

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)	
Edison Company, The Cleveland Electric)	
Illuminating Company, and The Toledo)	Case No. 14-1297-EL-SSO
Edison Company for Authority to Provide for)	
a Standard Service Offer Pursuant to R.C.)	
4928.143 in the Form of An Electric Security)	
Plan)	

**APPENDIX A TO THE MOTION OF FIRSTENERGY SOLUTIONS CORP. TO
QUASH THE SUBPOENA DUCES TECUM OF SIERRA CLUB**

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<p>1 Friday Afternoon Session, 2 January 16, 2015. 3 --- 4 MR. LANG: Back on in Akron. You guys 5 have finished up. The next taker by order of 6 introduction this morning would have the infamous 7 Mr. Joe Olikar. 8 MR. OLIKER: Thank you for that 9 introduction, Mr. Lang. 10 MR. LANG: Quite welcome. 11 MR. OLIKER: Appreciate that. 12 --- 13 CROSS-EXAMINATION 14 By Mr. Olikar: 15 Q. My questions will be short this 16 afternoon, Mr. Harden. Thankfully Mr. Fisk covered 17 much of my subject matter. 18 Going back to an issue that you discussed 19 briefly with Mr. Fisk about the ICAP rating in PJM of 20 the Sammis plant. Would you agree that for purposes 21 of calculating the unforced capacity level of Sammis, 22 you would apply the EFORD number to the ICAP level? 23 A. Could you repeat? I didn't catch the 24 last part.</p>	<p>1 perform the calculation of the unforced capacity 2 level that he ultimately used for determining 3 capacity revenue? 4 A. No. The capacity levels were not 5 provided to Mr. Lisowski. The capacity levels were 6 an output from the model. 7 Q. Okay. Just so I understand, you would 8 agree that the unforced capacity level that the 9 models used would be a product of ICAP, G rated for 10 EFORD. 11 MR. LANG: Objection. 12 A. I don't know. I have not personally seen 13 the details of the model. 14 Q. Okay. For example, if we -- okay. We 15 can do a hypothetical to get to the point here. Can 16 you understand me? 17 A. Yeah. We hear you right now. 18 Q. Would you agree that for determining the 19 capacity for Sammis, the revenue, that is, you would 20 take 2,130 megawatts and apply the EFORD to that 21 amount and then multiply it by the capacity price? 22 A. No, I would not agree. 23 Q. Could you explain why you disagree? 24 A. Because the model also carries out</p>
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<p>1 Q. Sure. For purposes of calculating the 2 unforced capacity level of the Sammis plant, would 3 you agree you would -- you would apply the EFORD 4 rating to the ICAP level? 5 A. As I recall, yes. 6 Q. And in this proceeding, did you provide 7 calculations of unforced capacity to Witness 8 Lisowski? 9 A. I don't remember providing unforced 10 capacity to Mr. Lisowski. 11 Q. Do you know who provided that information 12 to him? 13 A. I guess let me clarify the question, make 14 sure I'm interpreting what you are asking. Are you 15 talking about the projections? 16 Q. Yes, I am. 17 A. The -- for the purposes of the 18 projections, the EFORD was provided to Mr. Lisowski. 19 That EFORD was what was provided. 20 Q. And did you provide that to him or 21 somebody under your direction? 22 A. Yes. My staff provided that to him. 23 Q. And my next question is for purposes of 24 the projections created by Mr. Lisowski, did you</p>	<p>1 predictions of how the units will be dispatched. And 2 what you just used would assume that all units are 3 operating at their ICAP value and that's not 4 necessarily how they would be dispatched. 5 Q. I think we're -- this is probably my 6 fault. I must not have asked the question very 7 clearly. I am totally talking about capacity revenue 8 here. 9 A. Oh, capacity revenue, I'm sorry, yes. 10 Q. Yeah. So and maybe that helps our 11 conversation. For purposes of Mr. Lisowski's 12 projections of capacity revenue, you would agree you 13 would only take 2,130 megawatts for Sammis and reduce 14 that by EFORD and apply that number to the projected 15 price of capacity. 16 A. I guess I don't know off the top of my 17 head. I would have to sit and think about that. I 18 haven't seen the calculations. 19 Q. Okay. And that's my next question is did 20 you review Mr. Lisowski's workpapers for accuracy? 21 A. No, I did not. 22 Q. Okay. Do you know if anybody under your 23 direction reviewed Mr. Lisowski's workpapers for 24 accuracy?</p>

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<p>1 Q. And you don't report to anyone at Toledo 2 Edison? 3 A. No. 4 Q. And no one at Toledo Edison reports to 5 you. 6 A. That's correct. 7 Q. And you don't communicate with anyone 8 from Toledo Edison with respect to 9 FirstEnergy-related business. 10 A. That's correct. 11 Q. Okay. And just for the record in your 12 appearance today you are appearing on behalf of those 13 three companies; is that correct? 14 A. Yes. 15 Q. Okay. Not on behalf of FES. 16 A. I'm employed by FES, but I am on behalf 17 of the companies. 18 Q. Okay. Thank you. Are you familiar with 19 the regulated generation group within FirstEnergy 20 Corporation? 21 A. Yes. 22 Q. And do you know who the director of that 23 group is? 24 A. The director, I believe that's Jay</p>	<p>1 A. No. 2 Q. And you don't report to anyone at 3 FirstEnergy service company. 4 A. No. I report to Don Schneider. 5 Q. Okay. And no one from the service 6 company reports to you, correct? 7 A. That's correct. 8 Q. All right. Do you communicate with any 9 employees of the service company? 10 A. Yes. 11 Q. I suspect that would be hard to avoid. 12 A. Right. 13 Q. And who -- who do you communicate with 14 from the service company? 15 A. Well, our legal support -- 16 Q. Okay. 17 A. -- is from the service company. Some of 18 the markets support is through the service company. 19 Some of the external affairs folks I keep in contact 20 with that are from the service company as well. 21 Q. And I'm sorry. I think you told me this 22 before, but could you explain again the external 23 affairs folks, what are their responsibilities? 24 A. It varies. There is different parts of</p>
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<p>1 Ruberto. 2 Q. Okay. And in your current position do 3 you communicate with Mr. Ruberto? 4 A. Rarely, if ever. 5 Q. Okay. Do you communicate with any other 6 employees from the regulated generation group? 7 A. Jim Haney I see from time to time. 8 Q. Okay. And what do you discuss with 9 Mr. Haney when you see him from time to time? 10 A. Could you be more specific? What are you 11 looking for? 12 Q. Apart from a casual encounter with 13 Mr. Haney, do you meet with him? 14 A. We -- we are on some committees together 15 from time to time, and I'll see him in our generation 16 study team. 17 Q. Okay. Do you discuss the marketing or 18 dispatch of generating units with Mr. Haney? 19 A. No. 20 Q. Okay. In your current position do you do 21 any work for the FirstEnergy Service Company? 22 A. No. 23 Q. Okay. And you don't receive any 24 compensation from the service company.</p>	<p>1 the group. Some are local affairs. Some are federal 2 and -- federal affairs in Washington, D.C. So -- 3 Q. So generally speaking relationships with 4 entities outside of FirstEnergy Corp. 5 A. Yes. 6 Q. Okay. Got it. Just like the name 7 sounds. 8 A. Right. 9 Q. Are you familiar with the business 10 development department at FirstEnergy Corporation? 11 A. Yes. 12 Q. Okay. And does that department provide 13 any services to FES? 14 A. Yes. 15 Q. Okay. And what services? 16 A. They will do asset evaluations, both 17 considering whether we want to purchase something or 18 whether we want to sell something, and they also are 19 the keepers of our long-term price forecast. 20 Q. And when you say "our long-term price 21 forecast," you mean FES's. 22 A. Yes. 23 Q. Do you know whether or not the business 24 development department provides services to the</p>

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<p>1 regulated generation group?</p> <p>2 A. I don't know.</p> <p>3 Q. Okay. When you say "asset evaluation,"</p> <p>4 are you referring to plants specifically or other</p> <p>5 types of assets?</p> <p>6 A. Really it's mostly plants, but it could</p> <p>7 be other types of assets as well, right? We own a</p> <p>8 Norton facility which is a compressed air storage</p> <p>9 potential location. That's something that the</p> <p>10 business development team would evaluate. It's not a</p> <p>11 plant.</p> <p>12 Q. Okay. So apart from asset evaluations</p> <p>13 and the long-term price forecast, does business</p> <p>14 development provide any other services to FES?</p> <p>15 A. They support us on some of our purchases</p> <p>16 of RECs.</p> <p>17 Q. And, I'm sorry, RECs are renewable --</p> <p>18 A. Renewable energy credits, yes.</p> <p>19 Q. Okay. Anything else?</p> <p>20 A. Not that I can remember right now.</p> <p>21 Q. Okay. And who is the head of the</p> <p>22 business development group?</p> <p>23 A. That's Dave Pinter.</p> <p>24 Q. Okay. And do you have -- do you have a</p>	<p>1 come up.</p> <p>2 Q. Okay. If we could talk for a minute</p> <p>3 about those long-term price forecasts.</p> <p>4 A. Sure.</p> <p>5 Q. So apart from anything related to this</p> <p>6 proceeding, FES has a long-term price for --</p> <p>7 long-term energy price forecast, correct?</p> <p>8 A. Yes.</p> <p>9 Q. Okay. And a capacity price forecast?</p> <p>10 A. Yes.</p> <p>11 Q. Okay.</p> <p>12 MR. SOULES: Just to allay any worries I</p> <p>13 am not going to ask any specific numbers.</p> <p>14 MR. LANG: Okay.</p> <p>15 MR. SOULES: I am trying to be very</p> <p>16 cognizant.</p> <p>17 A. Yes. Those are highly proprietary.</p> <p>18 Q. Yes, yes, I understand. And who</p> <p>19 specifically prepares those forecasts?</p> <p>20 A. I don't know.</p> <p>21 Q. Okay.</p> <p>22 A. It's housed in business development, but</p> <p>23 I don't know who specifically calculates them. I</p> <p>24 know some are internal and some are externally</p>
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<p>1 sense of generally speaking what types of expertise</p> <p>2 that department has?</p> <p>3 A. Economic modeling.</p> <p>4 Q. Okay. Does business development do all</p> <p>5 the economic modeling for FES?</p> <p>6 A. No.</p> <p>7 Q. Okay. Who else does modeling for FES?</p> <p>8 A. We do some of it internally.</p> <p>9 Q. Okay. And are you referring to dispatch</p> <p>10 modeling when you refer to modeling or broader?</p> <p>11 A. Broader than that.</p> <p>12 Q. Okay. And what else would that include?</p> <p>13 A. It could include gas market modeling.</p> <p>14 Q. Okay. Anything else?</p> <p>15 A. Energy market modeling.</p> <p>16 Q. Okay, okay.</p> <p>17 A. Things that are relevant to our commodity</p> <p>18 business.</p> <p>19 Q. Okay. Thank you. Any other modeling</p> <p>20 beyond what you just mentioned?</p> <p>21 A. It would be on a case-by-case basis. We</p> <p>22 have some folks with strong analytical capabilities</p> <p>23 in FirstEnergy Solutions so there are times when we</p> <p>24 will ask them to do modeling for emergent issues that</p>	<p>1 sourced through Dave Pinter's group.</p> <p>2 Q. Okay. But the price forecasts are</p> <p>3 prepared by business development, not by FES itself,</p> <p>4 correct?</p> <p>5 A. That's correct.</p> <p>6 Q. And do you know what those price</p> <p>7 forecasts are used for?</p> <p>8 A. Yes.</p> <p>9 Q. And what are they used for?</p> <p>10 A. A variety of things.</p> <p>11 Q. Okay. Can you give me some examples?</p> <p>12 A. Valuation of units in our -- in our</p> <p>13 fleet, valuation of assets that we're considering to</p> <p>14 purchase.</p> <p>15 Q. Okay.</p> <p>16 A. Any number of things. If it interfaces</p> <p>17 with a commodity market, that would be at least one</p> <p>18 of the inputs into its valuation.</p> <p>19 Q. Okay. And FES uses these price forecasts</p> <p>20 for generation dispatch modeling as well; is that</p> <p>21 correct?</p> <p>22 A. We do sometimes, yes.</p> <p>23 Q. Okay. Under what circumstances do you</p> <p>24 use those forecasts for modeling purposes?</p>

