outsourced debt collection
24 to third parties, correct?

25 A. Could you repeat that?

1 Q. Sure. Actually, why don't we just have
2 it reread.

3 (Record read.)

4 A. Yes.

5 Q. And I believe, as Mr. Serio pointed out
6 and you state on page 4 of your testimony, you were
7 not satisfied with the collection policies that were
8 provided to you because there was a lack of any type
9 of benchmark so you couldn't determine whether it was
10 effective or not, correct?

11 A. A lack of criteria or benchmark that was
12 provided to me.

13 Q. And that is what -- you used the term and
14 that you were not satisfied with the policies because
15 what was provided to you, correct?

16 A. For the evaluation of their performance,
17 yes.

18 Q. Just so we're clear, because I think I
19 asked a bad question there, so I apologize, it was
20 the lack of providing you a benchmark that AEP uses
21 internally to judge its --

22 A. It's --

23 Q. Let me just finish the question.

24 A. Okay.

25 Q. -- that AEP uses internally to judge its

1 process which is what made you dissatisfied with the
2 process that was presented to you, correct?

3 A. I wasn't provided -- I asked for the
4 criteria, all the criteria in the reports that AEP
5 uses to evaluate their performance, and I wasn't
6 provided that information.

7 Q. So you're not saying that AEP's process
8 is ineffective, you're just saying you didn't have
9 the benchmarks to determine if it was effective? Is
10 that fair?

11 A. I -- yes, they did not provide me with
12 the information I needed to make that determination.

13 Q. And I think you answered the question but
14 since you stated something else I want to make sure
15 you weren't just answering your question, that you
16 were answering my question. So you're not stating
17 that AEP's process is ineffective, you're just saying
18 you couldn't determine if it was effective based on
19 the information you received with a lack of
20 benchmarks, correct?

21 A. Correct.

22 Q. And your testimony does not include a
23 benchmark that staff uses to judge the effectiveness
24 of debt collection, correct?

25 A. I was not benchmarking AEP.

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1 Q. And your testimony doesn't include any
2 such type of benchmark, correct?

3 A. Correct.

4 Q. And that's because staff does not have a
5 benchmark set for a proper level of collection,
6 correct?

7 A. I don't -- it's hard to say because your
8 bad debt expenses are approved in a rate case so I
9 don't know that we have a benchmark set. No, I'm not
10 sure.

11 Q. Let me restate it, it might be an easier
12 question to answer.

13 A. Yeah.

14 Q. So staff doesn't generally have it --
15 when they go to an audit to go to a company, they
16 don't have a staff sort of internal policy here's a
17 benchmark that we're going to set a bad debt
18 benchmark rider, the bad debt needs to be there; is
19 that correct?

20 A. Correct.

21 Q. But it was the lack of AEP having a
22 benchmark provided to you -- strike that.

23 Now, in preparation for your testimony in
24 this case, in your review of this case, you had a
25 conversation with Andrea Moore about the collection

1 practices for AEP Ohio, correct?

2 A. Correct.

3 Q. And in that conversation you discuss the
4 oversight of the outsourced debt collection, correct?

5 A. Correct.

6 Q. And Miss Moore explained to you that the
7 company monitors the effectiveness of the outside
8 sources and may move accounts between those different
9 outside vendors depending on their performance,
10 correct?

11 A. I believe it was similar to that. But --

12 Q. Is the fact that the third-party vendor
13 is seeking debt from a customer, unpaid debt, a
14 guarantee that the customer is going to pay the
15 amount due?

16 THE WITNESS: Could I have that repeated?

17 (Record read.)

18 THE WITNESS: I'm sorry. One more time.

19 (Record read.)

20 A. No.

21 Q. In fact, the entity with the greatest
22 control of that is actually whether the customer --
23 they have the decision whether they're going to pay
24 or not or are able to pay, correct?

25 A. Yes.

1914

1 Q. I'm sorry. Were you done? I didn't mean
2 to cut you off.

3 A. Yeah. I mean, if they're not -- yeah.
4 They can -- if the customer chooses not to pay -- I'm
5 not sure that I can answer that question.

6 Q. I thought I was really just asking a
7 truism. The person in the greatest control of
8 whether the customer is going to pay that bad debt is
9 really that customer making that choice, correct?

10 A. Generally, yes.

11 Q. And, typically, when something's sent to
12 a third party for collection, there's already been
13 attempts internally for collections, correct?

14 A. Typically.

15 Q. And so the third-party collection is sort
16 of the last resort of let's see if you can collect
17 with the tools that we have we couldn't collect from
18 before, correct?

19 A. Correct.

20 Q. Now, you mention in your testimony on
21 page 5, bottom of 4, top of 5, the 08-1229-GA-COI
22 case. Do you remember that?

23 A. Yes.

24 Q. And the "GA" in that case code is meant
25 to be for the gas industry, correct?

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1 A. Correct.

2 Q. And I think we talked earlier about North
3 Star was the auditor, and you mentioned in your
4 testimony that North Star made certain
5 recommendations in that case, correct?

6 A. Correct.

7 Q. And as I referred to earlier, a lot of
8 the recommendations -- let me back up.

9 North Star went through and reviewed the
10 practices of the different gas companies in Ohio at
11 the time, correct?

12 A. Correct.

13 Q. And it made a number of recommendations
14 to the Commission based on its findings after looking
15 through the books and records and policies of the
16 different gas companies, right?

17 A. Yes.

18 Q. And overall there were some findings,
19 just the normal that you would expect, that all the
20 gas companies need to make sure that they're keeping
21 their records in order, that when a PIPP customer
22 becomes ineligible, that they're processing that
23 quickly just to make sure there's no sort of hangover
24 effect to increasing bad debt, correct?

25 A. There was some more specific like

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1 Dominion that they do have a -- they tie their
2 collection performance to the amount that they're --
3 they were a little more specific in, you know, that
4 their collection -- the number of accounts acted on,
5 collected on, they were more specific.

6 Q. Certainly they make more specific
7 findings, we'll get to that in a second.

8 A. Yeah.

9 Q. But overall there was a theme of making
10 sure the companies are just sort of tight in their
11 practices and making sure that they're processing
12 things properly, correct?

13 A. There were those, yes. But there was
14 other specific...

15 Q. Absolutely. Yeah.

16 And one of the other recommendations or
17 what the Commission found is that -- well, the
18 Commission found it would not be appropriate to
19 establish benchmarks for collection of bad debt,
20 correct?

21 A. That the Commission would not, yes.

22 Q. The Commission found that in their order,
23 correct?

24 A. That the Commission would not set
25 benchmarks.

1917

1 Q. In fact, the Commission determined it
2 would be appropriate for the companies to report data
3 to staff and that staff should determine what level
4 of bad debt, should monitor the level of bad debt
5 performance of companies, correct?

6 A. Correct.

7 Q. The auditor also discussed the use of
8 outside collection agencies for one particular gas
9 company, correct?

10 A. I believe for Vectren.

11 Q. I believe that's right.

12 A. Okay.

13 Q. And the issue there really dealt with the
14 recommendation by the auditor is that Vectren
15 shouldn't use a single outside third-party vendor but
16 should use more than one so there's some competition
17 rather than have an exclusive contract, correct?

18 A. Correct.

19 Q. And from your review of AEP Ohio, does
20 AEP Ohio use a single outside third-party vendor for
21 collection, or does it use a number of outside third
22 parties?

23 A. They use a number of outside third
24 parties.

25 Q. Then on page 5 of your testimony on line

1918

1 8 you say "Similarly, AEP provided several reports
2 regarding its internal collection activities." Do
3 you see that?

4 A. I'm sorry. What page?

5 Q. Sure. Page 5.

6 A. Okay.

7 Q. It's the sentence that starts on line 8.

8 A. Oh.

9 Q. And you refer there to -- so what I'm
10 talking about is your analysis about the outside
11 reporting agencies and that similarly you didn't have
12 that kind of information on the internal policies as
13 well, correct?

14 A. Correct.

15 Q. And would all of your answers that we
16 discussed earlier about staff not having any type of
17 set policy that they judge it by apply internally for
18 companies as they applied to outside agencies that we
19 talked about earlier?

20 THE WITNESS: Would you repeat that
21 again?

22 (Record read.)

23 A. Well, staff doesn't -- I was asking for
24 AEP's benchmarks and criteria, not...

25 Q. I understand that. But staff doesn't

1919

1 have -- we talked about earlier how staff didn't have
2 their own just on an internal policy guideline of
3 what they think is the appropriate benchmark. You
4 don't have those for internal collections as well,
5 correct?

6 A. Staff does not.

7 Q. Now, you mention also on page 6 of your
8 testimony when talking about the Duke bad debt rider
9 the need to understand the level of potential bad
10 debt from customers, correct?

11 A. Yes.

12 Q. You were present for the testimony of
13 Company Witnesses Moore and Gabbard?

14 A. Yes.

15 Q. So you're aware of the testimony in this
16 case that discussed the low level of shopping in
17 AEP Ohio's territory at the time of the base case
18 test year, correct?

19 A. Correct.

20 Q. How would you describe AEP Ohio's
21 Neighbor to Neighbor Program? Could you define it
22 for me, tell me what it is?

23 A. I have just a general overview that
24 they -- they have a program that you can donate money
25 to, I believe, and AEP uses that to assist low-income

1920

1 customers to pay their bills.

2 Q. And, in fact, AEP Ohio solicits on behalf
3 of Neighbor to Neighbor and the shareholders also
4 contribute a portion to match part of that for
5 customers to help alleviate those that have trouble
6 paying, correct?

7 A. Correct.

8 Q. Would you say that that's a strategy or a
9 practice of AEP Ohio to help assist lower the
10 potential bad debt for AEP Ohio customers?

11 A. That is an assistance.

12 MR. PARRAM: Can I have the question
13 reread?

14 (Record read.)

15 MR. SATTERWHITE: And I believe she
16 answered.

17 MR. PARRAM: What was her answer?

18 (Record read.)

19 MR. PARRAM: Good answer.

20 Q. And that's a program of AEP Ohio's,
21 correct?

22 A. From my understanding, yes.

23 Q. And as a direct result of that program,
24 there's potential less bad debt because at-risk
25 customers that might not have been able to pay their

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1 bill have the assistance from other customers and AEP
2 shareholders, correct?

3 THE WITNESS: Could you read that again,
4 please?

5 (Record read.)

6 A. Yes, there's a lot of assistance programs
7 there, uh-huh, that is one of them.

8 Q. Right. But --

9 MR. SATTERWHITE: Can you please reread
10 the question.

11 Q. I want to make sure you're answering my
12 question again, not your restatement.

13 (Record read.)

14 A. Correct.

15 Q. And you're also aware of utility efforts
16 to ensure the prior usage of an account that's -- for
17 a customer that's been placed into a receivership is
18 collected and not passed on as bad debt, correct?

19 THE WITNESS: Read that again, please.

20 (Record read.)

21 A. I'm aware.

22 Q. And, in fact, a couple years ago there
23 was a complaint case where a receiver asserted that
24 they didn't have to pay the prior usage of the
25 account and that the company should just write off

1922

1 that debt, correct?

2 A. I believe it was a formal complaint case.

3 Q. And that was against AEP Ohio, correct?

4 A. Correct.

5 Q. And AEP Ohio litigated that to defend the
6 benefit of service rule to make sure other customers
7 wouldn't be paying?

8 A. I don't know the whole nuances of the
9 case and I can't -- I don't know. I really don't
10 know.

11 Q. And the order will speak for itself, but,
12 so subject to check, you agree that AEP Ohio was the
13 utility in that case trying to ensure that bad debt
14 was not passed on to other customers as a result of
15 receivership, correct?

16 A. Correct.

17 Q. And under the rules in general for all
18 utilities a customer that doesn't pay their bill and
19 service has to be disconnected or they leave, that
20 arrearage still stays in their name if they were to
21 sign up for a new service somewhere else, correct?

22 A. I believe so, yes.

23 Q. And you also agree that a late-payment
24 fee would be an example of an effort by the company
25 to incent customers to pay on time and avoid bad

1923

1 debt, correct?

2 A. I believe that's what companies use a
3 late-payment fee for.

4 Q. And that's another policy or practice of
5 companies to try to ensure customers pay timely and
6 don't incur further bad debt, correct?

7 A. I believe that's -- that's how the
8 company proposes to use it, yes.

9 Q. But, in your review of the industry, I'll
10 asking you if that is an incentive for customers to
11 pay their bill on time.

12 A. I'm not sure that it is.

13 Q. But it's certainly a policy or practice
14 that the company's put in place as an attempt to try
15 to manage bad debt, correct?

16 A. Yes.

17 MR. SATTERWHITE: One second, your Honor.

18 Q. Earlier when you were talking to
19 Mr. Darr, you were trying to make a distinction and
20 you sounded like you weren't sure of GS-1 and 2 and 3
21 and 4. Do you remember that discussion?

22 A. I wasn't sure of the lighting companies,
23 but -- but I remember the conversation.

24 Q. Okay. I was just trying to get the
25 preface in there to put us back in the same place.

1924

1 Is it your understanding that GS-1 are
2 the small and nondemand meter customers?

3 A. The lower load nonresidential customers.

4 Q. And GS-2 actually is similar to GS-3,
5 demand metered and a higher load, correct?

6 A. Correct.

7 Q. So did you just misspeak when you said 1
8 and 2 were in the same category?

9 A. I think GS-3, I think it's a little --
10 it's a higher -- it's a medium to high load, if I
11 just went over the definition of that.

12 Q. But both are above 10 kW, both GS-2 and
13 3?

14 A. Ten? Yes. I agree -- I believe.

15 MR. SATTERWHITE: Okay.

16 MR. PARRAM: I'm sorry. Can I have the
17 last question and answer reread?

18 (Record read.)

19 Q. Just one more clean-up on that last. So
20 if GS-2 and 3 are at the same level, would that
21 change your opinion about which one should or should
22 not be part of the POR program?

23 A. I would have to check the tariffs again.
24 I believe that they were -- there were some
25 differences that made me believe it should be GS-3.

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1 Q. But, subject to check, if you're based on
2 load and the load were the same qualifications for 2
3 and 3, then those customers in your recommendation,
4 that would impact your opinion about whether who's
5 eligible, GS-1 and 2 and 3 and 4, correct?

6 A. Subject to check the tariff or the load.

7 Q. And one last question. In your -- in the
8 company's attempts to work with customers, at times
9 it works with the Commission staff as well to, say,
10 avoid disconnections or provide alternatives for
11 customers to pay their bills, correct?

12 A. There should be -- there are instances.

13 Q. In fact, there's a call center and
14 there's a process where the call center can contact
15 the company immediately if there's a pending
16 disconnection to work with customers, correct?

17 A. If the situation -- depending on the
18 circumstances, I suppose.

19 Q. And that's a -- I'm sorry, were you done?

20 A. Uh-huh.

21 Q. And that's an example of the type of
22 things that can maybe add to bad debt because there's
23 a longer time working with customers to avoid a
24 disconnection, correct?

25 A. There's things that -- there's a lot of

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1 things that could add to that.

2 Q. That are beyond the company's control,
3 correct?

4 A. There are some -- there's things that are
5 beyond the company's control, things within the
6 company's control, yes.

7 MR. SATTERWHITE: Okay. Thank you very
8 much.

9 That's all I have, your Honor.

10 EXAMINER SEE: Mr. Parram, redirect?

11 MR. PARRAM: Could I have one minute,
12 your Honor?

13 EXAMINER SEE: Certainly. Let's go off
14 the record.

15 (Recess taken.)

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

18 Mr. Parram.

19 MR. PARRAM: No redirect, your Honor,
20 thank you.

21 EXAMINER SEE: Would you like to move for
22 the -- did you already move for the admission of --

23 MR. PARRAM: I did, but I'd like to renew
24 my motion for the admission of Staff Exhibit 13, your
25 Honor.

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1 EXAMINER SEE: Are there any objections
2 to the admission of Staff Exhibit 13?

3 MR. SATTERWHITE: No objection.

4 EXAMINER SEE: Staff Exhibit 13 is
5 admitted into the record.

6 (EXHIBIT ADMITTED INTO EVIDENCE.)

7 EXAMINER SEE: Thank you, Miss Bossart.

8 EXAMINER PARROT: Mr. Petricoff, you may
9 call your next witness.

10 MR. PETRICOFF: At this time, your Honor,
11 we would like to call to the stand Dwayne R. Pickett.

12 Your Honor, we would also like to have
13 marked as RESA Exhibit No. 2 the direct prepared
14 testimony of Mr. Pickett.

15 EXAMINER PARROT: So marked.

16 (EXHIBIT MARKED FOR IDENTIFICATION.)

17 EXAMINER PARROT: Please raise your right
18 hand.

19 (Witness sworn.)