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<p>1 A. For a long-term dispatch. Generation 2 dispatch modeling is something we do on a daily basis 3 seven days, pretty short-term stuff. 4 Q. Right. But if you are doing the 5 long-term forecast, then you would use these price 6 projections. 7 A. Yes, something beyond four years where 8 you have visibility to energy future prices. 9 Q. Okay. So the price forecast extends 10 beyond four years; is that correct? 11 A. Yes. 12 Q. Okay. Do you know how far out they 13 extend? 14 A. No. 15 Q. Do you know if they extend out beyond 10 16 years? 17 A. Yes. 18 Q. And they do? 19 A. Yes. 20 Q. Okay. Do you know if they extend out 21 beyond 15 years? 22 A. I'm not positive but I believe they do. 23 Q. Okay. With respect to the sort of 24 longer-term analyses that FES performs, how</p>	<p>1 views depending upon what your belief is the way the 2 economy is going to go. So there's a range of 3 outputs that could be -- could be determined based on 4 a long-term price forecast based on your view what 5 the future holds. 6 Q. Okay. So if you -- if FES were 7 interested in doing some kind of long-term revenue 8 analysis, business development would be capable of 9 giving you, say, a case based upon a higher energy 10 price as well as a case based upon a lower energy 11 price; is that correct? 12 A. They would give us a range basically. 13 Q. Okay. Do you have a sense of how many 14 different -- how -- strike that. 15 And is it the same situation with respect 16 to capacity prices where business development would 17 be capable of giving you a range of? 18 A. I don't know. 19 Q. Okay. But certainly for energy prices. 20 A. Yeah. 21 Q. Apart from the work that business 22 development does in terms of long-term forecasting, 23 am I correct that FES itself does some long-term 24 forecasting as well internally?</p>
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<p>1 frequently are those analyses performed? 2 A. Not very frequently. 3 Q. Okay. Can you give me a ballpark figure? 4 A. It would be event based, right, on a 5 case-by-case basis. 6 Q. They are not regularly updated? 7 A. The business development group regularly 8 updates their price forecasts, but I don't know what 9 kind of a cadence or what regular schedule they are 10 on to reevaluate assets, for example. 11 Q. Okay. Do you know when the price 12 forecasts were most recently updated? 13 A. Within the last year. 14 Q. Can you be more specific? 15 A. I can't remember off the top of my head. 16 Q. Okay. But they are fairly current it's 17 fair to say. 18 A. Yes. 19 Q. Do you know, is there only one set of 20 price projections? Are there multiple sets of 21 projections? 22 A. There are different projections for 23 different commodities but there is really one 24 long-term price forecast and there are different</p>	<p>1 A. No. 2 Q. Okay. So anything that's far forward 3 looking you would go to business development. 4 A. Yes. 5 Q. Okay. Does FES ever commission any 6 outside parties to do forecasts? 7 A. Not forecasts. 8 Q. Okay. How about to do modeling, dispatch 9 modeling? 10 A. Yes. 11 Q. Okay. And what circumstances? 12 A. Associated with capacity market 13 evaluations but it's not a specific dispatch model. 14 Q. Okay. All right. 15 A. Also for hedging analysis determining 16 what our right balance of -- of sales channels should 17 be for our portfolio, portfolio management. We 18 engage outside support for some of that as well 19 because we don't have the capability internally. 20 Q. But none of that outside work involves 21 modeling the dispatch of generating units; is that 22 correct? 23 A. The portfolio analysis would have a 24 sample dispatching associated with it that feeds into</p>

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<p>1 it.</p> <p>2 Q. Okay.</p> <p>3 A. But it's not a specific output that says</p> <p>4 this is what you are going to dispatch.</p> <p>5 Q. Okay. And FES also has long-term CO-2</p> <p>6 price forecasts as well; is that correct?</p> <p>7 A. Business development would support us</p> <p>8 with anything that's long term. Some of these</p> <p>9 markets are kind of emerging right now with CASPR</p> <p>10 showing up again so.</p> <p>11 Q. Right.</p> <p>12 A. A lot of that is factored into the</p> <p>13 long-term price forecast already, the cost of CO-2,</p> <p>14 for example.</p> <p>15 Q. Okay. And business development would</p> <p>16 maintain any CO-2 price forecast on FES's behalf,</p> <p>17 correct?</p> <p>18 A. Yes.</p> <p>19 Q. Okay. And with respect to the CO-2</p> <p>20 prices, is it the kind of situation where business</p> <p>21 development would be able to give you a high CO-2</p> <p>22 case and low CO-2 case if you were doing a long-term</p> <p>23 revenue analysis?</p> <p>24 A. I don't know if they have got a high or</p>	<p>1 Q. You know business development factors in</p> <p>2 the CO-2 prices; you don't know if they disaggregate</p> <p>3 that into --</p> <p>4 A. Correct.</p> <p>5 Q. Okay. Got it. Thank you. Are you</p> <p>6 familiar with the proposed agreement under which FES</p> <p>7 would sell its capacity, energy, and ancillary</p> <p>8 services to Ohio Edison Company, Cleveland Electric</p> <p>9 Illuminating Company, and Toledo Edison Company?</p> <p>10 A. Yes.</p> <p>11 Q. Okay. And the assets that would be the</p> <p>12 subject of the proposed agreement, the Sammis plant,</p> <p>13 the Davis-Besse plant, and FES's share of the OVEC</p> <p>14 plants, correct?</p> <p>15 A. Yes.</p> <p>16 Q. Okay. If I refer to that proposed</p> <p>17 agreement as the proposed transaction, will you</p> <p>18 understand what I mean?</p> <p>19 A. Yes, I will.</p> <p>20 Q. Okay. Great. And if I refer to our</p> <p>21 little trio of -- actually big trio of utilities as</p> <p>22 the companies, will you understand what I mean?</p> <p>23 A. Yes, I will.</p> <p>24 Q. Great. Do you know whether or not FES</p>
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<p>1 low. I know they have it factored in.</p> <p>2 Q. Okay. And do you know how far out those</p> <p>3 price forecasts extend?</p> <p>4 A. Not specifically but as we went through</p> <p>5 the ladder before, greater than 15 years.</p> <p>6 Q. Okay, okay. And how about with respect</p> <p>7 to future coal prices, does business development have</p> <p>8 a set of price projections for coal?</p> <p>9 A. I don't know. We'll use industry indices</p> <p>10 for that.</p> <p>11 Q. Okay. Can you give me an example of an</p> <p>12 industry index?</p> <p>13 A. BOYD has price forecasts.</p> <p>14 Q. All right.</p> <p>15 A. ICE has price forecasts for coal.</p> <p>16 Q. And I guess to clarify the CO-2 price</p> <p>17 that we were talking about a moment ago, business</p> <p>18 development has its own -- has a separate projected</p> <p>19 CO-2 price; is that correct?</p> <p>20 A. I don't know if it's separate or if it's</p> <p>21 included in their long-term price forecast.</p> <p>22 Q. And when you say long-term price</p> <p>23 forecast, you mean long-term energy price forecasts.</p> <p>24 A. Yes.</p>	<p>1 and the companies have executed a final purchase</p> <p>2 power agreement for this proposed transaction?</p> <p>3 A. We have not. We have a term sheet.</p> <p>4 Q. Okay. And the companies and FES have not</p> <p>5 yet put together a draft of the PPA, correct? They</p> <p>6 only have the term sheet; is that correct?</p> <p>7 A. That's correct.</p> <p>8 Q. Okay. All right. Are you familiar with</p> <p>9 the economic stability program that the companies</p> <p>10 proposed to the Commission?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. And what is that generally</p> <p>13 speaking as you understand it?</p> <p>14 A. It's an update or a renewal of our</p> <p>15 previous economic -- economic stability program, and</p> <p>16 it also includes rider RRS which is associated with</p> <p>17 the transaction that you mentioned previously.</p> <p>18 Q. Okay. So rider RRS and the proposed</p> <p>19 transaction are the two components of the economic</p> <p>20 stability program; is that accurate?</p> <p>21 A. Yes.</p> <p>22 Q. Okay.</p> <p>23 (EXHIBIT MARKED FOR IDENTIFICATION.)</p> <p>24 Q. You have been passed a document that's</p>

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<p>1 A. No.</p> <p>2 Q. That's not your understanding?</p> <p>3 A. That's correct.</p> <p>4 Q. Okay. And why -- why is that incorrect?</p> <p>5 A. The assumption is unless you have an</p> <p>6 exemption in the capacity performance proposal you</p> <p>7 have to prove that you cannot qualify as a capacity</p> <p>8 performance product to the independent market</p> <p>9 monitor. Otherwise, you have a must offer</p> <p>10 requirement.</p> <p>11 Q. Okay. So it's assumed then unless you</p> <p>12 can prove otherwise.</p> <p>13 A. Correct --</p> <p>14 Q. Okay.</p> <p>15 A. -- or you have an exemption.</p> <p>16 Q. Or you have an exemption. And do you</p> <p>17 know what those exemptions are?</p> <p>18 A. They are listed in the proposal but, for</p> <p>19 example, pumped hydro storage.</p> <p>20 Q. Okay. Has FES evaluated whether the</p> <p>21 Sammis units would qualify as a capacity</p> <p>22 performance -- would qualify as capacity performance</p> <p>23 resources?</p> <p>24 MR. LANG: To the extent you are</p>	<p>1 reflecting that evaluation?</p> <p>2 A. No.</p> <p>3 Q. And has FES evaluated whether the OVEC</p> <p>4 units would qualify?</p> <p>5 A. Yes.</p> <p>6 Q. Okay. And, yes, there was an evaluation,</p> <p>7 or yes?</p> <p>8 A. Yes, there was an evaluation.</p> <p>9 Q. Okay. And that -- what was -- is it</p> <p>10 FES's understanding that those units would qualify?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. Was there a written report</p> <p>13 reflecting that evaluation?</p> <p>14 A. No.</p> <p>15 Q. Okay. We may come back to that a little</p> <p>16 bit in the afternoon, but I don't want -- I want to</p> <p>17 be sensitive to the --</p> <p>18 A. Sure.</p> <p>19 Q. So just a few more questions. Earlier</p> <p>20 you were describing sort of the short-term four-year</p> <p>21 forecast that FES performs. Do you recall that</p> <p>22 discussion --</p> <p>23 A. Yes.</p> <p>24 Q. -- where business development would</p>
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<p>1 getting -- you might be able to answer this question,</p> <p>2 but to the extent you are getting into a confidential</p> <p>3 area, let us know.</p> <p>4 THE WITNESS: All right.</p> <p>5 A. Yes.</p> <p>6 Q. Okay. FES has evaluated that.</p> <p>7 A. Yes.</p> <p>8 Q. Okay. And, again, if we tread into</p> <p>9 something that is confidential, please, you know.</p> <p>10 A. I think if we get into specifics, we</p> <p>11 might want to save that for the confidential portion</p> <p>12 of the discussion</p> <p>13 MR. LANG: Right.</p> <p>14 Q. Okay. Well, I will ask this, and if we</p> <p>15 need to punt it, we can. Did FES prepare a written</p> <p>16 report of that evaluation?</p> <p>17 A. No.</p> <p>18 Q. Okay. Same question with respect to</p> <p>19 Davis-Besse, do you know whether Davis-Besse would</p> <p>20 qualify as a capacity performance resource?</p> <p>21 A. Yes, I do know.</p> <p>22 Q. It is your opinion that it would.</p> <p>23 A. Yes.</p> <p>24 Q. Okay. And is this a written report</p>	<p>1 handle something that was longer term; is that</p> <p>2 correct?</p> <p>3 A. Yes.</p> <p>4 Q. Okay. Does FES have a four-year</p> <p>5 projection of the profitability of the Sammis plant?</p> <p>6 A. Well, I think those have been provided</p> <p>7 already. Those are the profit and loss statements.</p> <p>8 Q. The profit and loss statements.</p> <p>9 A. Yeah, for the Sammis plant.</p> <p>10 Q. Okay. And it's your understanding that</p> <p>11 those have been provided to whom?</p> <p>12 A. Through Jason Lisowski's testimony.</p> <p>13 Q. Okay. Jason Lisowski provided testimony</p> <p>14 regarding a 15-year evaluation; is that correct?</p> <p>15 A. Yeah, but in that 15-year projection</p> <p>16 there is the first four years. In order to do that,</p> <p>17 they use market forwards because that's the best</p> <p>18 information available and then the long-term price</p> <p>19 forecast transitions for the out years.</p> <p>20 Q. Okay. So with respect to that -- the</p> <p>21 near years, the near term years, is it your</p> <p>22 understanding that Mr. Lisowski's forecast is</p> <p>23 consistent with FES's internal forecast?</p> <p>24 A. Yes.</p>

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<p style="text-align: right;">Page 101</p> <p>1 Q. Okay. And do you know what price 2 projections Mr. Lisowski used in preparing his 3 15-year forecast? 4 A. I don't. 5 Q. Okay. Do you know -- so you don't know 6 whether or not FES's -- the energy -- the energy 7 capacity and CO-2 price forecasts that FES regularly 8 use, you don't know whether or not those were used by 9 Mr. Lisowski for his projections? 10 A. That's correct. 11 Q. Okay. You had mentioned earlier that FES 12 does some forecasting of capacity prices working with 13 an entity outside of business development; is that 14 correct? 15 A. Yes. 16 Q. And who is that forecaster? 17 THE WITNESS: It's a contract with an 18 outside firm. Can I answer it? 19 MR. LANG: Could be confidential to your 20 business. 21 THE WITNESS: Right. 22 A. Can we save that for the confidential 23 portion? 24 Q. Absolutely, absolutely, yeah. Apart</p>	<p style="text-align: right;">Page 103</p> <p>1 Corporation -- if anyone within FirstEnergy 2 Corporation has an internal asset evaluation of the 3 Sammis units? 4 A. I don't know. 5 Q. Okay. Do you know if anyone within 6 FirstEnergy Corporation has an asset evaluation of 7 the Davis-Besse plant? 8 A. Well, there would be -- there would be a 9 book value that business development would have for 10 Davis-Besse and Sammis but other than that, I don't 11 know. 12 Q. Okay, okay. Sorry I am skipping around 13 here a little bit. Just trying to get done as quick 14 as we can. So cycling back for a moment to the 15 period before you had that initial conversation with 16 James Haney in May, 2014, do you recall that 17 discussion? 18 A. Yes. 19 Q. Okay. And you had said that before 20 approaching Mr. Haney you and three others at FES 21 were looking at profit and loss statements for the 22 FES generating units; is that correct? 23 A. Yes. 24 Q. Okay. And when you were looking at those</p>
<p style="text-align: right;">Page 102</p> <p>1 from -- I'm sorry. Stepping back to before 2 Mr. Lisowski's price forecast or, you know, his 3 revenue analysis that was provided to the companies, 4 apart from that does FES have a purely internal 5 four-year forecast for the profitability of its 6 units? 7 A. No. 8 Q. Okay. And you had mentioned earlier that 9 FES prepares his -- occasionally prepared asset 10 evaluations of certain units in the regular course of 11 its business; is that correct? 12 A. Actually that's not correct. It's 13 business development will -- 14 Q. Oh, okay. 15 A. -- perform those evaluations. 16 Q. Okay. Because those are the longer-term 17 evaluations that FES doesn't have the internal 18 capability to? 19 A. Not only that. FES's function isn't 20 asset evaluation. 21 Q. Okay. The business development asset 22 evaluations, are those prepared at FES's request? 23 A. From time to time, yes. 24 Q. Okay. Do you know if FirstEnergy</p>	<p style="text-align: right;">Page 104</p> <p>1 statements, were you evaluating what the terms of the 2 PPA with the companies might ultimately look like? 3 A. Could you rephrase that question? 4 Q. Sure. So we -- so Exhibit 1 is the term 5 sheet, right, which reflects the proposed 6 transaction. 7 A. Yes, yes. 8 Q. And that term sheet is a culmination of a 9 process that began shortly after New Year's of 2014, 10 correct? 11 A. Yes. 12 Q. Okay. Prior to -- when you were looking 13 at these earlier profit and loss statements thinking 14 about approaching the companies, were you thinking 15 about, you know, what the term of the proposed 16 transaction might look like or might be? 17 A. Yes. As I mentioned, 15 years was what 18 we had originally thought. 19 Q. Okay. And you had also mentioned after 20 the initial discussion with Mr. Haney but before 21 making the specific proposal for Sammis, Davis-Besse, 22 and the OVEC share, FES had prepared a PowerPoint 23 presentation? 24 A. No. That was after I got a letter back</p>

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<p style="text-align: right;">Page 65</p> <p>1 MR. FISK: First, general category. 2 MR. ALEXANDER: Okay. The concern is 3 these are internal FES proprietary forecasts, and I 4 don't want to get too far down that path so I 5 understand, I think, where you are getting. Let's 6 just be cognizant of that. 7 MR. FISK: Sure. We can punt to the 8 afternoon. 9 MR. ALEXANDER: Even in the afternoon I 10 would have objection to non-PPA forecasts if you ask, 11 but we can cross that bridge when we come to it. 12 MR. FISK: We can deal with that then. 13 A. Make sure I clarify, your question was 14 when -- what kind of forecasts has FES done since the 15 PPA? 16 Q. Yeah. 17 A. What the forecast is going to be for is 18 the competitive business of the FirstEnergy Solutions 19 for over the next couple of years. 20 Q. Okay. Any other projections? 21 A. No. 22 Q. Okay. Have you modeled the projected 23 operation of any of the Sammis plant or any of the 24 Sammis units since your testimony in this proceeding?</p>	<p style="text-align: right;">Page 67</p> <p>1 also used this model to project out even longer term 2 including the years in this PPA for, again, not just 3 the Sammis, Davis-Besse, and FES's share of OVEC but 4 all of FES's assets and generation plants. 5 Q. In separate modeling from what you 6 presented in this proceeding? 7 A. No. It was using the same dispatch 8 model. 9 Q. Same dispatch model but different runs. 10 A. Different -- different inputs were used. 11 Q. Okay. And to your knowledge have any of 12 those modeling runs been presented to any of the 13 parties in this proceeding? 14 A. My understanding is using FES's 15 projections, they've been provided to the Sierra 16 Club. 17 MR. FISK: Can we go off? 18 (Discussion off the record.) 19 Q. We can go back on. So you're saying that 20 there were different modeling runs using different 21 inputs, but your belief is those were presented to 22 the Sierra Club? 23 A. My understanding was there was a subpoena 24 by the Sierra Club requesting that information.</p>
<p style="text-align: right;">Page 66</p> <p>1 A. No. 2 Q. Okay. And have you projected revenues or 3 costs for any of the Sammis units since your 4 testimony in this proceeding? 5 A. No. 6 Q. Okay. Outside of this proceeding have 7 you modeled the projected operation of any of the 8 Sammis units any time in the past year? 9 A. Yes. 10 Q. Okay. And when was that? 11 A. In the August timeframe we projected what 12 the plants are doing not just -- I'm sorry, let me 13 clarify. We forecasted all of FES's plants and their 14 operations over -- over the near term. 15 Q. When you say near term, what -- how -- 16 A. Typically four, four years out. 17 Q. Okay. And you did that in August? 18 A. That was in August, yes. 19 Q. Okay. And you did that through the same 20 model that you used in this proceeding? 21 MR. ALEXANDER: Objection. Beyond the 22 scope of his testimony. Go ahead. 23 A. The -- let me clarify something I said 24 earlier. In that same August timeframe we would have</p>	<p style="text-align: right;">Page 68</p> <p>1 Q. Okay. And outside of that, outside of 2 whatever may have been produced in the response to 3 that subpoena, were there any other modeling runs 4 that you have done in the past year evaluating the 5 projected revenues or operation of any of the FES 6 units? 7 A. No. 8 Q. Okay. And when did you do the modeling 9 that you presented in this proceeding in your 10 testimony? 11 A. I don't remember the specific dates, but 12 I started to work on it right after I had the 13 discussions with Kelley Mendenhall based on Jim 14 Haney's request. 15 Q. May, June timeframe? 16 A. Somewhere, I don't remember the specific 17 timeframe, in that area. 18 Q. Okay. So the August modeling runs that 19 you referred to a couple of minutes ago were more 20 recent than the ones that you presented in your 21 testimony here? 22 A. The August -- those August runs were not 23 using Witness Rose's inputs. Those were using FES's 24 inputs.</p>