20 - - -

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1 DWAYNE R. PICKETT

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

4 DIRECT EXAMINATION

5 By Mr. Petricoff:

6 Q. Would you please state your name and
7 business address for the record.

8 A. Dwayne R. Pickett, business address 300
9 West Wilson Bridge Road, Worthington, Ohio 43085.

10 Q. Mr. Pickett, on whose behalf do you
11 appear today?

12 A. The Retail Energy Supply Association
13 otherwise referred to as RESA.

14 Q. And have you prepared testimony for
15 today's proceeding?

16 A. Yes.

17 Q. And do you have a copy of what now has
18 been marked RESA Exhibit No. 2 with you?

19 A. Yes, I do.

20 Q. Are there any changes or amendments you'd
21 like to make to that testimony?

22 A. No.

23 Q. And if I were to ask you the same
24 questions today, would your answers be the same?

25 A. Yes.

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1 MR. PETRICOFF: Your Honor, the witness
2 is available for cross-examination.

3 EXAMINER PARROT: Ms. Petrucci, did you
4 have questions on behalf of Constellation or Exelon?

5 MS. PETRUCCI: No.

6 EXAMINER PARROT: Mr. Casto?

7 MR. CASTO: No, your Honor.

8 EXAMINER PARROT: Ms. Hussey or
9 Ms. Bojko?

10 MS. BOJKO: I do, your Honor. Thank you.

11 - - -

12 CROSS-EXAMINATION

13 By Ms. Bojko:

14 Q. Good afternoon, Mr. Pickett.

15 A. Good afternoon.

16 Q. If you could turn to page 7 of your
17 testimony, I'd like to talk a minute about the MEP
18 that you are proposing. Beginning on lines 3 on page
19 7 you talk about a preenrolled customer charge the
20 CRES providers pay the per-customer charge; is that
21 correct?

22 A. Correct.

23 Q. And the amount that the CRES provider
24 will pay will be capped at \$25; is that my
25 understanding?

1 A. That's correct.

2 Q. And if the cost is above the \$25 per
3 customer, then you are recommending that the
4 amortization period be modified so that the cost
5 that's actually charged to CRES providers will be
6 lower than that \$25 cap; is that correct?

7 A. I believe that is correct. The intent is
8 if it -- the cost turns out to be higher than that,
9 which we don't expect, we fully expect it to be under
10 the \$25 cap, that the amortization period can change
11 to accommodate that.

12 Q. So it's not your proposal that a customer
13 would have to pay anything in excess of a \$25 cap; is
14 that correct?

15 A. It is not. That's correct.

16 Q. Okay. So in your proposal a customer
17 would not ever be charged this per-customer fee
18 directly; is that correct?

19 A. Absolutely.

20 MS. BOJKO: Thank you, your Honor, no
21 further questions.

22 EXAMINER PARROT: Mr. Boehm?

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

24 EXAMINER PARROT: Mr. Darr?

25 MR. DARR: No questions.

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1 EXAMINER PARROT: Mr. Yurick?

2 MR. YURICK: No questions, your Honor.

3 EXAMINER PARROT: Mr. Serio?

4 MR. SERIO: Thank you, your Honor.

5 - - -

6 CROSS-EXAMINATION

7 By Mr. Serio:

8 Q. Good afternoon, Mr. Pickett.

9 A. Hello.

10 Q. Let me follow up on one thing that
11 Ms. Bojko asked you. So if there's an amortization
12 period or any kind of carrying charges or anything
13 associated with it, that would also be included in
14 the customer charge, the per-customer charge that the
15 CRESs would pay, correct?

16 A. Correct.

17 Q. Now, your testimony on page 3 lists the
18 RESA members that are the membership for the purposes
19 of your testimony, correct?

20 A. This is true. Wait. Actually, I should
21 probably look at it first to make sure.

22 Q. Okay.

23 A. Actually, yes, this is -- can you repeat
24 the question?

25 Q. Sure. I just wanted to make sure the

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1 list that you have on page 3 is the membership that
2 is sponsoring your testimony today.

3 A. Sponsoring the testimony. I mean, the
4 reason for this list is just a list of membership of
5 RESA suppliers. So I guess yes.

6 Q. Now, on that list do you know how many of
7 those members are actually certified to serve the
8 Ohio retail market, in particular the AEP market?

9 A. I could not tell you that.

10 Q. And, similarly, do you know how many
11 actually are active in the AEP market?

12 A. No. I could go through the list if you'd
13 like me to and tell you who I do know are active in
14 the market, but I couldn't say that I know for sure
15 all these folks are active in the market.

16 Q. To the extent that there are members here
17 that you know are active in the market, and when I
18 say "active in the market," I'm referring to active
19 signing up residential customers --

20 A. Uh-huh.

21 Q. -- so is it your understanding that where
22 you say "Active in the Ohio retail market," is that
23 serving residential or serving any customers?

24 A. I would consider that serving -- so I
25 would consider it serving any customers. I consider

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1 that active, whether you're serving commercial or
2 residential. I guess what you're saying is your
3 definition of active is only for serving --

4 Q. When I was asking you, I was referring to
5 just residentials since I don't represent others, so
6 I just want to make sure we're on the same page.

7 A. Okay. So some customers on this list
8 only serve commercial customers in Ohio, that's true.

9 Q. Yet all the membership listed here
10 support the positions that you're testifying to
11 regarding the MEP, correct?

12 A. So I cannot speak for -- RESA's a trade
13 association, I cannot speak for the direct positions
14 of any particular marketer except for Integrys
15 Energy, the company I work for. I can only represent
16 the RESA position as described in my testimony. So
17 if you were to ask me how does a particular company
18 listed on here feel about the MEP, I could not speak
19 for that company, just the RESA position as
20 described.

21 Q. Okay. Fair enough.

22 A. Thanks.

23 Q. Your position, Government Regulatory
24 Affairs, includes your participating in discussions
25 regarding the POR issue, correct?

1 A. This is correct.

2 Q. And, in fact, you participated in some of
3 the subcommittees in the 3151 docket regarding the
4 POR, correct?

5 A. This is correct.

6 Q. And am I correct that both RESA as a
7 group and Integrys individually support the company
8 position on a POR with a bad debt rider?

9 A. That is correct. If you read Witness
10 Stephen Bennett, RESA Witness Stephen Bennett, you'll
11 see that position. That's not the purpose of my
12 testimony today, though.

13 Q. I understand that. But you do get
14 involved in the policy matters regarding the POR.

15 A. Yes.

16 Q. And you're knowledgeable about it,
17 correct?

18 A. I consider myself knowledgeable, yes.

19 Q. Okay.

20 A. Some --

21 Q. I'm sorry?

22 A. Yes. The answer is "yes."

23 Q. Now, your position on the POR, does that
24 include having a bad debt rider or is the bad debt
25 rider separate from a POR from the perspective of

1 Integrys and RESA?

2 MR. PETRICOFF: Your Honor, at this point
3 I want to object. That is outside the scope of this
4 witness's testimony. We do have a RESA witness on
5 POR, Mr. Bennett, who will be here Tuesday and that's
6 probably the proper witness to ask these questions.

7 MR. SERIO: Your Honor, this witness is
8 involved in Governmental Regulatory Affairs, he
9 participated in the 3151 docket on POR, he's
10 knowledgeable about it. I think that means that I'm
11 entitled to ask him questions about it.

12 MR. PETRICOFF: Your Honor, if I may be
13 heard on that again. He did participate in the 3151
14 docket, he did participate in the Commissioners en
15 banc discussion, but that is not the proceeding we're
16 here for today. We are here only for the AEP
17 application, and the POR positions of RESA will be
18 presented by Mr. Bennett.

19 MR. SERIO: I guess the other thing, your
20 Honor, there's numerous company witnesses that
21 testified a particular item in their testimony, but
22 to the extent they were knowledgeable about other
23 items, we were given latitude, all parties were given
24 latitude to cross-examine about those matters when
25 they had direct knowledge about it.

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1 I don't think that, you know, somebody
2 else's witness should be treated differently than the
3 way the company witnesses were treated.

4 EXAMINER PARROT: I'm going to allow this
5 particular question. We'll see where it goes from
6 there.

7 THE WITNESS: I don't remember the
8 particular question.

9 EXAMINER PARROT: We'll reread it.

10 (Record read.)

11 A. If you read RESA Witness Bennett's
12 testimony, you'll see that RESA was in favor of the
13 company's proposal as proposed in their filing --

14 Q. Okay.

15 A. -- which had POR with a bad debt rider.

16 Q. Is that the same with Integrys?

17 A. Integrys would support that position.

18 Q. Now, if I understand correctly, one of
19 the reasons that CRES providers support a POR is
20 because there's an argument that the POR would
21 encourage more CRES providers to participate in the
22 market, correct?

23 A. Yes. POR has a benefit of making the
24 market more attractive for CRES providers, yes.

25 Q. To the extent that there's RESA members

1 listed on page 3 of your testimony that do not
2 currently participate in the market, have any of them
3 indicated in the record in this proceeding that if
4 there were a POR program in place, that they would
5 enter the Ohio market and actively participate?

6 MR. PETRICOFF: Your Honor, I -- I'm
7 sorry, I'm going to renew my line of objections.
8 This is -- it's clear that the witness may have
9 knowledge on that, but it's also clear that if we
10 allowed every witness to be crossed on everything
11 that they have knowledge on, this proceeding would
12 last a great deal longer than it need be. And it's
13 just outside the scope.

14 MR. SERIO: Your Honor, I'm not exploring
15 everything he knows. I'm exploring a topic area with
16 which he has fairly considerable expertise, which is
17 the POR, the item that he participated in the 3151
18 meetings on, and an item that he's spoken about
19 frequently. I think I'm entitled to find out if this
20 promise of more CRES providers is really going to
21 come to be or if it's just pie in the sky. I mean,
22 you know, I was able to ask numerous company
23 witnesses the same questions. I think I should be
24 entitled to ask the CRES witnesses the same basic
25 questions.

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1 MR. PETRICOFF: Your Honor, if I can,
2 there's nothing that's been pointed to in his
3 testimony on POR. It's just outside the scope
4 regardless of his knowledge.

5 EXAMINER PARROT: I'm going to sustain
6 the objection with respect to this question that's
7 been asked, Mr. Serio.

8 Q (By Mr. Serio) Mr. Pickett, on page 3 of
9 your testimony on lines 3 and 4 it says you
10 coordinated RESA's efforts in the PUCO's
11 investigation into the retail markets in Case
12 12-3151, correct?

13 A. Yes.

14 Q. And in coordinating those efforts did you
15 also coordinate efforts regarding the purchase of
16 receivables program?

17 A. I'd say yes, I coordinated the efforts of
18 the total goings on in that case.

19 Q. And what do you mean by you "coordinated
20 efforts"?

21 A. So --

22 Q. Explain to me what that means.

23 A. So RESA is a diverse group of various
24 suppliers. You have to come together and discuss all
25 these issues to figure out, you know, where the

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1 supplier -- the RESA position is going to be. It
2 takes a lot of time and energy and effort. A lot
3 of -- you know, you have to create your positions in
4 documents and et cetera, and I coordinated those
5 efforts.

6 Q. Now, on lines 6 through 8 of your
7 testimony it says that part of RESA's focus is to
8 deliver a more efficient customer-oriented outcome
9 than a regulated utility structure. Do you see that?

10 A. Lines 6 through 8, where? Which page?

11 Q. On page 3.

12 A. Oh. Wrong page, okay.

13 Yes.

14 Q. And does part of that more efficient
15 customer-oriented outcome than a regulated utility
16 structure in your opinion include a POR program?

17 A. Can you repeat the question?

18 Q. Sure. In delivering a more efficient
19 customer-oriented outcome than a regulated utility
20 structure, does that include having a purchase of
21 receivables program?

22 MR. PETRICOFF: Your Honor, I'll renew my
23 objection. We're back to the same line of
24 questioning.

25 MR. SERIO: Your Honor, he can't tell me

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1 that he coordinates the efforts and that he's
2 testifying about what RESA's goals are, which if he
3 answers the question I'm assuming is going to include
4 a POR, and then tell me I can't ask him about a POR.
5 You can't put an expert on the stand and then tell me
6 I can't ask him about his expertise because if that's
7 the case, I'm going to move to strike everything in
8 his testimony other than starting with page 6, line
9 13 when it says -- or, when it starts with the MEP,
10 because everything else is irrelevant, then.

11 MR. PETRICOFF: Your Honor, the statement
12 is just his background. If there are questions that
13 follow up about why he would be unable to testify on
14 the MEP program because he had coordinated the POR
15 program, then I have no objection. In fact, that's
16 why I let the first two questions go by. But we're
17 past that now. It's clear he wants to know about
18 POR, and that's fine. And the POR witness is coming
19 for the trade association on Tuesday. But this is
20 not the witness for the POR for the trade
21 association.

22 EXAMINER PARROT: I'm going to allow this
23 question.

24 Mr. Pickett, if you wish to defer to
25 another witness, as we've been doing throughout this

1 proceeding, you may do that.

2 A. The question?

3 Q. My question was: Are you aware if any of
4 the RESA members listed on page 3 of your testimony
5 have indicated anywhere in the record in this
6 proceeding that if there was a POR program, they
7 would participate in the AEP Electric Choice market?

8 A. Was that actually the question? I think
9 that was a different question. Either way I'm going
10 to defer -- I'm going to defer to Witness Bennett on
11 this, on this topic.

12 Q. Is there another Integrys witness
13 testifying on POR in this proceeding?

14 A. There is not.

15 Q. Okay. So you would be the POR witness
16 for Integrys, correct?

17 A. I'm the RESA witness. I'm not the
18 Integrys witness.

19 Q. You work for Integrys, correct?

20 A. This is correct.

21 Q. And is your testimony today also on
22 behalf of Integrys?

23 A. Integrys is not a party to the case, RESA
24 is.

25 Q. I understand that. Integrys is a member

1 of RESA, correct?

2 A. This is true.

3 Q. And you're representing Integrys also; is
4 that correct?

5 A. In my job I represent Integrys; in my
6 testimony I represent RESA.

7 Q. As a representative of Integrys, as an
8 employee of Integrys, are you aware of any CRES
9 providers that have indicated in this proceeding that
10 if there was a POR in place, they would absolutely
11 serve customers in AEP Electric Choice market?

12 MR. PETRICOFF: Objection. Integrys is
13 not a party in this proceeding, and the witness is
14 not appearing here for Integrys.

15 MR. SERIO: Your Honor, I don't
16 understand how you can work for a company and then
17 not be held accountable on the stand to represent
18 that company, especially when that company is part of
19 the trade group that he's testifying on behalf of.

20 EXAMINER PARROT: His testimony --

21 MR. SERIO: And because there's --

22 EXAMINER PARROT: Mr. Serio, he's
23 testifying on behalf of RESA, he's appearing here
24 today on their behalf. Integrys is not a party to
25 the case. I'm going to sustain the objection. If

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1 you wish to rephrase your question, you may do that.

2 Q (By Mr. Serio) You're proposing what you
3 call the MEP program, correct?

4 A. Yes. MEP is an acronym for a market
5 energy program.

6 Q. And the market energy program that you've
7 proposed would allow CRES providers to have the
8 company work to help them sign up customers for this
9 program, correct?

10 A. That's not how I would characterize it,
11 but I think with every -- actually every enrollment
12 involves coordination between the company and
13 suppliers. So technically with any enrollment the
14 company is helping the supplier enroll customers.

15 In the testimony we lay out the stated
16 goals and the purpose of the MEP, and the real focus
17 is customer education and supplier diversity.

18 Q. And you're proposing a 3 percent discount
19 as part of your MEP, correct?

20 A. Yes. For the first iteration of the MEP
21 program we're proposing a six-month term at a
22 3 percent discount to the applicable price to
23 compare.

24 Q. Why a 3 percent discount and not a 5 or 6
25 or 1 or 2 percent discount? What's magical about

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1 3 percent?

2 A. So an important function+ of the MEP
3 program is balancing supplier cost with customer
4 benefit in an efficient program, right. If you don't
5 have a program that's attractive to suppliers, then
6 there will be no one to provide the supply for the
7 program. If it's not also attractive to customers,
8 then you don't have any customers that want to be
9 part of the program. We thought that 3 percent
10 provided that balance.

11 Q. And part of the balance you're talking
12 about is that the CRES provider would have no
13 customer acquisition costs related to signing up that
14 customer because they would be coming as a result of
15 the MEP, correct?

16 A. That is not true. There's a \$25 cap on a
17 per-customer -- a per-referred customer charge that
18 would be the acquisition fee.

19 Q. Do you know what the current acquisition
20 costs are for a CRES provider in order to sign up a
21 residential customer?