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<p style="text-align: right;">Page 97</p> <p>1 A. I have -- I have a manager of accounting, 2 I have an administrative assistant, and I have a 3 couple managers and director associated with the 4 accounting forecasting budgeting associated with our 5 generation plants. 6 Q. Can you identify those individuals' 7 names? 8 A. Is that really relevant? 9 Q. Yes. 10 A. Okay. 11 MR. ALEXANDER: Objection to relevance. 12 Go ahead and answer. 13 A. All right. My administrative assistant's 14 name is Deborah Flowers. My manager of accounting is 15 Mike Falen. The directors and managers of business 16 services, their names are Robin Zablocky, Darrell 17 Converse, and Jackie Manalaris. 18 Q. Okay. Has Sharon Noewer ever reported to 19 you? 20 A. No. 21 Q. How about Roger Ruff? 22 A. No. 23 Q. Do you know those people? 24 MR. ALEXANDER: Objection, relevance.</p>	<p style="text-align: right;">Page 99</p> <p>1 ASC 980? 2 A. I don't memorize all the accounting rules 3 and numbers. 4 Q. Okay. Would you agree that when certain 5 regulatory events happen, it triggers a requirement 6 that a company perform an impairment analysis? 7 A. Depending on the regulatory decision, 8 that's possible. 9 Q. Okay. And I don't think this is 10 confidential, but do you know whether FES has 11 undertaken an impairment analysis regarding Sammis, 12 Clifty Creek, Kyger Creek, or Davis-Besse in the last 13 three years? 14 A. I believe that's confidential. I have no 15 problem answering that question, but I would rather 16 it wait until the confidential section. 17 Q. Okay. That's fine. Likewise, the 18 results of that analysis would be confidential too, 19 right? 20 A. Absolutely. 21 Q. Okay. Are you familiar -- are you 22 familiar with the term installed capacity? 23 A. I don't know what that means. 24 Q. What about ICAP?</p>
<p style="text-align: right;">Page 98</p> <p>1 A. Do I know them? What do you mean do I 2 know them? 3 Q. Do you work with those people on a normal 4 basis? 5 A. No. 6 Q. Going back to your accounting background, 7 do you know what an impairment is? 8 A. Yes. 9 Q. Do you agree that an impairment is a 10 writeoff in value of an asset in order to bring the 11 value of the asset on the books in line with the 12 estimated market value? 13 A. It's not completely the correct 14 definition under accounting rules but generally 15 speaking, that's correct. 16 Q. Can you provide the correct definition, 17 please. 18 A. So there's many different types of 19 impairments of assets that you could have. Generally 20 speaking it's when the realizable value of an asset 21 is less than the carrying value of that asset on the 22 books in accordance with US GAAP. 23 Q. Okay. And are you familiar with 24 Accounting Standard Codification 980 or also known as</p>	<p style="text-align: right;">Page 100</p> <p>1 A. I've heard that term. 2 Q. Okay. Funny how people know the acronym 3 rather than the real words sometimes. Are you 4 familiar with PJM's rules related to ICAP or UCAP, or 5 unforced capacity? 6 A. I don't know all the rules associated 7 with that. 8 Q. Do you know any of them? 9 MR. ALEXANDER: Objection. We are 10 getting pretty far afield of his testimony. Go ahead 11 and answer, if you can. 12 A. I know ICAP is what determines the 13 capacity revenues that you could -- that a generation 14 station could earn if they cleared the capacity 15 auction. 16 Q. Do you mean UCAP, Mr. Lisowski? Isn't it 17 true that -- I'm sorry. Go ahead. I didn't mean to 18 interrupt you. 19 A. No, go ahead. 20 Q. Isn't it true that PJM uses unforced 21 capacity to determine the amount of capacity 22 compensation it can receive? 23 A. You are correct. This gets into the 24 competitively sensitive area but in my workpapers you</p>

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<p style="text-align: right;">Page 101</p> <p>1 will see that I use the UCAP of each of the stations. 2 Q. Okay. Are you -- are you familiar with 3 how those unforced capacity levels were determined? 4 And I don't want you to divulge competitive 5 information. But are you familiar with the process 6 of determining a UCAP level? 7 A. I am not. 8 Q. Who would have performed that calculation 9 for purposes of your workpapers? 10 A. FES provided them. 11 MR. OLIVER: I'm sorry, did somebody else 12 speak? 13 MR. ALEXANDER: If everyone could mute 14 their lines, please. 15 Q. Mr. Lisowski, do you know who provided 16 that calculation within FES? 17 A. The specific individual, no. 18 Q. So if I were to ask you questions in the 19 confidential section about the UCAP levels and how 20 that may have been determined, would you be able to 21 answer those questions? 22 A. Like I said before, those were provided 23 to me by the FES so, no. 24 Q. Do you know if there -- which witness</p>	<p style="text-align: right;">Page 103</p> <p>1 nominal capacity and installed capacity are 2 different? 3 A. No. 4 Q. Do you know the formula for determining 5 an unforced capacity level? 6 A. No. 7 Q. Do you know the installed capacity level 8 of Sammis or ICAP level? 9 MR. ALEXANDER: Objection, compound. 10 A. Can you repeat the question? 11 Q. Do you know Sammis's ICAP level? 12 A. I don't. 13 Q. Are you familiar with the impact of 14 higher environmental controls on Sammis from an 15 output perspective? 16 A. What do you mean by impact? 17 Q. In other words, is it your understanding 18 that the installation of environmental controls has 19 reduced the total potential output of Sammis? 20 A. I'm sorry, can you repeat the question? 21 Q. Maybe break it out, are you familiar with 22 the term parasitic load? 23 A. No. 24 Q. Do you know that Sammis has environmental</p>
<p style="text-align: right;">Page 102</p> <p>1 would be the appropriate witness for asking those 2 questions to, if you know? 3 A. I don't know. 4 MR. ALEXANDER: Let's go off the record. 5 (Discussion off the record.) 6 MR. ALEXANDER: So let's go back on. 7 Q. This may be a question better for 8 Mr. Fisk later but is FirstEnergy Solutions offering 9 a witness to discuss the unforced capacity levels 10 that are contained in the model? 11 MR. ALEXANDER: Objection. 12 MR. OLIVER: Trevor, let's go off the 13 record. Let's talk about it there. 14 MR. ALEXANDER: Let's go off the record. 15 (Discussion off the record.) 16 Q. Mr. Lisowski, before we were talking 17 about PJM's rules as they relate to unforced capacity 18 and installed capacity. Have you read any of the PJM 19 manuals? 20 A. No. 21 Q. Do you know what the definition of 22 nominal capacity is? 23 A. No. 24 Q. So in that regard you don't know if</p>	<p style="text-align: right;">Page 104</p> <p>1 controls installed? 2 A. Yes. 3 Q. Do you know whether those environmental 4 controls are powered by the output of Sammis? 5 A. I don't know. 6 Q. And I apologize if I already said this, 7 but you said you don't know how PJM determines an 8 unforced capacity level? 9 A. I don't know. 10 Q. Do you know what a forced outage is? 11 A. In what context? 12 Q. In the context of, say, the Sammis plant. 13 A. I'm sorry, could you rephrase the 14 question? 15 Q. Can you -- would you agree that a 16 plant -- a generation plant can go offline from time 17 to time? 18 A. Yes. 19 Q. Would you agree that sometimes a plant 20 goes offline at an un -- unanticipated time? 21 A. Yes. 22 Q. Would you agree that's called a forced 23 outage? 24 Sorry. Did you answer the question?</p>

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<p style="text-align: right;">Page 105</p> <p>1 A. No, no. I want to make sure I 2 understand. It's a plant that's coming offline 3 unanticipated would be called a forced outage. I 4 mean, are you calling it a forced outage, or is it a 5 defined term in the PJM manual? 6 Q. I am asking what is your understanding. 7 A. My understanding is if a plant came off 8 in an unplanned manner, it could be considered a 9 forced outage. 10 Q. Okay. And is it your understanding that 11 a plant's forced outage rate impacts the amount of 12 capacity compensation you can receive? 13 A. Yes. 14 Q. Did you evaluate historical forced outage 15 rates of Sammis, Davis-Besse, Kyger Creek, and Clifty 16 Creek? 17 A. Evaluated how? 18 Q. Did you look at it? 19 A. I guess what do you mean by looked at it? 20 Q. Well, for example, you have got a model 21 here. Would you agree that the model assumes a level 22 of unforced capacity for each of the generating 23 plants? 24 A. Yes.</p>	<p style="text-align: right;">Page 107</p> <p>1 coming out but that's about the extent to it. 2 Q. Did you read about the penalties in the 3 performance proposal? 4 A. I am not familiar with the details of 5 them. 6 Q. So would you agree that your model does 7 not assume that Sammis, Clifty Creek, or Kyger Creek 8 are forced to pay penalties for not performing? 9 MR. ALEXANDER: Objection to form. Go 10 ahead. 11 A. My model takes the FES projected amount 12 of megawatts that are available to clear the capacity 13 auction with the capacity revenue forecast provided 14 by Mr. Rose. That was my forecast for capacity 15 revenue. 16 Q. Okay. So let's break it down. There's 17 an unforced capacity level assumed in the model, 18 correct? 19 A. Well, what -- which model are we talking 20 about? 21 Q. Talking about the model that was used in 22 the cash flow projections in your testimony. 23 A. I'm sorry, can you repeat the question? 24 Someone chimed in and you got cut off.</p>
<p style="text-align: right;">Page 106</p> <p>1 Q. And you did not personally evaluate 2 whether those numbers were reasonable, correct? 3 A. I was provided those operating parameters 4 from the fossil and nuclear operations. 5 Q. And you did not undertake any analysis to 6 determine if those were reasonable, correct? 7 A. That's correct. 8 Q. And I'm sorry if you already answered 9 this and I forgot, but did you review the historical 10 forced outage rate for Sammis for the past six years? 11 A. I don't recall. 12 Q. And would your answer be the same for 13 Clifty Creek and Kyger Creek? 14 A. I don't recall. 15 Q. Would your answer be the same for 16 Davis-Besse? 17 A. I don't recall. 18 Q. Okay. A few more questions. Are you 19 familiar with the PJM capacity performance proposal? 20 A. How would you define familiar? 21 Q. Maybe you can correct my question and 22 just tell me what is your understanding of PJM's 23 capacity performance proposal. 24 A. I've seen the news articles about it</p>	<p style="text-align: right;">Page 108</p> <p>1 MR. ALEXANDER: Actually before you do 2 that, Mr. Olier, could whoever chimed in identify 3 themselves, please? 4 MS. BRADY: Hi. This is Cynthia Brady 5 from Exelon. 6 MR. ALEXANDER: Okay. Good morning. 7 Go ahead, Mr. Olier. 8 Q. Sure. Okay. Let's take it one step at a 9 time. You agree your testimony has a projection of 10 the cash flow of four FES plants. 11 A. My projections are not a cash flow 12 projection. 13 Q. Okay. Would you agree it compares the 14 costs and revenues associated with those plants? 15 A. Which plants are we talking about? 16 Q. Would you agree there are four plants 17 that are the subject of this application, Clifty 18 Creek, Kyger Creek, Davis-Besse, and Sammis? 19 A. We didn't project out the OVEC plants 20 separately. 21 Q. Okay. But would you agree your testimony 22 provides an analysis of whether or not the RRS will 23 be a charge or a credit in each year? 24 A. I did not do any projections related to</p>

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<p style="text-align: right;">Page 109</p> <p>1 the RRS.</p> <p>2 Q. Okay. What would you call your</p> <p>3 testimony, Mr. Lisowski?</p> <p>4 MR. ALEXANDER: Argumentative.</p> <p>5 Objection, argumentative.</p> <p>6 MR. OLIKER: I am just asking what did he</p> <p>7 do. If he is not going to answer my questions, this</p> <p>8 is going to take hours.</p> <p>9 MR. ALEXANDER: I haven't heard a</p> <p>10 question pending so could you please reask your</p> <p>11 question?</p> <p>12 Q. What is your testimony, Mr. Lisowski?</p> <p>13 What did it do?</p> <p>14 MR. ALEXANDER: Objection, argumentative.</p> <p>15 What is his testimony?</p> <p>16 MR. OLIKER: I am asking him at a high</p> <p>17 level.</p> <p>18 MR. ALEXANDER: If you can answer that</p> <p>19 question, go ahead.</p> <p>20 A. My testimony on pages 1 and 2 lay out</p> <p>21 what my testimony is referring to.</p> <p>22 Q. Okay. So you projected the output of</p> <p>23 four plants, correct?</p> <p>24 A. No.</p>	<p style="text-align: right;">Page 111</p> <p>1 Q. Thank you. Are you familiar with the</p> <p>2 date the model was run?</p> <p>3 A. I don't know the specific date. I don't</p> <p>4 recall.</p> <p>5 Q. Do you know the month?</p> <p>6 A. It would have been in the May, June, July</p> <p>7 time period of this year.</p> <p>8 Q. You don't know anything more specific on</p> <p>9 that?</p> <p>10 A. I don't remember the specific date that</p> <p>11 we pushed the button to get the model output.</p> <p>12 Q. Okay. Just a few more questions. You</p> <p>13 talked about the price assumptions provided by Judah</p> <p>14 Rose. Were you involved at all in the retention of</p> <p>15 Judah Rose?</p> <p>16 A. No.</p> <p>17 Q. Do you know whether any assumptions were</p> <p>18 provided to Judah Rose?</p> <p>19 A. No.</p> <p>20 MR. OLIKER: Can I have just a minute? I</p> <p>21 think I might be done.</p> <p>22 (Discussion off the record.)</p> <p>23 Q. Mr. Lisowski, just one or two more</p> <p>24 questions. We talked a little bit about projections</p>
<p style="text-align: right;">Page 110</p> <p>1 Q. Okay. So it says, "I then calculate the</p> <p>2 projected revenues which will be created by the</p> <p>3 output of the plants." Is that not your testimony?</p> <p>4 A. That is my testimony.</p> <p>5 Q. Okay. Would you agree that your</p> <p>6 projected revenues include an assumption of unforced</p> <p>7 outage rate?</p> <p>8 A. My forecast that I've laid out in my</p> <p>9 testimony does include an assumption for operating</p> <p>10 parameters that dictate how the plants will perform.</p> <p>11 Q. And one of those operating parameters is</p> <p>12 unforced outage rates, correct?</p> <p>13 A. That's correct.</p> <p>14 Q. Okay. So in every instance where the</p> <p>15 unforced outage rate where the number is greater than</p> <p>16 zero it means this is a projection that FirstEnergy</p> <p>17 Solutions' plants may go offline at an unanticipated</p> <p>18 time; is that correct?</p> <p>19 A. That's correct.</p> <p>20 Q. So you would agree that in the event</p> <p>21 there are penalties for going offline for an unforced</p> <p>22 outage, those would not be picked up in your</p> <p>23 analysis.</p> <p>24 A. That's correct.</p>	<p style="text-align: right;">Page 112</p> <p>1 of the impact of regulations on CO-2. How familiar</p> <p>2 are you with proposed environmental regulations?</p> <p>3 A. Not -- not familiar at all.</p> <p>4 Q. Are you familiar with the term called</p> <p>5 environmental dispatch?</p> <p>6 A. No.</p> <p>7 Q. Would you agree that the model does not</p> <p>8 incorporate any potential constraints on</p> <p>9 carbon-intensive resources' ability to dispatch</p> <p>10 besides a carbon impact?</p> <p>11 MR. ALEXANDER: Could I have that</p> <p>12 question reread, please?</p> <p>13 (Record read.)</p> <p>14 MR. ALEXANDER: Objection to form. Yeah.</p> <p>15 Could you repeat the question?</p> <p>16 Q. Sure. Would you agree the model does not</p> <p>17 contain any restraints on carbon-intensive resources</p> <p>18 besides a carbon impact?</p> <p>19 A. I don't understand that question.</p> <p>20 Q. Okay. You agree the model has a</p> <p>21 projection of costs of CO-2.</p> <p>22 A. Yes.</p> <p>23 Q. Okay. There are no other carbon-related</p> <p>24 restrictions in the model, correct?</p>

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<p>1 questions at this time. Thank you for your patience, 2 Mr. Lisowski, Mr. Alexander. 3 MR. ALEXANDER: Thank you. 4 Mr. Fisk, would you like to ask your 5 follow-up questions? 6 MR. FISK: Sure. Thank you. 7 --- 8 FURTHER CROSS-EXAMINATION 9 By Mr. Fisk: 10 Q. First, I just wanted to clarify, I 11 believe your questions from Mr. Olier you stated 12 that the coal price projections were provided by 13 Mr. Rose; is that correct? 14 A. That's correct. 15 Q. Okay. And I just wanted to make sure was 16 that only for the Sammis plant? Was the OVEC ones 17 provided by OVEC? 18 A. That's correct. 19 Q. Okay. 20 A. That's correct. 21 Q. Okay. And then following up on the last 22 set of questioning about the new -- the modeling that 23 you did for FES in August that looked out at least 15 24 years, did you use any capital cost projection for</p>	<p>1 A. I'm sorry, could you repeat the question? 2 Q. The modeling that you did in August. 3 A. Yep. 4 Q. I believe you testified earlier that it 5 included an FES carbon price projection; is that 6 correct? 7 A. That's correct. 8 Q. Okay. Did it include a projection of any 9 other environmental compliance costs? 10 MR. ALEXANDER: Objection, just the 11 phrase "environmental compliance costs." Go ahead, 12 if you can answer. 13 A. Yeah. That's why I hesitated. What do 14 you mean by environmental compliance cost? 15 Q. Compliance with potential future 16 environmental regulations for coal ash or 316(b) or? 17 A. So assuming additional O&M or capital 18 costs, there was no additional costs that were 19 projected in there. 20 Q. Okay. And is that -- that's consistent 21 with the -- how you did the modeling for this 22 proceeding? 23 A. That's correct. 24 MR. FISK: Okay. That's all I have on</p>
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<p>1 FES's plants in that modeling? 2 A. Yes. 3 Q. Okay. And was that capital cost 4 projection different than the one you used in this 5 modeling for this proceeding? 6 A. Maybe you should wait until the 7 confidential section since we are starting to get 8 close to numbers and comparisons. 9 MR. ALEXANDER: Okay. If you think the 10 answer -- 11 THE WITNESS: I can answer but. 12 Q. I'll ask about the numbers later. 13 MR. ALEXANDER: If you think the answer 14 would require you to give a confidential response. 15 Q. I am not asking for numbers now. 16 A. I'm sorry, could you repeat the question 17 or make sure I am clear? 18 MR. FISK: Sure. Can you read it back? 19 (Record read.) 20 A. No. 21 Q. Okay. And did the -- did the modeling 22 that you did in August include a projection of 23 environmental compliance costs outside of the carbon 24 costs that was already discussed?</p>	<p>1 the public record. I believe Madeline. 2 MR. ALEXANDER: Ms. Fleisher, would you 3 like to -- excuse me, Ms. Fleisher, I didn't mean to 4 misspeak there, would you like to go next? 5 MS. FLEISHER: Sure, yes, no problem. I 6 think I have just a couple of questions. 7 --- 8 FURTHER CROSS-EXAMINATION 9 By Ms. Fleisher: 10 Q. So I wanted to ask you about the August 11 projections you did that you have been discussing 12 with Mr. Fisk regarding all the FES generation units. 13 So when you get the -- I will try to make this quick. 14 But when you are getting the inputs for that, did any 15 of them come from different sources than the input 16 for the projections you did in this case? And I am 17 happy to go through them as type of input, if that 18 will be easier to break it down. 19 A. The inputs used in the FES forecast that 20 was done in August that we just referred to used 21 FES's internal energy price forecasts. The forecast 22 in my testimony used energy price forecasts from 23 Mr. Rose. So there's one difference. Same thing 24 with carbon. My testimony we used carbon costs</p>

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<p style="text-align: right;">Page 157</p> <p>1 provided by Witness Rose. The FES forecast that was 2 run in August I ran was using FE's projections. 3 Q. Okay. And in terms of just the basic 4 variable costs for the plants and any capital 5 costs -- 6 A. I'm sorry. I cut you off. I didn't hear 7 that last part. 8 Q. Just going to repeat are those from the 9 same sources for each set of projections? 10 A. Yes. So I heard you ask where did the 11 O&M costs and some of the other costs enter in there. 12 Under both forecasts they were provided by FES. 13 Q. And when you say provided from FES, is 14 there a particular -- is that the business 15 development unit, or is that some other entity within 16 FES? 17 A. Business development is not in FES. It's 18 FirstEnergy Service Company group. 19 Q. And do those -- so I guess just as 20 follow-up, so is there some particularly -- 21 particular entity within or group within FES that 22 provides the cost projection? 23 A. If you look at page 3 of my testimony, on 24 row 18 and 19, we talk about not just the operation</p>	<p style="text-align: right;">Page 159</p> <p>1 it actually matches the projected costs, you don't 2 know if they do anything beforehand to verify their 3 projection? 4 A. I guess I am not understanding your 5 question now then. Would you rephrase it? 6 Q. Sure. I will do my best. Apologies. So 7 you said, if I understand you correctly, and sorry to 8 paraphrase here, that one way they check the accuracy 9 of cost is -- one way the accuracy of the projections 10 is check to see after the fact if they don't actually 11 match the expenditures. And what I am asking is do 12 you know if they do anything before that, before 13 the -- before the actual expenditures are made to 14 verify the projections? 15 A. Those individuals are going to go through 16 a number of quality checks. They are going to work 17 with the site operations. They are going to ensure 18 that their forecasts are as accurate as they possibly 19 can be. 20 Q. And if I -- I guess, first, I am just 21 going to verify my understanding of one of your 22 previous answers. Is it correct that you stated that 23 when you were running your audited -- August 24 projections, that environmental compliance costs were</p>
<p style="text-align: right;">Page 158</p> <p>1 levels, but we do talk about that the O&M expenses, 2 for example, operation and maintenance expenses, were 3 provided by, you know, FES internal cost projections 4 which was also provided in connection with the fossil 5 and nuclear operations. 6 Q. Okay. You know, are there personnel for 7 each plant that keep track of those? Is there some 8 particular group of people that keep track of it for 9 all plants? 10 A. We have -- we develop the forecasts at 11 each site level and there are persons that are 12 responsible for development of those budgets and 13 forecasts at that site level. 14 Q. And do you know what those people who are 15 developing the cost forecasts, what, if anything, 16 they do to -- to test the accuracy of the forecasts? 17 A. That's part of their core 18 responsibilities and their performance is going to be 19 measured in terms of the accuracy of those forecasts. 20 Obviously if a site overspends, that's going to be an 21 issue for that site and it's going to be a reflection 22 on that person. 23 Q. So you don't know in particular how 24 they -- you know, aside from after the fact seeing if</p>	<p style="text-align: right;">Page 160</p> <p>1 not considered except for the carbon costs? 2 A. No. That's not what I said. I said that 3 the O&M and capital costs other than carbon were held 4 consistent with that FES projection in August with 5 the assumption for those O&M and capital costs in the 6 attachments of my testimony. 7 Q. Okay. So, again, just to make sure I'm 8 understanding you, what you are saying is they 9 were -- environmental compliance costs are 10 incorporated into the cost projections to the same 11 extent they are in your testimony here? 12 A. The underlying assumptions are consistent 13 in both the FES forecast that was developed 14 internally and the testimony, my attached -- the 15 attachments in my testimony, excuse me. 16 Q. And to the best of your knowledge, did 17 that include any costs for compliance with future 18 ozone regulations? 19 MR. ALEXANDER: Let's save discussion of 20 specific costs for the confidential portion. 21 MS. FLEISHER: Sure. Happy to do it. 22 Q. I guess my one last question is you 23 referred to the FES internal price forecasts. Who 24 within FES comes up with those?</p>