22 A. I'm going to say no, but I would think
23 that even if I would answer that question, it would
24 be proprietary for each supplier. It's a, you know,
25 competitive market. That type of thing is important

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1 to keep to yourself.

2 Q. In order to determine how appropriate the
3 3 percent discount is, how can we do that without
4 knowing what the actual customer acquisition costs
5 are?

6 A. Well, like I said, it's a balance. It's
7 a balance between what suppliers can offer and what
8 the customers can benefit from.

9 Q. But the Commission has to make a
10 decision, and in order to determine if there's a fair
11 balance there, how can the Commission make that
12 determination without knowing the other half of the
13 equation which is what are the actual customer
14 acquisition costs?

15 A. So there's going to be -- so in the
16 program itself we prescribe an ongoing stakeholder
17 process that we would like the input of many parties
18 on, and I think the program itself wouldn't even
19 start till 2015, so even at that time situations on
20 the ground may have changed, you know, prices to
21 compare change, et cetera and I think we designed it
22 to be a living agreement like that so that we could
23 always adjust to the nature of what is actionable at
24 the time to have benefits for everyone.

25 Q. Right. But the Commission in making a

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1 decision on your proposal in this case has to weigh
2 that 3 percent discount against the customer
3 acquisition costs to see how reasonable it is, in
4 your words. How can the Commission make that
5 determination without knowing half of the equation,
6 which is what are the customer acquisition costs?

7 A. Well, we say in this case it is the cost
8 to run the program, the MEP program, that we will
9 discover in a proceeding where AEP proposes its
10 maintenance plan and they discover whatever that cost
11 is up to \$25 and that's the acquisition cost,
12 whatever that cost is AEP -- AEP determines that cost
13 to be in their process with the stakeholders.

14 Q. Maybe I'm not asking the question right.
15 In this proceeding the Commission's going to decide
16 if they should accept your proposal for the MEP,
17 correct?

18 A. Yes.

19 Q. And in this proceeding the Commission has
20 to determine how reasonable the proposal is, correct?

21 A. Yes.

22 Q. And in determining how reasonable it is
23 one of the things they're going to do is weigh this
24 3 percent discount, correct?

25 A. I imagine so.

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1 Q. And to see how reasonable a 3 percent
2 discount is versus another number, isn't one of the
3 pieces of information that the Commission should have
4 is what the actual customer acquisition costs that a
5 CRES provider is going to avoid as a result of the
6 MEP, what that amount is?

7 A. I think the Commission can make a
8 determination if a 3 percent discount is beneficial
9 to customers.

10 Q. So you're saying they can just do that in
11 a vacuum.

12 A. I'm saying that in my testimony we
13 propose a guideline for a working plan for a market
14 energy program similar to that that we've seen in
15 other jurisdictions that has worked, worked very
16 well. In fact, when I spoke to the Director of the
17 Office of Competition in Pennsylvania, he said he
18 received no complaints about the program and that the
19 Commission is swimmingly happy with how the program
20 is going.

21 If they had one complaint, it was that
22 early on in the program there wasn't a lot of
23 supplier participation and, once again, we're trying
24 to strike that balance of participation and customer
25 benefit.

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1 Q. You indicated that the initial enrollment
2 would be for a six-month period, correct?

3 A. Yes.

4 Q. Customer can leave at any time without a
5 termination fee, correct?

6 A. This is true.

7 Q. What happens at the end of the six-month
8 enrollment period? Do the customers get
9 automatically renewed?

10 A. So in our proposal we propose to follow
11 the renewal rules as they are. And one thing that we
12 did say on renewal is that also on the renewal
13 product there would be no early-termination fee.

14 Q. Okay. Just so we're clear, the customer
15 could be renewed beyond the first six-month period,
16 correct?

17 A. Yes.

18 Q. Would they be renewed for another
19 six-month period or would it be month to month?

20 A. So the program as it's written now, what
21 we have in this testimony is the guidelines for a
22 program. Obviously, if you're going to sign up a
23 customer, you're going to have to have terms and
24 condition. As you know, the terms and condition
25 spell out the rules for renewal.

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1 Now, what I'm saying today is on renewal,
2 in the rules, we're going to follow the rules and in
3 the rules they lay out specific -- specific
4 guidelines for renewals without an early termination
5 fee. So that's going to be the guidance for how the
6 stakeholder group decides what happens on renewal.

7 Q. Is it possible that different CRES
8 providers would have different renewal terms?

9 A. I would imagine that in a stakeholder
10 process we would try to find a uniform way to deal
11 with renewal.

12 Q. But you're not including that as part of
13 your recommendation right now.

14 A. We did. We include the stakeholder
15 process in my testimony several times.

16 Q. Right. No, no, I'm not talking about the
17 stakeholder process. I'm talking about a
18 uniformity --

19 A. Of the terms and conditions?

20 Q. Yes.

21 A. No, there's no terms and conditions in
22 the testimony. That's something that we figure would
23 be important enough to discuss with the stakeholders
24 after we talk to AEP, figure out what their
25 maintenance costs are, we figure out where, as you

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1 said, the acquisition costs are, we can lay out the
2 details of the program more effectively as a group.

3 Q. Now, is it possible that part of the
4 renewal terms that any individual CRES would be would
5 be that the renewal would be at a rate higher than
6 the introductory 3 percent discount?

7 A. So I wouldn't speculate on what any CRES
8 supplier would do. I would just say that there are
9 rules on renewal and that we are going to have a
10 process that I really hope the OCC participates in to
11 determine what happens.

12 Q. Is it possible that a CRES provider would
13 have a renewal term that would include a rate that
14 would be higher than the original 3 percent discount
15 rate?

16 A. In the context of the MEP the customer
17 would be dealt on renewal with whatever terms and
18 condition the stakeholder group came up with.

19 Q. So the Commission doesn't know up front
20 when they approve this program what the renewal terms
21 would be.

22 A. The Commission knows that the renewal
23 would have no early-termination fee so that any
24 customer could leave the program during the program
25 or after the program at any time without fee, and

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1 that any renewal would follow the rules and any terms
2 and conditions would be derived with, hopefully, the
3 help of the OCC, the staff, AEP, other suppliers, and
4 any other stakeholders in the process. They would
5 have the confidence of the rules, the stakeholders,
6 and no early termination.

7 Q. In order to sign up for the MEP a
8 customer would have to make an affirmative decision,
9 correct?

10 A. Yes.

11 Q. If there's going to be renewal, would a
12 customer be required to make the same level of
13 affirmative acceptance or could the renewal occur
14 without that customer taking any action?

15 A. Again, renewal will happen in accordance
16 with the rules, and the terms and conditions that are
17 derived as a result of the stockholder group.

18 Q. On page 6 of your testimony you talk
19 about suppliers being registered to serve residential
20 and small commercial customers. What does
21 "registered" mean versus being certified?

22 A. So there's various levels of registration
23 and certification. You have certification at the
24 Commission and in that application you indicate which
25 classes of customer that you'll serve, and I'm not

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1 exactly sure with AEP, but AEP might have a similar
2 process where you have to select which customers
3 you're to serve. I'm not sure about that, though.

4 Q. Right, but you said that occurs as part
5 of the certification process with the PUCO, correct?

6 A. Yes.

7 Q. Okay. So if --

8 A. And there's a similar registration
9 process with the utility.

10 Q. So you're saying that if you fill out the
11 paperwork with the PUCO and they certify you to be in
12 good standing, then you have to do something beyond
13 that with this registration.

14 A. Yeah. So that was the difference. The
15 certification is at the Commission and the
16 registration part is with the utility. So that would
17 be under question 12, No. 1 is the certification at
18 the Commission and No. 2 is registration with the
19 utility.

20 Q. Now, on page 6 of your testimony you talk
21 about what would happen if a CRES supplier leaves the
22 MEP program for an upcoming quarter but still has
23 customers on the product. What happens to a customer
24 on a product that gets automatically renewed if a
25 CRES provider leaves the MEP?

1 A. So you're contemplating the situation
2 where a CRES provider is on the MEP they sign up
3 customers, the customer stays throughout the term of
4 the MEP, renewed the product with the supplier.

5 Q. And the supplier's no longer
6 participating in the MEP.

7 A. At that point they'd be on the renewal
8 product with the supplier, right.

9 Q. So anything that comes out of this
10 process that you talk about that would apply to MEP
11 CRES providers, would that then apply to the CRES
12 provider that's no longer in the MEP?

13 A. The term that we put in the testimony is
14 that there would be no early-termination fee for any
15 renewal product derived from the MEP.

16 Q. That's not my question. If I'm a CRES
17 provider and I'm in the MEP, you said there's going
18 to be this process to talk about all the details. If
19 I'm in the MEP and I sign up customers, and after one
20 quarter I want to get out, but my customers are in
21 for six months and then can be automatically renewed,
22 because I'm no longer in the MEP, does anything that
23 occurs in that MEP working group still apply to that
24 CRES provider?

25 A. That customer would be -- that customer

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1 or CRES provider just like any other customer not on
2 MEP, I mean, they would be a customer of the
3 supplier.

4 Q. So any of the specific rules that came
5 out of the working group discussions would no longer
6 apply to the CRES provider that was no longer part of
7 the MEP, correct?

8 A. Other than the restriction on
9 early-termination on renewal product. The MEP only
10 pertains to the MEP and nothing else.

11 Q. So if there were discussions in the
12 working group that limited auto renewal to certain
13 terms, once a CRES provider leaves the MEP would the
14 restrictions from that working group still apply to
15 that CRES provider?

16 A. If that CRES provider renewed that
17 customer within the terms and conditions of a
18 contract derived from the MEP, then the customer --
19 the CRES provider would have to honor the terms of
20 the contract.

21 Q. So as part of the program, the company's
22 got to keep track of every individual customer that
23 was signed up by a CRES provider under the MEP and
24 would have to keep track of which customers were
25 still under the MEP even if a CRES provider was no

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1 longer under an MEP, correct?

2 A. Who do you mean by "the company"?

3 Q. AEP. That's who you're --

4 A. No.

5 Q. -- proposing it for.

6 A. No, the company doesn't have to track
7 who's on which contract with whom.

8 Q. So if the customer call center -- if the
9 company call center gets a call from a customer that
10 signed up with a CRES provider when it was in the MEP
11 and it's no longer under the MEP, how is the call
12 center going to know what rules that came out of the
13 working group apply to which customer?

14 A. So the company obviously knows what a
15 customer -- what product a customer is enrolled in,
16 right? We have, you know, codes, billing codes to
17 bill customers with the company. I mean, they're
18 going to know what product you're on.

19 I think what you're trying to get at is
20 two key things: One, the terms and conditions are --
21 it's a contract. They're binding. So a supplier is
22 going to have to deliver those terms and conditions
23 derived from the stakeholder process regardless of
24 where that customer is with them. They're going to
25 have to honor the contract.

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1 Something that we felt was important as
2 part of the MEP is having I think, like you said,
3 having the customer actually participate in the
4 market or else they don't really get the educational
5 experience. If the MEP just kind of handled
6 everything for the customer, then they would expect
7 every market experience to kind of just everything is
8 handled for you and that's the end of it. But the
9 customer has to also participate.

10 We want this not to be a program where
11 customers get in and this is just the end-all be-all,
12 we want that customer to learn about the market and
13 to use that experience. The questions that they ask
14 AEP, the questions that they ask their supplier, the
15 experience they have on renewal, use that when they
16 go and make their next choices.

17 Q. I understand that. What I'm saying is
18 how does the company call center know that that
19 particular customer should still be treated under the
20 working group guidelines when that particular CRES is
21 no longer part of the MEP?

22 A. I assume -- so I don't work at the
23 company's call center. I assume that when a
24 customer, a CRES customer today, let's imagine a CRES
25 customer that's not in any program, calls the

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1 company, that the company has a way of figuring out
2 whose the CRES provider they are with and on what
3 product they are with with that CRES provider. I
4 assume as much.

5 Q. Right. But we're taking it to another
6 level of granularity because here you can have a CRES
7 provider that's not in a program but has customers
8 that are guided by the guidelines coming out of that
9 program and that same CRES provider can have
10 customers that are not governed by those guidelines,
11 right?

12 A. Joe, it's the same thing as having a
13 customer with Integrys on two different products, two
14 sets of terms and conditions. There's one, say we
15 have a fixed product with a set of terms and
16 conditions that's an AEP customer, and say we have a
17 variable product, which we don't, say we have a
18 variable product with AEP that's on a separate set of
19 terms and conditions. I imagine, you know, we honor
20 both, and I imagine AEP has a way of figuring out
21 what product the customers, which, you know, what the
22 customer is on, what they're talking about.

23 Q. All the training that's necessary for the
24 call center to do this, that would all be part of the
25 charge that the CRES providers pay directly, correct?

1958

1 A. So the call center charge, the call
2 center costs, and the IT costs would be part of that.
3 But what you're contemplating isn't anything extra.
4 That is the same as knowing the difference between
5 two contracts --

6 Q. From your --

7 A. -- which I think they know now.

8 Q. From your perspective. But you don't
9 know that that's the company's perspective, correct?

10 A. I don't know the company's perspective.

11 Q. Now, on page 7 of your testimony you
12 indicate the goals of the MEP and the first goal is
13 to provide customers who have not otherwise
14 participated access to a competitive product.
15 Correct?

16 A. Yes.

17 Q. Do customers that have not otherwise
18 participated in Choice today in AEP have access to a
19 competitive product?

20 A. You left off the end of that sentence
21 which is a key part of it, "access to a competitive
22 product that has been approved and sanctioned by the
23 PUCO." And so we're contemplating a product that we
24 all have worked on together to develop that the
25 Commission looked at and said okay, this is a good

1959

1 one, and that the customer can say all right, if I
2 sign up with this thing, this is an approved product
3 by the PUCO. So that gives them that theoretical
4 level of security when they're engaging in the
5 competitive market.

6 What we found is a lot of the times just
7 because people don't understand the competitive
8 market, they're fearful of the unknown, and the MEP
9 is designed to fight against that unknown by having
10 that -- the approval process.

11 Q. Today do CRES providers have approved
12 products listed on the PUCO's Apples to Apples chart?

13 A. All the products are governed by a set of
14 rules but not approved in the sense that we're
15 contemplating with the MEP.

16 Q. So under the MEP you're saying that the
17 Commission would be endorsing the product.

18 A. I said approved and sanctioned, not
19 endorsed.

20 Q. Well, I'm asking. Is "approved" and
21 "sanctioned," in your mind, endorsing it?

22 A. I think "approved" and "sanctioned" means
23 approved and sanctioned.

24 Q. Okay. Are the current CRES products
25 offered in the market today approved and sanctioned

1960

1 by the PUCO?

2 A. Not in the way that we're contemplating
3 with the MEP.

4 Q. What's the specific difference between
5 the products offered today that the Commission puts
6 on its Apples to Apples site that come from certified
7 CRES providers and the MEP product?

8 A. The MEP product, when we get to what the
9 actual MEP product is, will have been designed and
10 negotiated in an ESP at a rate agreed to or approved
11 by the PUCO. If I want to put something on the
12 PUCO's website, if I wanted a 90 percent increase or
13 90 percent off the PTC product, it wouldn't have the
14 PUCO's authority saying okay, you're allowed to do
15 that. I could do that if I so chose.

16 This product is different. We're
17 imagining that we have a collaborative for the terms
18 and conditions. Right now there is no collaborative
19 for a competitive product. We're imagining that we
20 have a ESP process where a specific 3 percent off
21 six-month term product is marketed as a part of the
22 call center function. That is something that does
23 not exist.

24 Q. Can a CRES provider today put any product
25 on the Apples to Apples chart or does the PUCO have

1961

1 to approve of the products that are being listed on
2 that chart?

3 A. Any product? I mean --

4 Q. Can a CRES provider put anything they
5 want on the Apples to Apples chart? If you want to
6 offer a product --

7 A. I don't know the answer to that question.
8 I don't know the, you know, the extent of -- there
9 are terms and conditions for use of the Apples to
10 Apples website. I wouldn't pretend to be a witness
11 or an expert on those exact terms and conditions, but
12 they do exist. There are terms and conditions.

13 Q. So --

14 A. I don't know if there's anything that you
15 can put on there. I don't imagine you could, you
16 know, sell a couch on the Apples to Apples chart.

17 Q. Let's keep it to electric. Is there --
18 when -- you're a CRES provider, if you want to put a
19 utility-related offer on the table for customers and
20 you want it listed on the Apples to Apples chart, do
21 you have to submit it and then is it approved to go
22 on there, or can you put any offer for electric
23 service you want on the Apples to Apples chart?

24 A. I don't know the answer to that.

25 Q. So you don't know, then, if today the

1962

1 current CRES offers are approved and sanctioned by
2 the PUCO.