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<p style="text-align: right;">Page 93</p> <p>1 Q. And you don't have a date on that, right?</p> <p>2 A. No, I do not remember.</p> <p>3 Q. Okay, okay. So but you're not sure if</p> <p>4 those might have been part of the 1980 to '84</p> <p>5 project?</p> <p>6 A. I'm not sure.</p> <p>7 Q. Okay. Fair enough. Do you know, do</p> <p>8 environmental controls have a useful life after which</p> <p>9 they typically would need to be replaced or rebuilt?</p> <p>10 A. It depends on the type of control.</p> <p>11 Q. Okay. Do you know if any of the controls</p> <p>12 that were installed in the 1980 to '84 range have</p> <p>13 been replaced or rebuilt since then?</p> <p>14 A. I don't remember.</p> <p>15 Q. Okay. Do you know if they would need to</p> <p>16 be replaced or rebuilt sometime in the near future?</p> <p>17 A. I do not remember.</p> <p>18 Q. Okay. Have you ever looked at that</p> <p>19 issue?</p> <p>20 A. What issue are you referring to?</p> <p>21 Q. Whether any of the existing controls on</p> <p>22 the Sammis plant are getting to the age where they</p> <p>23 need to be rebuilt or replaced.</p> <p>24 A. I have looked at information on some</p>	<p style="text-align: right;">Page 95</p> <p>1 periodic maintenance even though some of those</p> <p>2 maintenance activities are quite large in scope.</p> <p>3 Q. Okay. Do you know if any of the</p> <p>4 pollution controls on the Sammis plant are facing the</p> <p>5 need to have some of those large-in-scope projects</p> <p>6 done to them?</p> <p>7 A. I can remember generally some that are</p> <p>8 scheduled for maintenance in the next couple of</p> <p>9 years.</p> <p>10 Q. Okay. And what would those be?</p> <p>11 A. I remember generally. I can't remember</p> <p>12 the specific components. I remember seeing them.</p> <p>13 Q. Okay. And where did you see those?</p> <p>14 A. In our capital plans.</p> <p>15 Q. Okay. And what are those, the capital</p> <p>16 plans? Those are FENOC capital plans or whose</p> <p>17 capital plans?</p> <p>18 A. FirstEnergy Generation for Sammis.</p> <p>19 Q. Okay. And how far out do those capital</p> <p>20 plans go?</p> <p>21 A. I think five years.</p> <p>22 Q. Five years, okay. And is it something</p> <p>23 that's, you know, updated annually or, the capital</p> <p>24 plan?</p>
<p style="text-align: right;">Page 94</p> <p>1 parts, at least some parts --</p> <p>2 Q. Okay.</p> <p>3 A. -- that have to be replaced on a</p> <p>4 periodicity.</p> <p>5 Q. Okay. And do you know, do any of the --</p> <p>6 do any of the controls need to be replaced or</p> <p>7 rebuilt?</p> <p>8 A. There are items that periodically have to</p> <p>9 be either maintenance done on them or replaced, yes.</p> <p>10 Q. Just specific parts of the controls.</p> <p>11 A. Yes.</p> <p>12 Q. Okay. But I guess I'm talking about any</p> <p>13 like -- well, is that -- that just kind of annual</p> <p>14 maintenance and, you know, fixing up of controls that</p> <p>15 you would normally do?</p> <p>16 A. Periodic maintenance.</p> <p>17 Q. Okay. But am I correct that in addition</p> <p>18 to that periodic maintenance, after some time period,</p> <p>19 you may need to do like a major rebuild of a control?</p> <p>20 A. I guess we would have to talk about your</p> <p>21 definition of a major rebuild.</p> <p>22 Q. Well, something beyond just periodic</p> <p>23 maintenance.</p> <p>24 A. Most of the things I would consider to be</p>	<p style="text-align: right;">Page 96</p> <p>1 A. Yes. We review and update annually.</p> <p>2 Q. Okay. And in your -- this one I know I</p> <p>3 have.</p> <p>4 MR. FISK: Could we mark this Exhibit 2.</p> <p>5 (EXHIBIT MARKED FOR IDENTIFICATION.)</p> <p>6 Q. You have been handed an exhibit marked</p> <p>7 Exhibit 2; is that correct?</p> <p>8 A. Yes.</p> <p>9 Q. Okay. And this exhibit is a response to</p> <p>10 Sierra Club Set 4 Interrogatory 109; is that correct?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. And I realize you were not</p> <p>13 identified as a witness on this response, but I</p> <p>14 wanted to point you to the response to subsection A</p> <p>15 little No. 1. Do you see that?</p> <p>16 A. Yes.</p> <p>17 Q. Okay. And do you see the last sentence</p> <p>18 of that response it says "Company Witness Harden</p> <p>19 reviewed existing compliance measures and Sammis's</p> <p>20 ability to comply with future environmental</p> <p>21 regulations"?</p> <p>22 A. Yes.</p> <p>23 Q. Okay. And is that accurate?</p> <p>24 A. Yes.</p>

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<p style="text-align: right;">Page 157</p> <p>1 A. I do not know.</p> <p>2 Q. Okay. Moving on to a different subject,</p> <p>3 do you have responsibility or oversight regarding</p> <p>4 capital expenditures for FirstEnergy Solutions power</p> <p>5 plants, correct?</p> <p>6 A. No, not -- not direct oversight for the</p> <p>7 capital expenditures.</p> <p>8 Q. But you are involved in the discussions,</p> <p>9 correct?</p> <p>10 A. I am involved in some discussions.</p> <p>11 Q. Okay. And are you involved in</p> <p>12 discussions regarding the operation and maintenance</p> <p>13 expenditures?</p> <p>14 A. Only to a limited degree, yes.</p> <p>15 Q. Okay. Would you agree that in 2012</p> <p>16 FirstEnergy Solutions began to implement cost</p> <p>17 reduction measures at the power plant?</p> <p>18 A. What year did you say?</p> <p>19 Q. 2012.</p> <p>20 MR. LANG: And are we -- I'm sorry, are</p> <p>21 we talking about Sammis? I wasn't clear on the</p> <p>22 question.</p> <p>23 Q. I'm starting from the broader level, and</p> <p>24 then I would go to Sammis, of course.</p>	<p style="text-align: right;">Page 159</p> <p>1 me know, but in the past three years has FirstEnergy</p> <p>2 Solutions started deferring capital expenses at the</p> <p>3 Sammis plant?</p> <p>4 A. I have to say I don't know.</p> <p>5 Q. Okay. And in the past three years, has</p> <p>6 FirstEnergy Solutions started deferring capital</p> <p>7 expenditures at the Davis-Besse plant?</p> <p>8 A. Not to my knowledge.</p> <p>9 Q. Okay. If I could have just one minute, I</p> <p>10 think I might be done.</p> <p>11 Just to follow up on one issue that</p> <p>12 Mr. Fisk asked earlier, I just wanted to make sure I</p> <p>13 heard your answer correctly and, I'm sorry, maybe it</p> <p>14 was a bad question, you did not provide a projection</p> <p>15 of potential variable cost of operation expenses</p> <p>16 associated with carbon, correct?</p> <p>17 A. That's correct.</p> <p>18 Q. And you were not aware of any individual</p> <p>19 providing any such projection for FirstEnergy</p> <p>20 Solutions.</p> <p>21 A. No.</p> <p>22 MR. OLIVER: I believe those are all the</p> <p>23 questions I have. Thank you, Mr. Harden.</p> <p>24 MR. LANG: And next on my list I had</p>
<p style="text-align: right;">Page 158</p> <p>1 MR. LANG: So any FES plants?</p> <p>2 MR. OLIVER: Yes.</p> <p>3 MR. LANG: All right. Sorry, Joe. Go</p> <p>4 ahead.</p> <p>5 A. No, I wouldn't -- I wouldn't agree a</p> <p>6 specific cost reduction was started in 2012.</p> <p>7 Q. In the past three years, has -- has cost</p> <p>8 reduction measures been implemented at FES power</p> <p>9 plants?</p> <p>10 MR. LANG: Objection to the extent that</p> <p>11 it goes beyond the scope of his testimony regarding</p> <p>12 Sammis and Davis-Besse but answer, if you can.</p> <p>13 A. No specific reduction or reduction</p> <p>14 strategy to my knowledge.</p> <p>15 Q. And then my next question is kind of more</p> <p>16 focused based. You don't know of any specific cost</p> <p>17 reduction measures that have been implemented at the</p> <p>18 Sammis power plant in the past few years.</p> <p>19 A. No, I do not.</p> <p>20 Q. And just to be clear, now, if I ask that</p> <p>21 same question regarding capital expenditures, would</p> <p>22 your answer be the same?</p> <p>23 A. Which question, please?</p> <p>24 Q. And if this is confidential, please let</p>	<p style="text-align: right;">Page 160</p> <p>1 Frank Darr.</p> <p>2 MR. DARR: Thank you.</p> <p>3 ...</p> <p>4 CROSS-EXAMINATION</p> <p>5 By Mr. Darr:</p> <p>6 Q. Mr. Harden, my name is Frank Darr, and I</p> <p>7 am here on behalf of Industrial Energy Users. If you</p> <p>8 would, please, turn to page 3 of your testimony and</p> <p>9 I'm looking at the paragraph beginning on line 14</p> <p>10 with regard to the steam generators. Please tell me</p> <p>11 when you're there.</p> <p>12 A. Yes, I'm there.</p> <p>13 Q. Could you indicate for us when the unit,</p> <p>14 by unit I mean Davis-Besse, was out of service for</p> <p>15 the replacement of the steam generators?</p> <p>16 A. I don't remember the exact dates.</p> <p>17 Q. Can you give us a general range?</p> <p>18 A. It was in the February to May timeframe.</p> <p>19 Q. The generators that were replaced, is</p> <p>20 there an expected life to the new units?</p> <p>21 A. There would be a design life, not an</p> <p>22 expected life.</p> <p>23 Q. What is the design life of the new</p> <p>24 generator?</p>