3 A. Competitive offers on the market are not
4 regulated by the Public Utilities Commission, I know
5 that for a fact.

6 Q. I didn't say "regulated" in my question.
7 I said "approved and sanctioned." Those are your
8 words.

9 A. Yeah.

10 Q. So are the CRES offers today that are
11 listed on the Apples to Apples chart, do you know if
12 they're approved and sanctioned by the PUCO?

13 A. I know they're not approved and
14 sanctioned as contemplated in the MEP. They are not.

15 Q. I didn't ask as contemplated by the MEP.
16 My question is real simple. Are the offers that CRES
17 providers have today listed on the Apples to Apples
18 chart approved and sanctioned by the PUCO?

19 A. I'm not an expert on the Apples to Apples
20 chart and how you post to the Apples to Apples chart.

21 Q. So the answer to that question is you
22 don't know if those Apples to Apples offers are
23 approved and sanctioned by the PUCO.

24 A. I know they are not approved and
25 sanctioned in a regulatory sense on the Apples to

1963

1 Apples chart.

2 MR. SERIO: Your Honor, I didn't throw
3 "regulatory" in. He's adding words to the answer.
4 My question is real specific. If I could get an
5 answer to it.

6 Q. Do you know if offers on the Apples to
7 Apples chart are approved and sanctioned by the PUCO?

8 A. I do not think they are.

9 Q. Do you know that, "yes" or "no"?

10 A. I answered that I don't know how you
11 post -- I don't do the posting to the Apples to
12 Apples, I don't know how it's posted.

13 Q. Okay.

14 A. The process for it. I don't know the
15 process.

16 Q. So if you don't know if they're approved
17 and sanctioned by the Commission today, then you
18 don't know that customers don't today have access to
19 competitive products that are approved and sanctioned
20 by the PUCO, correct?

21 MR. PETRICOFF: Objection, your Honor, I
22 think this has been asked and answered.

23 MR. SERIO: Asked but not answered, your
24 Honor.

25 EXAMINER PARROT: I'll sustain the

1964

1 objection.

2 Q. Your second bullet point is that it's to
3 offer an introduction to competitive products at a
4 guaranteed discount. Do you see that?

5 A. Guaranteed to the default service price.

6 Q. Is there anything that prevents a CRES
7 provider today from offering a product at a
8 guaranteed discount to the default service price?

9 A. No.

10 Q. So they do do that today regardless of
11 whether there's an MEP or not, correct?

12 A. Yes.

13 Q. Third bullet is to promote competition
14 and supplier diversity, do we have competition and
15 supplier diversity today?

16 A. Yes, we do.

17 Q. And for --

18 A. Well, we are competition. I would argue
19 that supplier diversity could be enhanced.

20 Q. Do we have supplier diversity today?

21 A. I mean, you're going to have to define
22 supplier diversity. If that's two suppliers, more
23 than one supplier, yes.

24 Q. Do you --

25 A. I would argue that -- and so the goal --

1965

1 the goal is supplier diversity. It says "promote
2 supplier diversity," right?

3 Q. Okay.

4 A. That's inherently different.

5 Q. Do you know how many current CRESs
6 provide -- are actively providing service to
7 residential customers in the AEP service territory?

8 A. Actively providing?

9 Q. Yes.

10 A. That would be a question for AEP. I know
11 that the last time I checked AEP's Apples to Apples
12 it was north of -- it was north of 20 listed offers
13 from about less -- about 12 to 15 suppliers, I think.

14 Q. Would you accept, subject to check, that
15 Company Witness Gabbard indicated that there are 29
16 current active CRES providers serving residential
17 customers in AEP's service territory?

18 A. I would -- I guess I would accept that if
19 that's what he said. I wasn't here for that.

20 Q. And if, in fact, there are 29 CRES
21 providers serving residential customers, would you
22 consider that to be supplier diversity?

23 A. I would say that there could be a greater
24 level of diversity. We see in other jurisdictions
25 north of 60 suppliers offering products such as

1966

1 Pennsylvania.

2 Q. What's the magic number in order to have
3 supplier diversity? How many CRES providers?

4 A. I think the more CRES providers that you
5 have, the more competition you have, the greater
6 benefit customers get out of that competition.

7 Q. I understand.

8 A. I wouldn't say -- I would say there is no
9 magic number. I would say that more is better.

10 Q. Okay. So more is better. Is 29 a
11 diverse amount of suppliers?

12 A. I would say that more is better.
13 Twenty-nine is definitely more than one, so if you
14 wanted to use a definition that is more than one, I
15 would say yes. But more is better.

16 Q. I understand that more is better. My
17 question to you is: Does 29 constitute a diverse
18 number of suppliers?

19 A. And my answer was if you define diversity
20 as more than one, then technically yes.

21 Q. How do you define diversity?

22 A. I would say that a -- for this particular
23 topic I would say that a diverse group of suppliers
24 would be as many as we could possibly have
25 participating in the market. And I know for a fact

1967

1 that there are more than 30 or 29 potential CRES
2 providers.

3 Q. Your fourth bullet is to educate
4 customers about competition. Does educating
5 customers about competition occur today?

6 A. I would say "yes."

7 Q. So there's nothing in addition that would
8 occur as far as customer education under the MEP that
9 doesn't occur today, correct?

10 A. There would be absolutely a new level. I
11 would disagree with your premise. There would be
12 greater education due to the MEP. There would
13 actually be on-field education. When I talked about
14 the MEP, like you said, customers have to
15 affirmatively choose to be a part of the program and
16 then they get an actual experience with having a CRES
17 provider.

18 If you talk to folks in Pennsylvania,
19 that's one of the greatest benefits of the MEP is
20 having customers educated by participating in the
21 competitive market.

22 Q. If a customer today wants to be part of
23 Choice with a supplier, they have to act in an
24 affirmative manner, correct?

25 A. Yes.

1968

1 Q. And that's what they would have to do
2 under an MEP, correct?

3 A. Yes.

4 Q. The same kind of affirmative action, no
5 different, correct?

6 A. The MEP would be different because we are
7 incorporating the -- incorporating the utility, AEP,
8 in the direct up-front enrollment process. So that
9 instead of directly enrolling by being in one-on-one
10 contact with the supplier they're enrolling as a
11 utility call center function.

12 Q. I understand the utility's role is
13 different. The customer action, whether it's through
14 AEP or a CRES provider, the customer has to act in an
15 affirmative manner, correct?

16 A. Yes, the customer has to say "yes, I want
17 to be part of the MEP" just like they would have to
18 be affirmative to --

19 Q. Say "yes, I want to be part of a CRES
20 offer."

21 A. Yes.

22 Q. So that saying yes is the same whether
23 it's under the MEP or the current program, correct?

24 A. The answer is "yes."

25 Q. Okay. So there's nothing different about

1969

1 the customers saying yes.

2 A. No. There's nothing different.

3 Q. Okay. Now, today you educate customers
4 about Choice, correct?

5 A. Yes.

6 Q. Being CRES providers.

7 A. Yes.

8 Q. And if the company gets a call and the
9 customer asks, they educate a customer about Choice,
10 correct?

11 A. I couldn't speak to the company's
12 practices. I would hope so.

13 Q. To the best of your knowledge, do the
14 company --

15 A. I don't know.

16 Q. You don't know. If a customer calls the
17 PUCO call center, do they get education, if
18 requested, about Choice?

19 A. Yes.

20 Q. Under the MEP if a customer calls a
21 marketer, they're going to get information and
22 education about Choice, correct?

23 A. Under MEP if a customer calls the
24 marketer?

25 Q. Yeah.

1970

1 A. I mean, under -- I imagine under any
2 scenario if you call a marketer or supplier, they're
3 going to talk to you about Choice.

4 Q. Okay. So and if a customer calls the
5 Commission call center under the MEP, they would be
6 educated the same as they're educated today, correct?

7 A. Yes. I think -- I think what you're
8 missing as part of the MEP is the customers that
9 we're trying to reach, we're trying to reach folks
10 who -- and there are a lot of folks who just don't
11 know anything about Energy Choice and who would
12 otherwise not learn about it, who wouldn't -- who
13 wouldn't reach out and learn about it, we're trying
14 to reach those customers if those customers exist.

15 Q. How do you know that the customers don't
16 know about Choice?

17 A. Because my company talks to customers and
18 a lot of customers that we talk to don't know about
19 Choice.

20 Q. Okay. And the company --

21 A. Until we talk to them.

22 Q. What company are you talking about when
23 you say your company?

24 A. Integrlys.

25 Q. Okay. Is there anything attached to your

1971

1 testimony in the way of customer surveys that says
2 this is what customers tell us when we talk to them?

3 A. You asked me a question about customers,
4 and I answered from my experience.

5 Q. And now I'm asking is there anything
6 attached to your testimony that shows that when we,
7 the company Integrlys, talk to customers, they tell us
8 they don't know about Choice?

9 A. No.

10 Q. Do you individually take calls at your
11 call center that you know directly that customers say
12 they don't know about Choice?

13 A. Calls at our call center?

14 Q. Does Integrlys have a call center?

15 A. Yes.

16 Q. Do you take calls in the call center from
17 customers so that they talk to you directly and that
18 you know firsthand that they don't know about Choice?

19 A. I couldn't tell you about every call that
20 we get at our call center.

21 Q. So the only difference with the MEP
22 program would be that the company would have to
23 educate customers about Choice, correct?

24 A. No. The difference with the MEP program
25 is that a customer who would otherwise not know about

1972

1 Choice would have an opportunity to participate in
2 the market and they would learn about Choice by being
3 a participant. So it would be, to me, a greater
4 level of education.

5 Q. If a customer today does not know about
6 Choice and they call AEP, they're going to get
7 educated and given the opportunity to participate,
8 correct? In Choice.

9 A. They wouldn't be given the opportunity to
10 participate by AEP. I mean, they have the
11 opportunity --

12 Q. I'm sorry. Finish your answer.

13 A. I would say, to answer your question,
14 they would get a greater level of education because
15 of the MEP.

16 Q. Do you know what level of education
17 customers get when they call the AEP call center
18 today?

19 A. I do not know, but what I can tell you is
20 they are not given an opportunity to enroll into a
21 product which is a greater level of education. I
22 know for a fact that they don't get an opportunity to
23 enroll with any CRES provider like we're proposing in
24 the MEP.

25 Q. Education about Choice means that you're

1973

1 given information, correct?

2 A. I think "education" means a lot of
3 things. So when I think of education, you could
4 learn in a lot of ways. You learn from experience.
5 You learn from reading. You could learn about it
6 from hearing. So this would be learning through
7 experience. I think that has value.

8 Q. So, in your opinion, customer education
9 without actually participating is not the same level
10 of education.

11 A. I think -- I think experience through the
12 MEP through this program would provide a greater
13 level of education.

14 Q. So if a customer's participated in
15 Choice, they would have, then, that level of
16 education that you're talking about, correct?

17 A. Yes.

18 Q. And is that Choice limited to Electric
19 Choice or could it be experienced with Gas Choice?

20 A. Electric and gas are two different -- two
21 different things, so you would have learned about
22 Choice, you wouldn't technically know everything, so
23 say you were participating in gas, you wouldn't know
24 everything about Electric Choice but you would have
25 learned about Energy Choice in a way. The best --

1974

1 so -- go ahead.

2 Q. If you're done. I want you to finish
3 your answer.

4 A. I'm done.

5 Q. Okay. Gas Choice involves a customer
6 selecting from a number of providers if they want to
7 purchase the commodity separate from the company's
8 standard offer, correct?

9 A. It's much more complicated than that, but
10 yes. I guess I would say I would agree that that is
11 part of Gas Choice.

12 Q. And Electric Choice is a customer
13 choosing, among different providers, if they want to
14 purchase the commodity other than from the company
15 through the default service, correct?

16 A. Again, it's a lot more than that, but
17 that would be one way to characterize a part of it.

18 Q. And Gas and Electric Choice, they both
19 offer variable price contracts, correct?

20 A. It's, again, a lot more complicated than
21 that, but that would be true.

22 Q. They both offer fixed-rate contracts?

23 A. Yes.

24 Q. They both offer hybrid contracts that
25 combine a fixed price for a period of time and then a

1975

1 variable price?

2 A. I would imagine so.

3 Q. They both have termination fees or not,
4 correct?

5 A. They both have similar characteristics,
6 but I would say that gas and electric are different.

7 Q. Yes. Gas is different from electric.
8 But they're both --

9 A. That's my only point.

10 Q. They're both energy commodities, correct?

11 A. Yes. I would -- okay. Yes.

12 Q. So if a customer's educated by
13 participating in Gas Choice, in your opinion does
14 that customer understand the Choice concept and the
15 Choice experience?

16 A. I would say to a degree, right. But I
17 would still stand by my statement that Gas Choice and
18 Electric Choice are different.

19 Q. What are the specific differences between
20 the Gas Choice program and the Electric Choice
21 program?

22 A. I mean, the commodities are different.

23 Q. Yes, I admitted that up front.

24 A. Right.

25 Q. They're different commodities.

1976

1 A. So you could offer different types of
2 products for each different commodity, they could
3 vary in different types of ways.

4 Q. Okay.

5 A. So if a customer is savvy enough to
6 understand the variability of the gas market, that
7 doesn't mean they necessarily know how the electric
8 market varies, they're different.

9 Q. How does a monthly variable Electric
10 Choice product differ from a monthly variable Gas
11 Choice product other than one is gas and one is
12 electric? Aren't they both based on a variable
13 product?

14 A. I couldn't speak to specific products.

15 Q. Can you speak to a variable product? A
16 monthly variable product.

17 A. Speak to what about a monthly product?

18 Q. What's different about the gas/electric
19 monthly variable product and the electric monthly
20 variable product.

21 A. Like I said, gas markets and electric
22 markets are different, different markets.

23 Q. Other than the different commodity, are
24 the -- is a monthly variable product the same for
25 both commodities?

1977

1 A. Well, you could do different types of
2 offerings dependent on the products themselves in gas
3 and in electric.

4 Q. What are the difference -- you keep
5 talking about differences --

6 A. I don't want to -- so I'm not going to
7 get into specific products and, to answer your
8 question, I would have to throw out specific, you
9 know, hypothetical products and that's something that
10 I don't want to do.

11 Q. Okay. You're familiar with the products
12 that Integrys offers --

13 A. Right.

14 Q. -- in the AEP territory, correct?

15 A. Generally. I mean, they change --
16 generally.

17 Q. And you're familiar with the products
18 that Integrys offers in the central Ohio region in
19 the Columbia Gas Choice program, correct?

20 A. Generally.

21 Q. Okay. Looking at the actual, not
22 hypothetical, looking at the actual monthly variable
23 products that Integrys offers on electric and gas,
24 other than the commodity itself, what's different
25 about the monthly variable products?

1978

1 A. We do not offer variable products on
2 electric.

3 Q. Okay. You offer fixed-rate products in
4 electric?

5 A. Yes.

6 Q. And you offer fixed-rate products in gas.

7 A. I cannot recall which products we offer
8 right now in Columbia.

9 Q. Do you know if you offer any fixed-rate
10 product?

11 A. No, I don't recall. I don't want to be
12 wrong. I don't recall.

13 Q. Okay. At the bottom of page 7 you talk
14 about a confidential report to the Commission. What
15 specific information that would be in that report
16 would be trade secret information that would require
17 confidential status?

18 A. So that's all yet to be determined,
19 right? It will all be part of a process to figure
20 that out. But if there are cost components that are
21 part of those conversations, we would want those
22 costs and price components to be confidential.

23 Q. Okay. The cost components you're talking
24 about are the fees or the costs that the company
25 would incur that would turn into the fee that they

1979

1 charge the CRES, correct?

2 A. I imagine that would be part of it.

3 Q. Okay. What would be confidential about
4 company costs that would need to be treated
5 confidentially?

6 A. I don't know. I couldn't speculate on
7 what those costs are or what -- I couldn't speculate
8 on what those are. I was talking specifically about
9 if any supplier cost would happen to be part of that
10 discussion, those types of -- that type of
11 information perspective would want to be
12 confidential.

13 Q. Based on the four items that you list on
14 lines 11 through 21 on page 7 can you tell me what
15 would be associated with any CRES provider costs that
16 are listed in any one of those four items there?

17 A. Are you talking about the goals?

18 Q. Well, the goals are what the report would
19 cover, correct? Unless I'm reading your testimony
20 wrong.

21 A. Yeah. Yeah. Yeah. I was thinking of
22 two -- I was thinking of two different things.

23 Q. Let me reask the question this way:
24 You've got four bullet points on page 7 --

25 A. Yeah.

1980

1 Q. -- lines 11 through 22.

2 A. Okay.

3 Q. Those are the four bullet points that the
4 report would cover, correct?

5 A. Yep.

6 Q. What, based on those four bullet points,
7 could possibly be confidential that would have to
8 have trade secret protection?

9 A. So a lot of that would have to do with
10 CRES provider participation, et cetera, and that type
11 of thing is relevant to a CRES provider's particular
12 market strategy, that type of thing we'd want to be
13 confidential. I was confused about which report
14 we're talking about.

15 Q. What in particular about a CRES
16 provider's participation would be confidential, the
17 fact that they are signed up for it? I mean, that
18 would be public knowledge, wouldn't it?

19 A. If they're signed up for it.

20 Q. Okay. So if they sign up for it,
21 everybody would know they participate. Correct?

22 A. I imagine so. I think -- I think what
23 we're contemplating is an area where on a quarterly
24 basis suppliers could make the business decision on
25 whether they're going to participate or not.

1981

1 Q. But if you quit participating after a
2 quarter, it would be public knowledge that you're no
3 longer participating, correct?

4 A. I imagine so. I'm not sure. So we --
5 those details aren't in the filing itself on whether
6 or not the participants are publicized.

7 Q. Well, the company has to know who the
8 available marketers that want to participate in the
9 program are, correct?

10 A. Right. The company does.

11 Q. And there would be some kind of rotating
12 basis that if a customer didn't ask for a particular
13 supplier, they would go to the next one in line,
14 correct?

15 A. Yes.

16 Q. So are you saying that the list of
17 eligible CRES providers would be somehow trade secret
18 information?

19 A. Well, in the program that we're proposing
20 we would propose that that information would not be
21 public.

22 Q. And can you tell me why knowing who
23 signed up for MEP is information that would qualify
24 as trade secret information, if you know?

25 A. Well, like I said, I think that is

1982

1 specific to a company's market decisions on how
2 they're going to position themselves in the market.
3 If they choose to participate or not.

4 Q. Okay. So if I'm a customer and I call
5 the company and they tell me about this MEP program,
6 how do I know which CRES providers are participating
7 in the MEP if it's trade secret information?

8 A. I mean, you would either -- so like we
9 said in the process of the MEP, you could request a
10 supplier. If that supplier is participating, then
11 you can have that supplier, if not, you would be on
12 the rolling list of suppliers.

13 Q. Well, would the company -- if I said to
14 the company "Who are the eligible providers I can
15 sign up with?" Are they going to tell me who
16 those -- let's say there's five. Are they going to
17 tell me who those five are?

18 A. So we don't have that spelled out in this
19 part, in this proposal quite yet, but as we've
20 proposed it, the answer to that question would be
21 "no."

22 Q. So they would not tell the customer who
23 the five providers that it signed up for service are.

24 A. It's not spelled out here. It's not
25 spelled out. I would say -- I would say probably

1983

1 not.

2 Q. Don't you think it would be helpful, if
3 I'm a customer, that if there's five providers that
4 have signed up for a program and I'm going to be
5 assigned to one of the five, that I should be told
6 who the five providers are?

7 A. So in the program, right, you're assigned
8 to one of the suppliers. You can leave at any time
9 without a termination fee. If you don't like your
10 supplier, you can leave.

11 Q. Okay.

12 A. Otherwise, it wouldn't matter to you
13 because you're voluntarily going into a program where
14 you're assigned a supplier. So if you know your
15 supplier that you want, you can have them, but if you
16 don't, then does it matter who the next in line is if
17 you don't know?

18 Q. Let me ask the question this way: If I
19 call and I'm told about this program and there's a
20 particular supplier that I want to sign up for, I can
21 ask for that supplier, then I'm making an informed
22 decision, right?

23 A. Yes. If you want a supplier, yes, you
24 can have that supplier.

25 Q. Okay. Now let's say in my mind there's a

1984

1 particular supplier I don't want to be associated
2 with. When I call the company, if they don't tell me
3 who's part of the program, how do I know that the
4 company I don't want to be a part of is one of the
5 participants?

6 A. So a good fail-safe we have for that is
7 if you do not like the supplier, you can leave the
8 program at any time without a termination fee.

9 Q. So there could be a supplier that I don't
10 want to sign up for, they could be next in line, I
11 could be signed up with them, and then it would be
12 the next month when I get my bill before I could --
13 before I would know that I was assigned to that
14 supplier, correct?

15 A. Correct. I don't --

16 Q. So --

17 A. Can I finish answering?

18 Q. Sure.

19 A. I don't anticipate that being a problem.
20 This has not -- that has not been a problem at all in
21 any jurisdiction where they have such programs. No
22 one has ever come up with that compliant. And the
23 reason that I would speculate that that is is because
24 the customers who are looking to engage in Choice in
25 this way don't have a list of suppliers that they

1985

1 hate and then they sign up to affirmatively enroll in
2 a system where you are told you will be assigned a
3 supplier on an ongoing basis, that wouldn't make a
4 lot of sense. If there's a supplier that you know
5 you don't want to have, you would then confirmatively
6 enroll in a program where you're assigned a supplier
7 on a rolling list?

8 Q. Well, how does a customer know that
9 they're going to be assigned to a customer [verbatim]
10 on a rolling list? Is AEP going to tell them that?

11 A. So we didn't -- I would imagine so. When
12 we get into the stakeholder process to develop a
13 script, I imagine stakeholders will want that to be
14 part of the script, that people describe the MEP and
15 how it works.

16 Q. Now, your testimony on page 8 says that
17 this program has been launched or is being developed
18 in Pennsylvania, correct?

19 A. Yes.

20 Q. And, as I read your testimony, that's the
21 only state that you identify having such a program,
22 correct?

23 A. Yes, that's the only state that I
24 identified in the testimony.

25 Q. And as part of the Pennsylvania program,

1986

1 has there been any analysis or any surveys done of
2 customers to determine if they had a problem being
3 assigned to a particular CRES provider that they did
4 not want to be assigned to?

5 A. The Public Utilities -- the Public
6 Utilities Commission of Pennsylvania has received
7 zero complaints of any kind from customers.

8 Q. That wasn't my question. My question
9 was --

10 A. So the answer was "no."

11 Q. -- has any surveys been done, to your
12 knowledge, to find out if customers had that concern?

13 A. I cannot tell you if they've done any
14 surveys of the customers who have participated in the
15 programs in Pennsylvania.

16 Q. You understand there's a difference of
17 customers in a survey context and customers taking
18 the affirmative step of actually picking up the phone
19 and calling the Commission and filing a complaint.

20 A. I know what a survey is.

21 Q. So would you agree with me that a survey
22 is probably going to cover more customers than if you
23 just rely on the customers that called and
24 complained?

25 A. I would -- I would say to you that if a

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1 customer had a problem, that they would file a
2 complaint or they would call the Commission to
3 complain. If there was a complaint, if they had a
4 complaint, they would call to complain. I mean,
5 you're trying to get me to affirm something that
6 hasn't happened. I mean, it just hasn't happened.
7 There have been no -- that's the truth of it, there
8 have been no complaints.

9 Q. I understand there have been no
10 complaints. My question was: Had there been any --
11 you're familiar with J.D. Powers, they do surveys all
12 the time, right?

13 A. I'm familiar, I've heard of it, yes.

14 Q. Have you ever been called by a company
15 doing a survey asking how a product or how a service
16 was that you received?

17 A. Called by a company? I mean, I've
18 been -- called? I probably would have hung up. I
19 probably have been e-mailed.

20 Q. Are you familiar with -- strike that.

21 Let me ask it this way: I take my car in
22 for service, I get service done, the company calls me
23 afterwards and says how was your service call.
24 That's a customer survey, correct?

25 A. Yes.

1988

1 Q. Okay. Now, is it possible that I was
2 okay with the service but it wasn't what I would
3 consider great but it wasn't bad enough that I filed
4 a complaint with the company? A survey would
5 recognize that whereas a complaint wouldn't, correct?

6 A. I think, yes, under your reasoning I
7 think a survey would cover that, yeah.

8 Q. Okay. So are you aware of any surveys
9 done in Pennsylvania to ask customers if they had any
10 concerns with the way the MEP program was run?

11 A. Again, I would answer no, I'm not aware
12 of any surveys.

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

15 Thank you, Mr. Pickett

16 EXAMINER SEE: Ms. Mooney?

17 THE WITNESS: Thanks, Joe.

18 MS. MOONEY: Yes, I do have a few
19 questions.

20 EXAMINER PARROT: Use the microphone,
21 please.

22 MS. MOONEY: I'm sorry.

23 - - -

24

25

1989

CROSS-EXAMINATION

By Ms. Mooney:

Q. Yes, on the cross-examination from Mr. Serio you said that the Commission's decision in this case or the issue that the Commission has to decide is whether a 3 percent discount is beneficial to customers. Do you remember that response you made?

A. Vaguely, yeah. I gave a lot of responses.

Q. And would you say that that is the only issue that the Commission has to decide with regard to the -- to this program?

A. No. I think they should contemplate a lot of things. I think they should think of the inherent value of education that the program would provide. They should think about the term, whether the term is reasonable, the six-month term. They should think about the balance that the -- the cap on the fee allows. They should think about whether or not this would promote supplier diversity and actually attain the goals we've stated. They should think about the ongoing stakeholder process and whether that's going to be a good tool to continue to design the program as the market changes, et cetera,

1990

1 and a lot of things.

2 Q. Okay. What about the involvement of
3 AEP Ohio, the distribution utility in this program,
4 should that concern the Commission?

5 MR. PETRICOFF: Can I have the question
6 read back?

7 MS. MOONEY: I can reask it if I made a
8 mistake but go ahead.

9 (Record read.)

10 MR. PETRICOFF: Thank you.

11 A. I think the Commission should contemplate
12 all those things including that, yes.

13 Q. Because this program incorporates the
14 AEP Ohio call center in the -- as a participant actor
15 in this program; is that correct?

16 A. Yes.

17 Q. And the AEP call center would tell a
18 customer that there's a program where the customer
19 could receive a 3 percent discount off the standard
20 service off; is that correct?

21 A. Yes.

22 Q. Now, what --

23 A. So --

24 Q. I'm sorry.

25 What if Integrays, just as an example of a

1991

1 marketer, had a 5 percent discount off the SSO, off
2 the standard service offer, that they were marketing
3 in the AEP Ohio service territory, would you want
4 AEP Ohio distribution utility to inform the customer
5 that, well, we have a program with 3 percent but
6 there's another marketer Integrys that offers a
7 5 percent discount? Would you expect AEP Ohio to
8 tell a customer that?

9 A. So the AEP's participation would be
10 limited to just the MEP product. They would only be
11 informing customers of the MEP product. Obviously
12 I'd like all customers to sign up with Integrys
13 products but this would be limited to the MEP
14 product.

15 One thing that I think the Commission
16 should also contemplate when they think about having
17 AEPs [verbatim] enroll with this is one of the
18 questions we get from customers a lot, and it's
19 surprising we get this question but we do get it, is
20 if I enroll with a Choice provider, will I be treated
21 differently by my company, you know, when the power
22 goes out? Will other customers who are with AEP
23 still get their power turned on first or something
24 like that. And the answer is obviously no.

25 I think one benefit of the MEP is that

1992

1 customers get to hear from the company that, no, you
2 know, these are our trusted suppliers, we work with
3 them to deliver power to your house.

4 Q. But you also told Mr. Serio that the
5 customer who is referred to the MEP program by AEP is
6 also not going to know the name of the CRES provider
7 that's specifically being assigned to that customer;
8 is that correct?

9 A. Yes. But they will know that all of
10 these suppliers who are participating in the MEP are
11 in good standing with the company, they have --
12 they're reaching their financial obligation, they
13 filled out the MEP participation form that creates a
14 stakeholder group so they'll be able to say that all
15 of the suppliers on this list are trusted entities,
16 registered suppliers with the same obligations.

17 Q. Didn't you also tell Mr. Serio that
18 customers shouldn't care who the marketer they're
19 being assigned to is under the MEP program?

20 MR. PETRICOFF: Objection.

21 A. No.

22 MR. PETRICOFF: I don't think that's a
23 correct quoting of the testimony.

24 EXAMINER PARROT: Well, he's already
25 answered the question.

1993

1 So if you wish to elaborate on your
2 answer.

3 A. No, I actually didn't say that. We were
4 in a long train of hypothetical thought and that was
5 not -- that was not my answer. He was giving a
6 hypothetical scenario where a customer was upset
7 about a particular supplier and I was answering that
8 hypothetical scenario.

9 Q. The customer's not going to know the CRES
10 provider he's assigned to under the program, correct?

11 A. They will know when they --

12 Q. When they get their first bill.

13 A. When they get the Ts and Cs.

14 Q. When they first sign up for the MEP
15 program with the AEP call service, do they know who
16 the supplier is?

17 A. So not when they -- not when they
18 affirmatively choose to enroll in the program but
19 they'll get an opportunity to -- they'll have the
20 terms and conditions.

21 Q. Now, how does that advance Choice if the
22 customer -- or, education about Choice if the
23 customer doesn't even know the name of the CRES
24 provider when they affirmatively sign up for the MEP
25 program?

1994

1 A. Because the customer is learning about
2 Choice. The customer will learn about the terms and
3 conditions, you still have your rider decision, the
4 customer will be educated by Choice by participating
5 in Choice.

6 Q. What is he going to learn from the AEP
7 call center, that there's a program where you can get
8 a 3 percent discount off the standard service offer;
9 is that right?

10 A. So we -- like I said before, I imagine
11 there's going to be a script for the call center that
12 we will develop as part of the stakeholder group.

13 Q. Is he going to know about any other --
14 from AEP's call center is he going to know about any
15 other Choice offers such as the 5 percent discount
16 that Integrys might be offering at that same time on
17 the Apples and Apples chart?

18 A. No. It would be limited to the MEP but,
19 again, there is no script currently. I imagine the
20 script will be developed as part of the stakeholder
21 group.

22 Q. Do you have any idea what the cost to AEP
23 will be regarding their role as their call center
24 directs people and informs people about the MEP
25 program, what the cost of that will be to AEP?

1995

1 A. So I do not know and I could not
2 speculate on what the costs will be. I would tell
3 you that all the costs will be paid by the
4 competitive suppliers and that we propose those costs
5 be paid by a per-customer -- per-referred customer
6 fee to be capped at \$25 amortized over three years as
7 laid out in the testimony.

8 Q. What if it cost AEP more than \$25?

9 A. So the Commission under our proposal
10 could extend the amortization period but we don't
11 expect those costs to be much over \$25. We've seen
12 similar numbers in other jurisdictions, and we also
13 expect that because of our experience with these
14 programs in other jurisdictions that we will do it
15 better here and better would be cheaper.

16 Q. What are the other jurisdictions, besides
17 Pennsylvania?

18 A. So New York also has a customer referral
19 program. I'm not as familiar with that program,
20 though. Pennsylvania is the most developed and the
21 one I'm most familiar with.

22 Q. Does the New York program work the same
23 way as this program is designed here?

24 A. I'm not that familiar. But the
25 Pennsylvania one does.

1996

1 MS. MOONEY: Okay. That's all the
2 questions, thank you.

3 THE WITNESS: Thank you.

4 EXAMINER PARROT: Let's go off the
5 record.

6 (Discussion off the record.)

7 EXAMINER PARROT: Let's go back on the
8 record. At this point we are going to take a
9 15-minute break. Thank you.

10 (Recess taken.)

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

13 Mr. Satterwhite.

14 MR. SATTERWHITE: Thank you, your Honor.

15 - - -

16 CROSS-EXAMINATION

17 By Mr. Satterwhite:

18 Q. Been looking forward to getting you sworn
19 in and under oath for a long time, Mr. Pickett.

20 All right, let's go to page 4 of your
21 testimony. I'd like to just clear up a couple things
22 and make sure I understand the program. On page 4 of
23 your testimony you talk about when this program will
24 be offered to customers, and I believe you say it
25 will be part of the script for every call other than

1997

1 termination or emergencies, correct?

2 A. Correct.

3 Q. So any call on questions on bills or
4 anything, this MEP program would be marketed to the
5 customers, correct?

6 A. Yes.

7 Q. And I believe you said earlier, I tried
8 to rework everything with what I've heard, that the 3
9 percent discount and the ability to withdraw any time
10 are the two known constants in the program at this
11 time, correct?

12 A. So the six-month term as well.

13 Q. Okay.

14 A. 3 percent, six-month term, and the
15 termination fee.

16 Q. And the terms and conditions for each of
17 the CRES providers that register could be different
18 amongst the different CRES providers, correct?

19 A. I think that's something that will be
20 nailed out in the stakeholder group.

21 Q. But as you're proposing it here today,
22 you're not proposing a single set of terms and
23 conditions that would cover each and every CRES
24 provider that would sign up; is that correct?

25 A. Not in this proposal but I can see where

1998

1 that would be the case.