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<p style="text-align: right;">Page 173</p> <p>1 the contract to answer further than that.</p> <p>2 Q. So then when you said it came from Ohio,</p> <p>3 what were you basing that upon?</p> <p>4 A. Knowing it's delivery from an entity in</p> <p>5 Ohio.</p> <p>6 Q. In other words, it was delivered from an</p> <p>7 Ohio company.</p> <p>8 A. Or from an entity that had operations in</p> <p>9 Ohio.</p> <p>10 Q. But you do not know where it was</p> <p>11 specifically mined though.</p> <p>12 A. No, I do not.</p> <p>13 MR. SCHULER: Could we go off the record</p> <p>14 for a second?</p> <p>15 MR. LANG: Sure.</p> <p>16 (Discussion off the record.)</p> <p>17 MR. SCHULER: Back on the record. If I</p> <p>18 could have the document that is OCC Set 11-INT-231</p> <p>19 marked as OCC Exhibit I.</p> <p>20 (EXHIBIT MARKED FOR IDENTIFICATION.)</p> <p>21 Q. Mr. Harden, have you seen this document</p> <p>22 that is labeled as OCC Exhibit I?</p> <p>23 A. Yes.</p> <p>24 Q. And you recognize this as a discovery</p>	<p style="text-align: right;">Page 175</p> <p>1 numbers listed -- strike that.</p> <p>2 Do you know how many of the employees</p> <p>3 listed in this document are residents of Ohio?</p> <p>4 A. No, I do not.</p> <p>5 Q. Would you agree with me that the total</p> <p>6 number of employees at the W.H. Sammis plant have</p> <p>7 declined from 2009 to 2014?</p> <p>8 A. Yes.</p> <p>9 Q. Can you explain why that number has</p> <p>10 declined?</p> <p>11 A. I can give several reasons. One is as we</p> <p>12 began operating all of the generating units more in a</p> <p>13 fleet approach than a station-by-station approach,</p> <p>14 more and more functions have been centralized where a</p> <p>15 central support group can provide a lot of the</p> <p>16 function rather than each individual site providing</p> <p>17 its own function. And some of the reduction has been</p> <p>18 through attrition. There may be other reasons but</p> <p>19 those are what I can remember.</p> <p>20 Q. Okay. You mentioned a fleet approach.</p> <p>21 Does that mean that some employees work at multiple</p> <p>22 locations?</p> <p>23 A. That would mean there are employees that</p> <p>24 do work at multiple locations, so yes.</p>
<p style="text-align: right;">Page 174</p> <p>1 response based on a discovery request propounded by</p> <p>2 OCC?</p> <p>3 A. Yes.</p> <p>4 Q. And you helped prepare this response,</p> <p>5 correct?</p> <p>6 A. Yes.</p> <p>7 Q. And the response that is provided here</p> <p>8 identifies the total number of employees that were</p> <p>9 employed at the W.H. Sammis generation plant at the</p> <p>10 end of each year from 2009 to 2014?</p> <p>11 A. Yes.</p> <p>12 Q. What is your understanding of the term</p> <p>13 "employee"?</p> <p>14 A. Permanent FirstEnergy employees from what</p> <p>15 I remember when this was put together.</p> <p>16 Q. And those permanent FirstEnergy employees</p> <p>17 would be located at the W.H. Sammis plant?</p> <p>18 A. Yes.</p> <p>19 Q. Is that what these numbers represent?</p> <p>20 A. Yes.</p> <p>21 Q. This does not include independent</p> <p>22 contractors, does it?</p> <p>23 A. No, I do not believe so.</p> <p>24 Q. Do you know how many of the employee</p>	<p style="text-align: right;">Page 176</p> <p>1 Q. Are any of the numbers on OCC Exhibit I</p> <p>2 representing those type of employees that work at</p> <p>3 multiple locations?</p> <p>4 A. I do not believe so.</p> <p>5 Q. Do you have any projections of how many</p> <p>6 employees will be at W.H. Sammis for the next 15</p> <p>7 years?</p> <p>8 A. No, I do not.</p> <p>9 Q. What about for the next 10 years?</p> <p>10 A. No, I do not.</p> <p>11 Q. The next five?</p> <p>12 A. No. Typically I do not do forward</p> <p>13 projections on number of employees.</p> <p>14 Q. Does anyone else do this type of</p> <p>15 projection in the company?</p> <p>16 A. There are, I guess, not -- there are</p> <p>17 expense projections that make assumptions on number</p> <p>18 of employees but not a specific projection on number</p> <p>19 of employees.</p> <p>20 Q. I am not sure I understand the difference</p> <p>21 there. Could you explain that to me?</p> <p>22 A. I have not seen any explicit projections</p> <p>23 on the actual number of employees. I have seen</p> <p>24 projections on the operating and maintenance expenses</p>

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<p style="text-align: right;">Page 177</p> <p>1 which includes the salaries of employees. 2 Q. And does that projection specifically 3 delineate how many salaries are being paid out? 4 A. None that I have seen. There's a total 5 but not a delineation. 6 Q. Based on your recollection of those 7 projections, is that particular number declining on 8 the projections? 9 A. I do not know. The projections I've seen 10 have been a total expense projection and not just -- 11 you know, salaries weren't delineated out. 12 Q. Okay. 13 MR. SCHULER: At this time could I have 14 the other document OCC Set 11-INT-229 marked as OCC 15 Exhibit 2. 16 (EXHIBIT MARKED FOR IDENTIFICATION.) 17 MR. LANG: Okay. It has been marked. 18 MR. SCHULER: Thank you. 19 Q. Mr. Harden, do you recognize the document 20 that has been labeled as OCC Exhibit 2? 21 A. Yes. 22 Q. And you recognize this as a FirstEnergy 23 response to an OCC discovery request? 24 A. Yes.</p>	<p style="text-align: right;">Page 179</p> <p>1 organization in the prior discussion on OCC Exhibit 2 1. Are any of these employees subject to that same 3 type of set up where they might work at multiple 4 locations? 5 A. None of the -- I guess let me answer this 6 way, none of the -- none of the employees in the 7 numbers on this exhibit would be employees that due 8 to the definition of their job function regularly 9 support other stations. That doesn't mean they 10 wouldn't from time to time be asked to go to one of 11 the other stations but as a job function, these 12 employees -- these numbers represent the employees 13 that most of their time is spent directly supporting 14 the Davis-Besse site. 15 Q. Does that include employees that would be 16 based at the company headquarters? 17 A. No, no, it does not. And nor would it 18 include the numbers of employees whose office is at 19 Davis-Besse but are considered fleet employees that 20 regularly support all the sites. 21 Q. You said it does not include those? 22 A. That is correct. 23 Q. Thank you. Do you know how many of these 24 employees reside in Ohio?</p>
<p style="text-align: right;">Page 178</p> <p>1 Q. And did you help prepare this particular 2 response? 3 A. Yes, I did. 4 Q. And the response asks to "identify the 5 total number of employees that were employed at the 6 Davis-Besse generation plant at the end of each year 7 from 2009 to 2014," correct? 8 A. That is correct. 9 Q. And the response provides numbers for the 10 total nuclear group, special projects, security, and 11 engineering personnel, correct? 12 A. That is correct. 13 Q. Are these all employees that are located 14 at the Davis-Besse plant? 15 A. This would be all FirstEnergy employees. 16 It would not include contractors. 17 Q. None of these numbers include independent 18 contractors? 19 A. That's correct. 20 Q. And maybe I should clarify my prior 21 question. Of the numbers listed here do all of those 22 employees work at the Davis-Besse plant itself? 23 A. Yes. 24 Q. We had talked about a complete</p>	<p style="text-align: right;">Page 180</p> <p>1 A. No, I don't. 2 Q. And would you agree with me that the 3 number of employees at the Davis-Besse plant declined 4 from 2009 to 2014? 5 A. Yes. 6 Q. Can you explain why that is? 7 A. I can explain in part. I'm not sure I 8 can be all inclusive. Some of the similar 9 explanation I used on the numbers for the Sammis 10 plant apply here in that since 2009, there's been a 11 more concentrated effort on the efficiencies game by 12 continuing to improve functions that can be operated 13 fleetwide as opposed to site specific. And there is 14 some attrition in those numbers and some of that 15 reduction is likely attributed to some of the capital 16 investment that was made that results in the need for 17 less employees. 18 Q. Going forward will there be a continued 19 effort on efficiency? 20 A. There will always be a continuous look 21 for methods of improving efficiency. 22 Q. Does that mean that there will be more 23 attrition? 24 A. I don't know. That would be speculation</p>