2 Q. If there wasn't, would there be a
3 possibility when the customer calls -- let me
4 rephrase that.

5 So the customer won't receive the terms
6 and conditions I heard you say until after they sign
7 up and will come in the mail later, correct?

8 A. I have to check on the rule in that I
9 think you definitely get a mail copy but there are
10 practices where people e-mail copies of the Ts and
11 Cs.

12 Q. When you say you have to check, are you
13 referring to the normal sign-up of a customer where
14 the utility has to send the rights and
15 responsibilities to a customer?

16 A. Yes. Check the rules, yes.

17 Q. And currently an EDU has to send that
18 that reflects what's included in tariffs and then
19 it's followed up in the rights and responsibilities
20 and sent to a customer, correct?

21 A. Yes.

22 Q. And so you're saying that CRES providers
23 will also follow that -- that will be and the
24 customer will know the terms when they receive it in
25 the mail, correct?

1999

1 A. Definitely when they receive it in the
2 mail. Potentially they will bill electronically as
3 well.

4 Q. As you sit here today, you said I don't
5 know if it's going to be one form -- one form of
6 terms and conditions or a unique one to each CRES
7 provider. Is there a possibility that items like
8 pull-through charges or deposits or other things can
9 also be included in those contracts or terms and
10 conditions when customers receive it after the fact?

11 A. Not as I have contemplated in this
12 proposal. And I imagine that the stakeholder group
13 would probably have to deal with that as one of the
14 first issues.

15 Q. Okay. But we don't have the stakeholder
16 group yet --

17 A. Right.

18 Q. -- so if that's the caveat, that's fine,
19 but I just want to understand the proposal you're
20 proposing to the Commission -- so is it your proposal
21 that no matter what happens in the terms and
22 conditions a customer is guaranteed a 3 percent
23 discount off of the price to compare?

24 A. Could you repeat the question?

25 Q. Sure.

2000

1 MR. SATTERWHITE: Could I have it reread,
2 please?

3 (Record read.)

4 A. Yes, that's the MEP as proposed, yes.

5 Q. So other -- we had some testimony earlier
6 in the proceeding about polar vortex charges --

7 A. Right.

8 Q. -- potentially being added on. Your
9 proposal is that those type of pass-throughs would
10 not be included, that the customer would be
11 guaranteed the 3 percent discount off the price to
12 compare, correct?

13 A. So same caveat, that's something that's
14 not developed here, that's not -- so the stakeholder
15 group will have to discuss that. But the MEP as
16 proposed contemplates, as you characterized it, a
17 guaranteed 3 percent discount to the PTC.

18 Q. And you're proposing the MEP so is it
19 your testimony here that you're supporting no matter
20 what it's a 3 percent discount regardless of any
21 other clauses in contracts?

22 A. I wouldn't go as far as saying no matter
23 what. I would say subject to the terms and
24 conditions guaranteed 3 percent discount to the PTC.

25 Q. Okay. I understand that. But that's

2001

1 sort of the whole rub, right, because when you say
2 subject to terms and conditions, you can flow in a
3 \$500 adder and just say those in the terms and
4 conditions. So my question to you is as you're
5 proposing this to the company, are you in support of
6 what you get into these, these working groups, that
7 you're going to support that no matter what it's a
8 3 percent discount off of the price to compare or are
9 you going to leave open and suggest that there be
10 allowed to be terms and conditions where other adders
11 can go on so it actually is a price higher than the
12 standard service offer?

13 A. So I can tell you that RESA will support
14 the MEP as proposed, and as proposed it does not
15 involve incorporating any of those charges that you
16 contemplated.

17 Q. So the RESA members will all support not
18 having terms and conditions that take anything above
19 a 3 percent discount of the price to compare,
20 correct?

21 A. Yes.

22 Q. You mentioned some -- in some
23 conversations with a couple different counsel about
24 call center scripts. Who is going to have control of
25 those call center scripts? Is that another thing for

2002

1 the working group?

2 A. That's what we would contemplate would be
3 something for the working group, yes.

4 Q. And currently staff audits and reviews
5 EDUs -- call center scripts. Were you aware of that?

6 A. I was not aware of that.

7 Q. Would still have access and inputs to
8 make sure all the rules are being followed on the
9 scripts that involve the MEP program?

10 A. Yes. I actually -- when we contemplated
11 this, we imagined the staff would be a key
12 participant in the working group just because of that
13 knowledge that they have.

14 Q. And control is really what I'm asking
15 about. The staff might come in and dictate certain
16 changes need to be done under certain rules and
17 you're not claiming that CRES providers will say
18 those changes can't occur because it's a CRES
19 service, correct?

20 A. I would agree to that, yes.

21 Q. Now, you also discussed the -- or, we
22 talked about the possibility of there being different
23 terms and conditions. If there are different terms
24 and conditions among different CRES suppliers, do you
25 think that's something important that will need to be

2003

1 included in the scripts so when customers hear who
2 they have, they'll know what the other terms and
3 conditions besides the price are?

4 A. Yeah. I would say, I guess this would
5 be -- this is not a RESA thing, this would be a
6 personal opinion so repeat the question one more
7 time. Do I think it's important that the customer
8 know the terms and conditions?

9 Q. Yeah, you created the possibility that
10 there might not be a uniform --

11 A. Right.

12 Q. -- contract and there might be specific
13 terms and conditions for each of the CRES suppliers
14 that are registered, correct?

15 A. Okay, yes. The scenario.

16 Q. You just ran past the question again so
17 you can respond to the question directly that I
18 asked, we'll keep it clean for the Commission.

19 So if that occurs, is it important that
20 when the EDU is talking to the customer and assigning
21 them to a certain CRES provider, that those customers
22 are also made aware of any particular terms and
23 conditions that are in addition to the six-month term
24 and the 3 percent discount?

25 A. Yes. I would say that in this

2004

1 stakeholder group if it was decided that there should
2 be individual suppliers' Ts and Cs, then any key
3 terms in those Ts and Cs should probably be spelled
4 out as part of the script if that's the way they
5 decide to go.

6 Q. And that would be added to the script
7 that everyone and staff would overview that would be
8 provided to the company to read to customers when
9 they call in?

10 A. I would imagine so, yes. But in a
11 scenario where there's only one T and C, there would
12 be no need for that extra step, you would just need
13 one script with the key terms of the terms and
14 conditions of the MEP.

15 Q. But over time as the working group
16 develops things, there could be differences among the
17 different groups so we don't know yet whether there's
18 going to be one or five separate Ts and Cs, right?

19 A. Correct.

20 Q. Are you familiar with the Commission
21 rules that require certain response times or answer
22 times for EDUs --

23 A. No.

24 Q. -- dealing with customers?

25 A. No.

2005

1 Q. In the other jurisdictions where there's
2 MEP programs do you know if there's rules that govern
3 how quickly the EDU call center needs to have wait
4 times for customers?

5 A. I'm not sure. But in other
6 jurisdictions, specifically Pennsylvania, they have
7 the same guidelines that we've laid out for which
8 calls fielded offer the customer referral programs.

9 Q. But if the EDU now has to add something
10 to their script to deal with, one, marketing the MEP
11 program and, two, potentially explaining it, and,
12 three, talking about different terms and conditions,
13 you would agree that that would add time on to each
14 call that a customer service rep. is handling with a
15 customer, correct?

16 A. Yes.

17 Q. And if the current Commission rules as
18 constituted are based on not having the assumption
19 that that extra time is in the call, it's going to
20 increase the time and require more staff to be hired
21 to ensure that the customer answer time under the
22 rules is still met, correct?

23 A. Logically that makes sense.

24 Q. Okay.

25 A. I couldn't testify to AEP staffing in

2006

1 their call center operation.

2 Q. But you can certainly -- you've certainly
3 accepted the premise that if we have to add all these
4 comments to the script, it will take more time than
5 it takes now on the average customer response time,
6 correct?

7 A. Yeah, I would say it would take more
8 time.

9 Q. Now, you talked a little bit with
10 Mr. Serio about IT and the collection charges that
11 the company might have to incur as a result of this
12 program. Do you remember that?

13 A. I remember IT. I don't remember saying
14 "collection." If I did, that was -- I'm not sure
15 what I was --

16 Q. Well, I'm just referring in general
17 costs, IT and other costs the company might incur.

18 A. Right.

19 Q. And you said that would be part of that.
20 Were you referring to the \$25, that that would be
21 figured in the \$25 fee?

22 A. Correct. I guess I would call it IT and
23 maintenance is what I would call it.

24 Q. Okay. Would that also cover any
25 additional staff that might need to be hired to

2007

1 ensure compliance with Commission rules for the call
2 center on answer time?

3 A. So if it turns out that staff would have
4 to be hired, yes. If those were part of the costs, I
5 would say yes.

6 Q. I guess let me ask it more generally.
7 It's your intention that this be cost neutral for the
8 EDU of implementing this program, correct?

9 A. Yes.

10 Q. And you said it's a \$25 charge, and they
11 can amortize that over three years if the costs are
12 higher, correct?

13 A. Yes. But a slight correction. Capped at
14 \$25, it would be less than \$25.

15 Q. But the costs could be significantly
16 higher than the customer cost of \$25, correct?

17 A. There's a potential for that, yeah.

18 Q. And what if nobody signs up for the MEP
19 program and the company's already incurred all of
20 those costs to prepare for it, how is the company
21 going to recover those costs?

22 A. So we don't anticipate there to be no one
23 to sign up for it. For example, in Pennsylvania with
24 PPL, Pennsylvania Power and Light utilities, they've
25 signed up 66,000 customers and their program is --

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1 you know, they've been in effect since 2012. PECO
2 utility in Pennsylvania signs up about 400 customers
3 a week according to their latest estimate in their
4 latest default service plan.

5 So it's not anticipated that would be the
6 case. What we do contemplate is if we do have very
7 low levels of participation, we've implemented the
8 stakeholder process so that we can adjust -- so we
9 can make sure that we do have -- so we can make the
10 program more attractive and get appropriate levels of
11 participation.

12 Q. But as currently constituted, the company
13 has to prepare to offer this program and spend costs
14 before they know how many companies, CRES providers,
15 and how many customers are going to take advantage of
16 it, correct?

17 A. Yes.

18 Q. And you mentioned other states than
19 Pennsylvania. In Pennsylvania does the EDU call
20 center handle the full extent of signing up the
21 customer under the MEP program?

22 A. So it's different from utility to
23 utility. PPL, Pennsylvania Power and Light, they've
24 contracted a third party to do the call center
25 function. In PECO I think they actually do use their

2009

1 own -- their own resources. I'm not sure about some
2 of the other utilities and how they do it.

3 Q. And PPL gets a \$30 referral fee for every
4 customer that switches under the MEP program,
5 correct?

6 A. \$28.

7 Q. \$28?

8 A. I think it's 28 in their latest filing.

9 Q. Is that supposed to be comparable to the
10 \$25 here in Ohio?

11 A. Yes. So the idea was that we have
12 experience now with these programs in Pennsylvania
13 and that we should be able to do them a bit better
14 and a bit cheaper.

15 Q. And that \$28 goes to fund a third-party
16 call center, not the EDUs traditional call center; is
17 that correct?

18 A. I'm not -- I would imagine that the EDU
19 still has costs, so the \$28 goes to the cost of the
20 program. I would imagine some of that cost would be
21 the third-party call center but then there's other
22 costs related to the program I would imagine.

23 Q. But the EDU in PPL they do not need to
24 take on extra staff to handle the increased amount of
25 time for each script due to this program, correct?

2010

1 A. I don't know. I don't recall. But if
2 that's what you found out, I would be willing to
3 accept that.

4 Q. If you want to answer that for the rest
5 of my questions, it will get us over real quickly.

6 But certainly if -- by the very
7 definition of it, if someone's sending all of the
8 responsibilities to a third-party call center to
9 handle the education and the sign-up versus keeping
10 it in house --

11 A. Right.

12 Q. -- it's going to be less time in house
13 because you've been able to hand it off, correct?

14 A. I would imagine so.

15 Q. And, I'm sorry, your answer before of
16 what if no one signs up, those costs, you said the
17 working group will handle that issue --

18 A. Yes.

19 Q. -- if the company invests all the
20 infrastructure and is unable to recover its costs?

21 A. Yes.

22 Q. And that could be beyond the fee. You
23 are not saying that the company should have to eat
24 those costs, that it might not be the fee, it might
25 be some other recovery mechanism for the company?

2011

1 A. I wasn't contemplating another recovery
2 mechanism. I was contemplating changes in the
3 program that would allow the program to grow so you
4 could recover those fees.

5 Q. Okay. That's interesting. So if the
6 program is not working and no one's signing up, we
7 get together in a working group and figure out how to
8 attract people and then we start to apply another
9 \$25 fee or something to slowly repay the company for
10 all the up-front costs it invested, correct?

11 A. Yes.

12 Q. Now, you mentioned a couple times that
13 you'll follow the renewal rules for customers after
14 their six-month period.

15 A. Yes.

16 Q. And I got confused. Are those the
17 renewal rules that come out of this working group or
18 are those the current renewal rules that are already
19 governing CRES providers?

20 A. The current renewal rules.

21 Q. And is it your understanding that
22 currently there has to be what's referred to as a wet
23 signature for customers to re-sign or can customers
24 be negatively enrolled for a renewal?

25 A. So the renewal rules that would apply to

2012

1 this program would be the renewal rules when there is
2 no early-termination fee and that lays out a series
3 of different occurrences. There has to be
4 affirmative consent for a new product, so if you're
5 going to do an entirely new product that's different
6 from the terms that they currently have, then you
7 would have to have affirmative consent.

8 That's not the case for a renewal product
9 that's already laid out in the Ts and Cs or a
10 month-to-month product as the rules define it.

11 Q. And when you say "affirmative consent,"
12 that's just a fancier word than my wet signature,
13 correct?

14 A. Yes.

15 Q. And so what you're saying is if they
16 adopt simply the 3 percent discount and whether
17 that's the same -- all the other terms and conditions
18 are the same or whether they're all different from
19 that working group, if they use the exact same terms
20 so it's another six-month 3 percent discount in
21 whatever was mailed or e-mailed to them at the first
22 instance, there doesn't have to be affirmative
23 consent, correct?

24 A. Yes. As the rules are today.

25 Q. But if they're --

2013

1 A. I think the same applies to the
2 month-to-month.

3 Q. But if there were allowed terms and
4 conditions added in there and there were allowed to
5 be changes without affirmative consent, then that
6 would govern, correct?

7 A. As long as those terms and conditions
8 were still in accordance with those principles laid
9 out in the rules, yes.

10 Q. And are those terms and conditions, since
11 this is sort of a pseudo-regulated agreement between
12 the EDU and the CRES provider and staff involved, are
13 each of those contracts and terms and conditions
14 going to be provided and filed with the staff as
15 well?

16 A. I imagine it's a decision for the
17 stakeholder group. I mean, it will depend on how a
18 lot of things turn out. I imagine if there was one
19 set of Ts and Cs, that it would be -- there would be
20 a different scenario than if CRES suppliers had their
21 own Ts and Cs and those being made available to their
22 competitors.

23 Q. On behalf of RESA, since you're proposing
24 this and you have all the testimony governing this as
25 you approach the working group, is it RESA's

2014

1 intention to ensure that staff and the company have a
2 full copy of the Ts and Cs so they understand what
3 the customers are facing?

4 A. That's an interesting question. I would
5 say that it would be the full intent of RESA to have
6 a transparent process in that in the context of the
7 working group we will negotiate in good faith to make
8 sure that that's the case. And that's one component
9 of whether or not we do that.

10 Q. So you don't -- that's not a "yes" or a
11 "no." It's a you don't know yet whether you're going
12 to provide that to staff and the company, the terms
13 and conditions?

14 A. Because it still depended on what we end
15 up, how we end up having the terms and conditions,
16 you know, what it ends up having in it. A lot of
17 things I don't know yet so I couldn't speculate on
18 how we would try to act upon those things. But I
19 would say that it would be our full intention to be
20 transparent with the program.

21 Q. I believe when you were talking
22 earlier with Ms. Mooney, you talked about all of the
23 unknowns that are still present as part of the
24 stakeholder process, correct?

25 A. Yes.

2015

1 Q. You said there's a lot to think about
2 before implementing this product I think.

3 A. Yes.

4 Q. Okay. Is there anything unique about an
5 ESP that the MEP program needs to be filed and
6 approved as part of an ESP?

7 A. So that's something that I thought about
8 a bit. I'm not exactly sure. There might -- you
9 know, depending on how things turn out there might
10 have to be changes in the supplier tariff. We
11 contemplate in the document itself a supplier or MEP
12 participation form, I imagine that might be something
13 that might have to be developed and approved.

14 Q. But from a -- from your experience from a
15 regulatory point of view could this program be
16 proposed outside of an ESP and approved in a separate
17 docket by the Commission?

18 A. I'm not sure.

19 Q. If a bunch of changes come about due to
20 these working groups and this plan is approved within
21 the confines of an ESP, would the Commission have to
22 wait until the next ESP to update those since it
23 approved it in the confines of an ESP?

24 A. So what I would expect would be an order
25 in the ESP that lays out the guidelines for the

2016

1 program itself and for the working group to figure
2 out exactly what are the terms. So lay out the
3 guidelines. And then the working group on an ongoing
4 basis develop the program.

5 Like I talked about before, the market is
6 a changing place and what works today may not work
7 tomorrow. We're not even proposing to implement this
8 until June of 2015, so there might be a lot of things
9 that are different. But I would imagine that the
10 Commission's order would lay out the guidelines for
11 the working group and the working group would stay
12 within those confines and develop the product.

13 Q. Now, as you proposed this program, a CRES
14 provider opts in to the program and notifies the
15 Commission and the EDU, correct?

16 A. Yes.

17 Q. So you believe it's appropriate for the
18 PUCO to assert certain restrictions on CRES providers
19 that want to opt into a special program, correct?

20 A. Yes. And that was the point of the MEP
21 participation form, to lay out guidelines for
22 participation in this particular -- particular
23 product or particular program.

24 Q. Just a housecleaning issue. Can you go
25 to page 5 of your testimony. On line 13 you refer to

2017

1 AEP there. Whether you have Ohio Power or AEP in
2 your testimony, is that intended to mean the same
3 thing?

4 A. Yes.

5 Q. And if out of the working group there's
6 some rules or new rules of the road that are approved
7 by the working group and in a year FirstEnergy
8 decides to adopt an MEP program in their territory,
9 would they inherit the rules of the road from the
10 AEP Ohio working group?

11 A. Inherit? I wouldn't say -- I wouldn't
12 know how you would define "inherit." I would say it
13 would be -- it would behoove them to use those as a
14 guideline as those are ones that the stakeholders all
15 could agree to and that the Commission could approve.

16 Q. So it would be your preference that no
17 matter what jurisdiction there is in Ohio, that the
18 same MEP guidelines apply?

19 A. I would say "yes."

20 Q. Why is that consistency important?

21 A. So the consistency is important, it's
22 something we saw in Pennsylvania, that it gives the
23 working group direction because one thing that's also
24 true is that these territories are very different and
25 the market situations are different, so the

2018

1 stakeholders are going to have different things at
2 play. But you want to give it a basic course so that
3 we're not, you know, debating and discussing the
4 stakeholder process for an exorbitant amount of time.

5 Q. So as a CRES provider looking to enter a
6 market or already in a market, you prefer statewide
7 to have a program applied the same way for your
8 business model; is that correct?

9 A. You're talking about in specific,
10 specific to a customer referral program like this
11 one?

12 Q. In general, just as a business model for
13 a CRES provider, do you want different programs
14 across the state for the same types of services?

15 A. So there's a lot of issues at stake with
16 that and it would depend on the specific issue. But
17 some things should be uniform and some things are
18 more particular to a certain area.

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

21 THE WITNESS: Thank you.

22 MR. SATTERWHITE: You're still under oath
23 for an hour, though, so after this I want to talk
24 some more.

25 THE WITNESS: Thank you, Matt.

2019

1 EXAMINER PARROT: Mr. Parram?

2 CROSS-EXAMINATION

3 By Mr. Parram:

4 Q. Good afternoon, Mr. Pickett.

5 A. Good afternoon.

6 Q. Thankfully Mr. Satterwhite covered some
7 of my questions so I'll try to be quick. Just a
8 point of clarification on something you just
9 discussed with Mr. Satterwhite.

10 The way I understand your proposal is
11 that RESA is ultimately looking for an opinion and
12 order from the Commission in this case approving the
13 MEP program and specifically approving three aspects
14 of the MEP program in the opinion and order, the 3
15 percent off the price to compare, a six-month period
16 for the MEP program, and no termination provision; is
17 that correct? Those would be the three things that
18 are definitely decided in the opinion and order that
19 would come out of this case; is that correct?

20 A. Well, I think RESA would like the MEP to
21 be accepted as proposed in its entirety. Those are
22 three key factors. We also propose some specific
23 things about which calls are fielded and then we
24 proposed specific things about new and moving
25 customers and how they're enrolled, they're enrolled

2020

1 one month after they're -- after their first month
2 with the utility, one month after.

3 But to answer your question, those are --
4 those are key factors and I think those would be part
5 of the Commission guidelines. I think what's missing
6 would be the specific terms and conditions for the
7 contracts themselves.

8 Q. Okay. So when you discussed -- you said
9 assuming the Commission approves the MEP program,
10 there would still need to be a stakeholder process or
11 a working group. And stakeholder process, working
12 group, you're using those interchangeably, correct?

13 A. Yes. This is true.

14 Q. Would the stakeholder group address the
15 percentage of the discount off of the price to
16 compare?

17 A. So not for the first iteration. So for
18 the first iteration of the MEP it would be set by the
19 Commission. But then on an ongoing basis, as market
20 situations change, we would expect that that would be
21 under the jurisdiction of the stakeholder group.

22 Q. And I believe you said "first iteration."
23 Is that what your --

24 A. Yes. So I imagine that, you know, the
25 MEP six-month term, 3 percent, so six months after

2021

1 June of '15 there would be another collaborative to
2 discuss the term and the price itself.

3 Q. Okay. So what you're envisioning is a
4 six-month period first that would be your first
5 iteration and then revisit that at that point in time
6 in another stakeholder group.

7 A. Yes.

8 Q. Would it be a continuation six months
9 from there on meaning every six months, or would it
10 change? What is your thought?

11 A. So in the testimony we said quarterly
12 reports and an annual stakeholder process to review
13 the effectiveness of the program. But the reason
14 that we have the initial stakeholder process is
15 because we need to find out what the actual costs
16 are, the maintenance costs and what the per-customer
17 fee is going to be, and we need AEP to participate
18 for that. And then we still don't have terms and
19 conditions for the product itself and we need to
20 figure out what that is going to be.

21 But then on an ongoing basis we would
22 expect that we would review the product itself so to
23 make sure it's still viable in the market, we're
24 still attracting customers, and that suppliers aren't
25 jumping away from the program for some particular

2022

1 reason.

2 Q. So backing up, I think it would be fair
3 to say that for -- you envision the Commission in
4 this case in their opinion and order saying for this
5 first six-month period the discount will be
6 3 percent.

7 A. Yes.

8 Q. To be revisited at a later point in time
9 by the stakeholder group.

10 A. Yes.

11 Q. Along that same line do you see the
12 Commission saying for this first six-month period --
13 well, do you envision the Commission also saying and
14 we approve the MEP program to have customers to be on
15 the MEP program for a six-month period and set that
16 out in the first -- in the opinion and order in this
17 case?

18 A. That would be our expectation.

19 Q. Is it also your expectation that the
20 Commission would indicate that there would be no
21 termination fee for customers that participate in an
22 MEP program?

23 A. Yes, during the program and no
24 termination fee on any renewal product that derives
25 from the program.

2023

1 Q. Now, a question I have about the
2 stakeholder process, when the stakeholders get
3 together and they ultimately will consider issues
4 such as terms and conditions, the particular scripts
5 that will be used --

6 A. Right.

7 Q. -- and I believe you may have mentioned
8 other things but I can't recall all of them right
9 now, after they get together what will be the result
10 of this process? Do you envision something being
11 submitted to Commission staff or to the Commission
12 for approval, or what exactly is your thoughts on
13 that?

14 A. Because it would be a living document I
15 would imagine that this would be something that the
16 Commission staff held. We would have -- so we would
17 have from now until June 2015 to figure all those
18 things out, but I would imagine that it would be
19 something that the Commission staff had so that every
20 time we went to renew the document we didn't have to
21 have another Commission process to do it.

22 Q. Okay. So during the stakeholder process
23 let's assume a dispute arises between whoever's in
24 the stakeholder process regarding what terms and
25 conditions should be included. Who would be the

2024

1 ultimate arbiter of what should be included in the
2 terms and conditions?

3 A. So I think the important thing would be
4 that this would be -- this would be guided by the
5 Commission's guidelines. So there would be strict
6 guidelines around how the product would be developed.
7 But also there would be a timeline, because the
8 Commission would say we approve the MEP to be
9 initiated by June of 2015 with this term.

10 So by that time we have to have a product
11 and a process for enrolling those customers by that
12 date certain, so there would be a -- and I imagine
13 the Commission itself would probably want a status
14 report of the group at a certain date to make sure
15 that things were going as expected.

16 Q. And, just to be clear because I wasn't
17 sure what your answer was, if there is ultimately a
18 dispute regarding particular terms and conditions of
19 the MEP contracts, let me say -- and I'm talking
20 about the -- well, let me be clear on this before.
21 The terms and conditions you're talking about is a
22 standard form MEP agreement that the --

23 A. Right.

24 Q. -- CRES providers will all uniformly use;
25 is that correct?

2025

1 A. So there was still some ambiguity as to
2 that. There could be one uniform T and C or there
3 could be uniform guidelines for Ts and Cs that
4 various CRES providers have to have to participate.

5 Q. Okay. Let's assume that a dispute arises
6 regarding a particular term or condition, let's say a
7 dispute regarding if there should be a pass-through
8 provision. If there is a dispute regarding that
9 issue that cannot be resolved between staff or the
10 CRES providers or AEP Ohio, who would ultimately
11 determine what the terms and conditions should look
12 like?

13 A. So we didn't lay out that conflict
14 resolution in the proposal itself. So there's -- I
15 guess I don't have an answer for that question. But
16 I would imagine that there could be amicable conflict
17 resolution if we had strict guidelines by which we
18 had to adhere.

19 Q. Would RESA be opposed to the Commission
20 being the one deciding what particular terms and
21 conditions should be included in the MEP contract?

22 A. The Commission or the Commission staff?

23 Q. The Commission. Let's start with the
24 Commission.

25 A. So I think -- first off, I think the

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1 Commission would make great decisions.

2 Q. Good answer.

3 A. I think the process itself would have to
4 be delineated because we would want a timely process
5 to resolve conflicts. I think the Commission staff
6 has excellent expertise and could just as well
7 resolve conflicts. But that's not laid out in our
8 proposal.

9 Q. Would RESA be opposed to the Commission
10 being the one ultimately making a decision as it
11 relates to the terms and conditions in the MEP
12 contract?

13 A. No, we would not be opposed to that.

14 Q. Would RESA be opposed to Commission staff
15 making the ultimate decision regarding the terms and
16 conditions in the MEP contract?

17 A. No, we would also not be opposed to that.

18 Q. Would RESA be opposed to the Commission
19 making the ultimate determination as to what scripts
20 will be used in the MEP program?

21 A. No, no opposition to that. I think with
22 all these things, for all of these terms and
23 conditions the Commission or the Commission staff
24 would be great arbiters of conflict. I think the
25 only important step would be that stakeholder process

2027

1 so that we all could have our opinions and our
2 expertise as an asset for the Commission to use when
3 they do make that decision.

4 Q. So just to tie that all up, RESA is not
5 opposed to the Commission or Commission staff
6 ultimately making the final decision of how the MEP
7 program should be implemented during the stakeholder
8 process.

9 A. Correct.

10 Q. Now, you indicated that you were aware of
11 a couple different jurisdictions that have MEP
12 programs, and I believe you indicated New York and
13 Pennsylvania.

14 A. Yes.

15 Q. Are you aware of any other jurisdictions?

16 A. Not that I can think of, no.

17 Q. And I believe you indicated that you're
18 not that familiar with the New York one.

19 A. Not too familiar with New York but very
20 familiar with the Pennsylvania program.

21 Q. Okay. Are you aware of the percentage
22 that -- the percent of the discount in the
23 Pennsylvania energy program?

24 A. So I know in PPL and PECO's territory
25 it's a 7 percent discount to the price to compare.

1 I'd also say that their price to compare is very
2 different from the price to compare in Ohio. They
3 have a standard uniform price to compare for each of
4 the utility classes, I guess is what I want to call
5 them, the customer classes, the customer classes that
6 last for three months, so it's a quarterly variable
7 price to compare.

8 The price to compare in Ohio's a little
9 more specific to the customer themselves based on
10 usage, but if you're a customer in Pennsylvania,
11 everyone has the same price to compare for three
12 months until it changes and then it changes again in
13 another three months.

14 Q. Are you aware of -- I'll call it the MEP
15 term, in your proposal it's six months --

16 A. Uh-huh.

17 Q. -- are you aware of how long the MEP term
18 is in Pennsylvania?

19 A. 12-month term.

20 Q. Are you aware if Pennsylvania's program,
21 MEP program, in general had a time frame?

22 A. So similar to Ohio, Pennsylvania has
23 default service plans, DSPs, and those programs
24 lasted through the terms of the specific DSPs, and
25 PPL and both PECO have recently filed DSPs where they

2029

1 both are seeking to extend those programs and they
2 specifically cite the success of the programs. They
3 use the word "success" in their filing to describe
4 why they want to continue their programs.

5 Q. In your MEP proposal are you proposing a
6 specific time frame?

7 A. Yes. We would propose that the MEP
8 would, much like in Pennsylvania, last for the life
9 of the ESP.

10 Q. So in this particular case it would end
11 in 2018.

12 A. Yes.

13 Q. Under your proposal -- under your
14 proposal if a shopping customer calls AEP Ohio
15 with -- well, strike that.

16 Would shopping customers be eligible for
17 the MEP program as you propose it?

18 A. As we propose the program, shopping
19 customers would not be eligible for the MEP.

20 Q. So when a -- I'm trying to envision how
21 this would work. If a customer calls -- I believe
22 you indicated that if a customer calls AEP for
23 essentially anything except for an emergency or as it
24 relates to -- I'm sorry, what were the reasons why --
25 what were the particular times you would not sell the

2030

1 MEP program to a customer under your proposal?

2 A. Termination or emergency.

3 Q. Okay. So except for those circumstances,
4 whether it's termination or an emergency, your
5 expectation is that AEP Ohio would propose or mention
6 the MEP program to customers, correct?

7 A. Right.

8 Q. Would they -- would it be your
9 expectation for AEP Ohio to confirm whether or not
10 they are a shopping customer first?

11 A. It would be -- it's my expectation that
12 AEP Ohio would have that information when they're
13 talking to the customer to know whether or not
14 they're shopping and would use that as part of their
15 determination of whether or not they have to offer
16 this program. But I'm not sure how AEP systems
17 currently work. I think that that technicality may
18 be something for the stakeholder group to consider as
19 well in an effort to keep costs down and balance the
20 necessity to have suppliers participating and to have
21 an attractive discount.

22 So the idea and the reason why I would
23 propose it would not be for current shopping
24 customers is because the MEP is designed not to be a
25 competitive product. In its nature it's not. It's

2031

1 being approved by the Commission and developed in the
2 stakeholder workshop. The idea is to educate
3 customers and give them a chance to participate in
4 the market in a different kind of way, in a more
5 standardized kind of way, and that's why we wouldn't
6 want folks to call and, you know, solicit the MEP as
7 a different product, because it isn't a competitive
8 product, in a certain type of way.

9 Q. Are you aware if in Pennsylvania -- are
10 you aware if shopping customers are eligible for the
11 MEP program in Pennsylvania?

12 A. I believe they are. I believe they are.
13 I'm not certain, but I believe that's the case. But
14 it's -- you make a good point, but it's one of the
15 reasons that we made this distinction for this
16 program.

17 Pennsylvania, and this was widely
18 publicized in Energy Choice Matters trade press, that
19 they had -- they struggled with supplier
20 participation at the outset of their programs, and
21 there's no, you know, scientific reason but I would
22 imagine that that was one of their reasons the -- the
23 program wasn't designed to -- it wasn't designed as
24 an entry to the market, it was just designed as
25 another product that you could get on.

1 One thing that we wanted to limit when we
2 created this product for Ohio is to have it specific
3 to an entry into the market, to an introduction into
4 competition and a real educational experience.

5 Q. Would you say that Pennsylvania's program
6 was successful?

7 A. Yes.

8 Q. In what aspect?

9 A. It was successful at engaging customers
10 and having a lot of customers sign up for the
11 product. I think even though it was successful there
12 were lessons to be learned and most of that is on the
13 supplier participation side.

14 Q. And I think you indicated earlier, you
15 said Pennsylvania has 60 suppliers. Is that correct?

16 A. It was an example I was using in another
17 situation, and the example was over 60 registered
18 suppliers. So we're talking about just registered
19 suppliers.

20 Q. And that's just statewide they have 60 --

21 A. Yes.

22 Q. -- registered suppliers? Okay. Okay.

23 Oh, that's not in PPL territory --

24 A. Right.

25 Q. -- or PECO territory, you were just

1 talking about statewide suppliers, okay.

2 A. And so to make the relevant example, in
3 the Energy Choice Matters article publicized in the
4 summer of 2013 when these programs were recently
5 developed, there was as low as three suppliers in a
6 robust market as large as that participated in the
7 customer referral programs and they followed that
8 story up a couple months later and the numbers had
9 increased to about six or nine for some of the
10 utility territories, but a far cry from 20 to 30.

11 Q. Currently under the Commission rule,
12 well, what do you envision constituting customer
13 consent when they enroll in the MEP program? Just to
14 clarify on that, will there need to be some type of
15 recording of a telephone call, or will there need to
16 be a written document, a signature?

17 A. So we didn't lay out affirmative consent
18 in the proposal. I would imagine that the guidelines
19 for consenting to the program could constitute a
20 recording of the call when you choose to enroll in
21 the MEP.

22 Q. And will customers that decide to enroll
23 in the MEP program be subject to a switching fee?

24 A. The switching fee directly to the
25 customer or applied to the supplier?

1 Q. Directly to the customer.

2 A. Not as we've proposed it.

3 Q. So AEP Ohio would not charge a
4 \$5 switching or a switching fee for customers?

5 A. No, not in the MEP proposal.

6 Q. And would customers receive a seven-day
7 rescission letter once they've decided to switch from
8 being an SSO customer to a MEP participant?

9 A. So the right on rescission would still
10 apply. Right of rescission.

11 Q. And I think we've even gone over this a
12 number of times but, I'm sorry, I'm still not a
13 hundred percent clear on it, after the six-month
14 term -- well, is it your testimony that the
15 guidelines or rules of rescission about what will
16 happen after the six-month term and how a customer
17 will be renewed, that's something to be worked out in
18 the stakeholder process, or do you have a specific
19 proposal today that you envision the Commission
20 saying this is how renewals should be implemented
21 under the MEP program?

22 A. So there's two aspects to that answer,
23 the first is, as we said in our testimony, renewal
24 will be governed by the guidelines of the rules when
25 there is no early-termination fee. And that if you

1 were to have a renewal product, you would have to
2 have that, the specifics of that product per the
3 rules in your terms and conditions, and the terms and
4 conditions is the part that we don't currently have
5 but we do know that those terms and conditions will
6 have to follow the rules on renewal. And that's why
7 it's been talked about.

8 Q. I believe you also indicated in response
9 to Mr. Serio or Mr. Satterwhite that if a customer
10 signs up with a MEP CRES provider and during the term
11 of that six-month period the customer -- I'm sorry,
12 the CRES provider decides to leave the MEP program,
13 the customer -- would the terms and conditions of the
14 contract that the customer entered into with that
15 CRES provider still apply?

16 A. Yeah, terms of the contract would apply
17 for the life of the contract.

18 Q. So whether or not a MEP CRES provider
19 decides to leave the MEP program should not affect
20 the customer because ultimately the terms and
21 conditions control.

22 A. Exactly.

23 Is it possible to go back to a question
24 that you asked?

25 Q. It's possible.

1 A. You asked a question about the switching
2 fee. In thinking about it I don't know -- I don't
3 know the basis for the switching fee, if it's in the
4 statute or the tariff. The way I always thought of a
5 switching fee is that was a fee applied to the CRES
6 provider and invoiced to the CRES provider, so I
7 think my answer on that question would be I'm not
8 sure how the switching fee would apply with the MEP
9 program. That's something I don't know and didn't
10 contemplate for the terms of this.

11 But I would propose -- so the proposal's
12 for the MEP to be cost-free to customers regardless.
13 So we would -- RESA would propose to deal with that
14 switching fee in a cost neutral way for the customer.

15 Q. Thank you for that clarification. And I
16 think you indicated in response to Mr. Satterwhite
17 that RESA proposes that this will be cost neutral to
18 the company --

19 A. Correct.

20 Q. -- and I also believe -- so it's also
21 RESA's proposal that it will be cost neutral for
22 customers.

23 A. Yes. The implementation and the IT. I
24 mean, obviously they have to pay the cost of their
25 bill, but the implementation, the IT for maintenance,

1 ongoing maintenance of the program, would be a cost
2 of the supplier. Participating suppliers.

3 Q. And when you say cost neutral for
4 customers, that means for just customers that decide
5 to participate in the MEP program or that ratepayers
6 in general will not ultimately incur any costs as a
7 result of the MEP program?

8 A. No ratepayers will incur costs other --
9 for implementation, maintenance of the MEP program,
10 other than to pay your bill if you decide to be part
11 of the MEP.

12 Q. So if it's cost neutral to the customers,
13 ratepayers, cost neutral to the company, it's fair to
14 say that any cost at all that will ultimately come
15 out of the MEP program will be paid for by CRES
16 providers.

17 A. As we proposed it, yes, paid for by CRES
18 providers, capped at \$25 in a per-referral customer
19 fee.

20 Q. And no matter what level of participation
21 in the future or any modifications to the \$25 cap,
22 it's still RESA's proposal that it would be cost
23 neutral for customers, ratepayers, and the company.

24 A. Yes.

25 Q. Will it be indicated on the bill that the

1 customer is a participant in the MEP program?

2 A. I think that would be a good feature to
3 have. So that's not something spelled out in our
4 testimony, but we've said throughout the testimony
5 that this is supposed to be educational. I think the
6 customer should understand that the MEP is not a
7 competitive, you know, a supplier's product as they
8 would experience it anywhere else in the market; that
9 this is a specific product developed in a specific
10 way and that to really experience the market they
11 should get out there and shop. So any type of
12 proposals that would proffer that would be favorable.

13 MR. PARRAM: Thank you, Mr. Pickett.

14 That's all I have, your Honor.

15 EXAMINER PARROT: Any redirect?

16 MR. PETRICOFF: May we have a moment?

17 Yes, your Honor, we have two questions.

18 - - -

19 REDIRECT EXAMINATION

20 By Mr. Petricoff:

21 Q. The first one is in answer to a question
22 that you were asked by Mr. Satterwhite in terms of --
23 or, it may have been Mr. Serio, I'm not quite sure,
24 but it had to do with the name of the CRES provider
25 in the MEP program. When would the customer be told

1 who the CRES is who is supplying in the MEP program
2 for them and why would it not be immediate?

3 A. So it would not be immediate because as a
4 function of the randomness of the assignment, you
5 know, we have to have an efficient process for a
6 customer on the phone. I think in Mr. Satterwhite's
7 questions we heard that, you know, they're scored on
8 response time so we would want that type of
9 efficiency to be immediate.

10 They would know soon thereafter when they
11 receive their terms and conditions if they were a
12 part of the random assignment. If they otherwise
13 chose their supplier who's participating in the MEP,
14 they would know that.

15 I think -- I think the confusion came as
16 part of the reporting and why RESA in our testimony
17 had the confidentiality of that reporting and the
18 main reason is to protect CRES identity when it comes
19 to market share and market power because those are
20 sensitive topics when it comes to trade.

21 Q. One last question for you. You currently
22 are the chairman of the RESA Ohio group, electric?

23 A. Yes.

24 Q. Okay. Based on that do you think it is
25 highly likely that come first meeting of the group

1 that would work on the terms and conditions that
2 there would be a full-fledged RESA proposal?

3 A. Yes. I would imagine there would be a
4 full RESA proposal for terms and conditions,
5 maintenance, et cetera, yes.

6 MR. PETRICOFF: No further questions.
7 Thank you.

8 EXAMINER PARROT: Anything on behalf of
9 Constellation or Exelon?

10 MS. PETRUCCI: No questions.

11 EXAMINER PARROT: Ms. Mooney?

12 MS. MOONEY: Yes.

13 EXAMINER PARROT: Microphone, please.

14 - - -

15 RE CROSS-EXAMINATION

16 By Ms. Mooney:

17 Q. So you told Mr. Petricoff that one of the
18 reasons that the customer would not know the name of
19 the CRES provider when he -- in the initial stage
20 when he signs up for the MEP was because of the need
21 to protect the confidentiality of CRES information;
22 is that correct?

23 A. No. That was the second part of the two
24 answers. The confidentiality was about the report
25 and about protecting market share when we're

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1 reporting participation levels and which CRES
2 supplier would have what type of participation
3 levels. The answer to that question was about
4 efficiency on the phone call and the need to have an
5 efficient process for the random selection.

6 Q. You mean to get -- that the phone call
7 needs --

8 A. And the enrollment, et cetera.

9 Q. Because the phone call needs to move
10 quickly, you can't ask the --

11 A. Well, not just that. There has to be a
12 full process for the random enrollment and then the
13 enrollment itself, there's a process that has to
14 happen, and that process we would contemplate to
15 be -- to take a bit of time for the company.

16 Q. Are there two different things, a random
17 enrollment and a specific CRES provider enrollment?

18 A. Yes.

19 Q. So if I'm going to join the MEP and I do
20 want to choose a specific marketer like Integrys, I
21 could do that joining the MEP, I could say I want
22 Integrys and the MEP?

23 A. Absolutely. If Integrys was a MEP
24 provider, absolutely.

25 Q. So is the customer then going to get a

1 list of MEP providers on the AEP phone call?

2 A. I wouldn't imagine so. I mean, if you
3 know who's the provider, I don't know why they would
4 give you another list of providers, you just told
5 them your provider that you want.

6 Q. But I say I'm interested in the MEP. I'm
7 a customer. I'm on the AEP call center line. I tell
8 them I am interested in the MEP and I do want to
9 enroll, but in order to have a specific CRES provider
10 I would have to mention that CRES provider myself.

11 A. Yeah. I think that would be, yeah, if
12 you have a specific provider, then you would say it
13 if you knew. If you had a specific one, you would
14 know what that was.

15 Q. Otherwise -- oh, I have to
16 affirmatively --

17 A. Right.

18 Q. -- say I want Integrys --

19 A. Yes.

20 Q. -- at that point.

21 A. Yeah.

22 Q. Otherwise I get the rolling.

23 A. Exactly.

24 Q. Okay. And then when I get to rolling, I
25 am not going to know the name of my CRES provider at

1 all, right?

2 A. You will soon thereafter.

3 Q. No, when I'm affirmatively choosing --

4 A. Yes.

5 Q. -- I am not going to know the name of my
6 CRES provider.

7 A. And I would imagine the script would say
8 we're now going to put you in a random enrollment and
9 that enrollment will assign a provider and you will
10 get your Ts and Cs and here are some of the
11 prescriptions of the MEP, et cetera, et cetera. But
12 imagine, you know, 20 -- 20 individuals calling the
13 call center all wanting to be part of the MEP and the
14 call center folks pressing enter, enter, enter,
15 enter, enter, it would be hard for the company to
16 figure out who was where, where are we at in the list
17 all immediately if that was all happening
18 simultaneously. So that would have to be figured
19 out.

20 If they called here, MEP enrollment are
21 like this (indicating), these are the next in the
22 line, et cetera, and then you would immediate -- you
23 would know soon thereafter. I would even say that
24 electronically would be the best way to tell someone
25 some of the details and the Ts and Cs.

1 Q. They have to have -- you'd have to --

2 A. They have to have internet, yeah.

3 Q. And Ts and Cs are terms and conditions,
4 right?

5 A. Yes.

6 Q. The term and condition that is not known
7 when the customer enrolls because the customer
8 doesn't know the CRES on the rolling assignment, what
9 if the terms and conditions were really significant,
10 say something about the pass-through or polar vortex
11 and that was a -- polar vortex pass-through on one
12 term and condition but not on another so that it
13 would be a really significant feature but the
14 customer doesn't know that. Is that a problem?

15 A. I would say terms and conditions are
16 always significant but we still have telephonic
17 enrollment today.

18 MS. MOONEY: That's all the questions I
19 have, thank you.

20 THE WITNESS: Thank you.

21 EXAMINER PARROT: Ms. Hussey?

22 MS. HUSSEY: Nothing, your Honor.

23 EXAMINER PARROT: Mr. Boehm?

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

25 EXAMINER PARROT: Mr. Darr?

1 MR. DARR: No questions.

2 EXAMINER PARROT: Mr. Serio?

3 - - -

4 RECROSS-EXAMINATION

5 By Mr. Serio:

6 Q. So if I understand it, you're asking the
7 Commission to approve the program, and after they
8 approve it, then you're going to come up with all the
9 details, correct?

10 A. That is not true. I'm not going to come
11 up with all the details. I'm hoping that the
12 Commission approves guidelines and that all the
13 stakeholders in this process participate in a
14 collaborative where we in good faith negotiate on the
15 detailed terms and conditions.

16 Q. You indicated that RESA would have a full
17 proposal with all the details when that process
18 begins, right?

19 A. So I participated in a lot of
20 collaboratives including the RMI process, and it was
21 always helpful when a party or several parties came
22 to the table with full ideas about what they wanted
23 to see. I would propose that several parties come to
24 the table with a full proposal, that would be
25 beneficial, so that we could work from -- work from

1 something instead of nothing.

2 Q. But the Commission would only get
3 approval ability prior to seeing all those details,
4 right?

5 A. Approval ability? I'm not sure --

6 Q. The Commission's approving your MEP in
7 this proceeding --

8 A. Yes.

9 Q. -- and then all the details regarding how
10 it's being put into place would occur in some kind of
11 collaborative, right?

12 A. That's not true. A lot of it -- almost
13 all of the key significant guidelines would be
14 determined in the Commission order in our estimation,
15 and I talked to the Commission's attorney about that
16 a couple moments ago. The other details, maintenance
17 costs, IT costs, the specific Ts and Cs, the script,
18 those would be negotiated in good faith between the
19 stakeholders.

20 MR. SERIO: That's all I have, your
21 Honor, thank you.

22 THE WITNESS: Thank you.

23 EXAMINER PARROT: Mr. Satterwhite?

24 MR. SATTERWHITE: No, thank you, your
25 Honor.

1 EXAMINER PARROT: Mr. Parram?

2 MR. PARRAM: No, thank you, your Honor.

3 - - -

4 EXAMINATION

5 By Examiner See:

6 Q. Mr. Pickett, in response to Ms. Mooney's
7 questions you indicated that a customer could select
8 a CRES provider that they wanted to participate with
9 in the MEP program, correct?

10 A. Yes.

11 Q. Conversely, if I as a customer have a
12 particular CRES provider that I do not wish to work
13 with but want to participate in the MEP program, as
14 RESA has proposed it here, is that also possible?

15 A. So our cure to that in our proposal would
16 be that the customer could opt out at any time
17 without a termination fee.

18 Q. But I could not indicate a particular
19 CRES provider that I did not wish to work with at the
20 initial enrollment in the program.

21 A. We have not contemplated that as part of
22 our proposal.

23 Q. Would RESA be opposed to incorporating a
24 provision that would allow a customer not to
25 participate in the MEP program with a particular CRES

1 provider?

2 A. We would not oppose that provision.

3 EXAMINER SEE: Thank you.

4 EXAMINER PARROT: Thank you.

5 MR. PETRICOFF: Your Honor, at this time
6 then we would move to admit RESA Exhibit No. 2.

7 EXAMINER PARROT: Are there any
8 objections to the admission of RESA Exhibit 2?

9 MR. SATTERWHITE: None.

10 EXAMINER PARROT: Hearing none, it is
11 admitted.

12 (EXHIBIT ADMITTED INTO EVIDENCE.)

13 EXAMINER PARROT: I believe that
14 concludes our witnesses for today. For tomorrow we
15 have OCC Witness Kahal and Staff Witnesses Turkenton,
16 Strom, McCarter and Donlon, not necessarily to be
17 taken in that order.

18 I believe that the witness schedule for
19 tomorrow as well as for next week has been
20 distributed to counsel by e-mail.

21 Is there anything else to come before us
22 today?

23 MS. PETRUCCI: Start time.

24 MR. PETRICOFF: Our starting time, and
25 will Mr. Kahal be the first witness?

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1 EXAMINER PARROT: Yes, we will likely
2 take Mr. Kahal the first thing tomorrow. We will
3 start at 9 a.m.

4 Anything else?

5 (No response.)

6 EXAMINER PARROT: We're adjourned for
7 today. Thank you.

8 (Thereupon, the hearing was adjourned at
9 3:40 p.m.)

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1 CERTIFICATE

2 I do hereby certify that the foregoing is a
3 true and correct transcript of the proceedings taken
4 by me in this matter on Thursday, June 12, 2014, and
5 carefully compared with my original stenographic
6 notes.

7
8 Maria DiPaolo Jones, Registered
9 Diplomat Reporter and CRR and
Notary Public in and for the
State of Ohio.

10 My commission expires June 19, 2016.

11 (75823-MDJ)

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