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<p>1 Q. You said that you couldn't answer the 2 question all inclusively. Why is that? 3 A. Because there may be reasons that I can't 4 remember sitting here. 5 Q. Fair enough. 6 A. Yeah. I gave you the ones I could 7 remember. 8 Q. I can't ask for more than that. Do you 9 have any projections of how many employees will be at 10 the Davis-Besse plant in the future? 11 A. No specific projections. 12 Q. Do you have the same expense projections 13 that we discussed with regard to the W.H. Sammis 14 plant? 15 A. Yes. 16 Q. That does not delineate the specific 17 number of employees. 18 A. It does not. 19 Q. And those projections are based on the 20 approval of rider RRS? 21 MR. LANG: Objection. 22 A. No. Those projections are our internal 23 projections of, you know, the required expenses for 24 continuing to operate the plant.</p>	<p>1 A. That is correct. 2 Q. Okay. And in your discussions with him, 3 did you discuss the substance of the CSAPR rule? 4 A. Yes, to some extent. I can't -- 5 Q. Okay. And did -- sorry. Did you discuss 6 the fact that it's designed to ensure compliance with 7 particular National Ambient Air Quality Standards? 8 A. Yes, we did discuss that. 9 Q. And if I refer to those as NAAQS going 10 forward, will you understand what I mean? 11 A. Yes. 12 Q. Great. And did you discuss which NAAQS 13 the CSAPR rule was designed to ensure compliance 14 with? 15 A. Yes, we did. 16 Q. Did you discuss the fact that those NAAQS 17 may change in the future? 18 A. Yes, we did. 19 Q. And did you discuss whether the 20 requirements under CSAPR might change in the future 21 if those NAAQS would change? 22 A. We discussed that possibility, yes. 23 Q. And did you discuss whether Sammis would 24 continue to be in compliance with CSAPR if the --</p>
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<p>1 MR. SCHULER: All right. I have no 2 further questions for the public record. Thank you 3 very much, Mr. Harden. 4 MR. LANG: Next on the list is Madeline 5 Fleisher. 6 MS. FLEISHER: Yes, okay. I should not 7 have too much. 8 --- 9 CROSS-EXAMINATION 10 By Ms. Fleisher: 11 Q. Let's go ahead and get started. 12 Mr. Harden, my name is Madeline Fleisher. I 13 represent the Environmental Law & Policy Center. And 14 I just wanted to ask you a few questions to follow up 15 on your discussion with Mr. Fisk about the compliance 16 of the Sammis CSAPR. And do you understand when I 17 refer to CSAPR, that's the Cross-State Air Pollution 18 Rule, correct? 19 A. Yes. 20 Q. And you -- could you just confirm my 21 understanding of your testimony that you discussed 22 CSAPR compliance with Mr. Jurusik? 23 A. Yes. 24 Q. Is that correct?</p>	<p>1 those NAAQS become more stringent? 2 A. Yes, we did have discussions on that. 3 Q. And did you reach any conclusions over 4 the course of those discussions? 5 A. Yes. 6 Q. And what were your conclusions? 7 MR. LANG: I don't know if this is 8 confidential but. 9 THE WITNESS: I don't believe so. 10 MR. LANG: Okay. 11 A. I will stay out of confidential. At 12 least I believe I can stay out of confidential space. 13 We discussed that we believe Sammis will continue to 14 be in compliance for what we know on the horizon 15 today, and we also discussed the essence of cap and 16 trade and in the -- and the ability to purchase 17 allowances if needed. 18 Q. Okay. A couple of follow-up questions 19 about that answer. When you said that you believe 20 Sammis would remain in compliance for what you know 21 on the horizon today, does -- what is it that you 22 know is on the horizon or what were you referring to 23 with that answer? 24 A. We are referring to the current NAAQS and</p>

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<p style="text-align: right;">Page 213</p> <p>1 have you?</p> <p>2 A. That is correct, I have not.</p> <p>3 Q. On page 2, still line 21, you talk about</p> <p>4 740 employees and contractors for Davis-Besse.</p> <p>5 What -- do you know the breakdown of employees versus</p> <p>6 contractors?</p> <p>7 A. Not off the top of my head. However,</p> <p>8 there was an exhibit we discussed this morning that</p> <p>9 has the number that are FirstEnergy employees so 740</p> <p>10 minus that number which, looking at OCC Exhibit 2</p> <p>11 here, that listed 672 so it would be the difference</p> <p>12 from 672 to 740. So approximately 68 contractors it</p> <p>13 looks like.</p> <p>14 Q. Okay. And you talk on line 23 about a</p> <p>15 typical planned outage. Are you talking about the</p> <p>16 refueling outage that's planned?</p> <p>17 A. Yes, that is what I mean by a typical</p> <p>18 planned outage.</p> <p>19 Q. Okay. And it was my understanding from</p> <p>20 yesterday that was a little confusing, but I thought</p> <p>21 that happened every two years, and I think you say</p> <p>22 that on page 3; is that right? It happens every two</p> <p>23 years?</p> <p>24 A. For Davis-Besse the refueling outages are</p>	<p style="text-align: right;">Page 215</p> <p>1 A. Well, generally speaking we purchase</p> <p>2 uranium. We purchase services to convert the uranium</p> <p>3 to uranium hexafluoride. After that, we purchase</p> <p>4 services to enrich the uranium. Once it's been</p> <p>5 enriched, we purchase services to fabricate that into</p> <p>6 fuel assemblies which are then shipped to the site</p> <p>7 and placed in the reactor during refueling outages.</p> <p>8 Q. Okay. All three of those -- you used the</p> <p>9 word services but those are all considered the fuel?</p> <p>10 A. Yes. The sum of all of those items</p> <p>11 would -- the cost of the sum of all of those items</p> <p>12 would go into the calculation of the fuel expense.</p> <p>13 Q. Okay. And can you tell me</p> <p>14 nonconfidentially are these purchased from the state</p> <p>15 of Ohio or outside the state of Ohio?</p> <p>16 A. Yeah. I would rather speak to that in</p> <p>17 the confidential section because providing a state</p> <p>18 would identify -- would identify specific entities.</p> <p>19 Q. Okay. We can come back to that then.</p> <p>20 And would your answers be the same with regard to --</p> <p>21 you explained a process. That process is something</p> <p>22 that's done and then brought to the site, so I am</p> <p>23 assuming the process occurs offsite; is that right?</p> <p>24 A. That is correct. All of the -- all of</p>
<p style="text-align: right;">Page 214</p> <p>1 approximately every two years.</p> <p>2 Q. And two years, they operate for two years</p> <p>3 or there was one in 2012 and then there is one in</p> <p>4 2014? What's the timing? How does that work?</p> <p>5 A. Yes. They are approximately two years</p> <p>6 apart. So if there was one in '12, the next one</p> <p>7 would be expected to be in '14.</p> <p>8 Q. At the end of '14. It's expected to</p> <p>9 operate almost two years before you have one?</p> <p>10 A. Yes. But, I mean, there's some leeway</p> <p>11 there. It can be plus or minus some amount of time,</p> <p>12 not precisely two years.</p> <p>13 Q. Okay. Can you turn to the next page,</p> <p>14 page 3.</p> <p>15 A. Yes.</p> <p>16 Q. On line 1 you talk about \$180 million</p> <p>17 spent on fuel. Where does that fuel for Davis-Besse</p> <p>18 come from?</p> <p>19 MR. LANG: I think that's confidential.</p> <p>20 Let us know.</p> <p>21 A. I mean, I can speak of it in generalities</p> <p>22 but not from which specific companies or anything</p> <p>23 like that that it comes.</p> <p>24 Q. Just generally speaking.</p>	<p style="text-align: right;">Page 216</p> <p>1 the different steps that I mentioned occur off the</p> <p>2 premises and only the completed final fuel product is</p> <p>3 supplied to the site.</p> <p>4 Q. Okay, okay. We will come back to that</p> <p>5 then as well. Could you now turn to page 4 of your</p> <p>6 testimony. And on line 20 -- it starts on 16 -- you</p> <p>7 are talking about the Davis-Besse operating license</p> <p>8 and you said that -- you talk about the renewal</p> <p>9 application that was filed back in August, 2010. Has</p> <p>10 it been approved yet since your filing?</p> <p>11 MR. LANG: Objection, asked and answered.</p> <p>12 A. No, it has not.</p> <p>13 Q. I apologize if I missed these. Did you</p> <p>14 explain when you expect it to be approved?</p> <p>15 A. In general terms I explained that we</p> <p>16 expect the final steps to occur later this year that</p> <p>17 would enable approval.</p> <p>18 Q. Okay. And so is the -- what's the</p> <p>19 typical duration of the approval process?</p> <p>20 MR. LANG: Objection, asked and answered.</p> <p>21 A. I briefly mentioned earlier my own</p> <p>22 opinion would be I couldn't give a typical approval</p> <p>23 timeframe because if you reviewed the amount of time</p> <p>24 for all the plants that have had their applications</p>

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<p style="text-align: right;">Page 217</p> <p>1 approved, the time durations have varied sometimes 2 significantly. And it largely depends on whether 3 there is intervention and contentions and whether 4 hearings are required. 5 Q. So I guess ask it a different way, is it 6 typical that you would file your renewal application 7 seven years prior to the expiration of the license? 8 A. I guess it's typical to file it far in 9 advance and there's actually some requirements for 10 the amount of time you have to do in advance, but it 11 has been typical if you look at most plants across 12 the United States to have done it far in advance. 13 Q. Okay. And so when would the 20-year 14 renewal occur? Would it be from the date that you 15 filed in 2010 or is it 20 years from the expiration 16 of the current license or is it from the date of 17 renewal approval? Do you know? 18 A. Yes. It is 20 years additional from the 19 date of the current license expiration. 20 Q. Okay. If you could go down to page 5, 21 line 11, I am going to ask you the same question, 22 maybe you could refer to that chart again, what's the 23 breakdown of the Sammis employees versus contractors? 24 Is that on your chart you referred to a minute ago?</p>	<p style="text-align: right;">Page 219</p> <p>1 MS. BOJKO: Thank you. 2 Q. Mr. Harden, on page 5 of your testimony, 3 you also talk about Sammis fuel and you talk about 4 Ohio coal. Are you suggesting here that -- well, 5 where is the remaining amount of fuel procured from? 6 MR. LANG: Objection. 7 A. It would be any one of a number of places 8 that any more specific would be confidential. 9 Q. Okay. But you're suggesting that 10 52 million is spent each year on Ohio coal so is it 11 fair to assume that the remaining amount of the 460 12 is outside of Ohio? Or I guess, I'm sorry, I am 13 mischaracterizing your testimony. I think the 460 14 relates to all of those items; is that right? 15 A. That is correct. 16 Q. Okay. So do you know how much fuel is 17 spent outside of the state of Ohio? 18 A. Not off the top of my head, no. 19 Q. Do you know what the total of the 20 breakdown is of just fuel costs are? 21 MR. LANG: That's confidential if you 22 know. 23 A. Yeah. It would be confidential, but I do 24 not know from memory.</p>
<p style="text-align: right;">Page 218</p> <p>1 A. It's on a different exhibit. It was on 2 Exhibit OCC 1, showed the number of FirstEnergy 3 employees at Sammis. And line 11 of my testimony 4 shows 400 employees and contractors and that's an 5 approximate value. OCC Exhibit 1 shows 338 employees 6 as of November of last year. So the difference 7 between those two gives you a rough idea. Just over 8 60 is a rough idea of the number of contractors. 9 Q. Okay. 10 MR. LANG: Hey, Kim, we are looking for a 11 break time, but I don't want -- if you are close to 12 done, I prefer that you finish up. Do you know how 13 much time -- more time you have? 14 MS. BOJKO: I would just say 15 minutes, 15 10 or 15 minutes. 16 MR. LANG: Okay. That's a little bit 17 longer than I was hoping but we are -- we are going 18 to take a 10-minute break and come back at 10 minutes 19 after 3, I guess 12 minutes after 3. 20 MS. BOJKO: Okay. Thanks. 21 MR. LANG: All right. 22 (Recess taken.) 23 MR. LANG: We can go back on the record, 24 and you can go ahead.</p>	<p style="text-align: right;">Page 220</p> <p>1 Q. Well, I think you stated earlier today, 2 hopefully I am not getting that mixed up with 3 yesterday's deposition, but you did explain different 4 coalmines that you procure coal from, didn't you? 5 A. Not that I remember in specificity. 6 Q. Okay, okay. Let's turn to -- let's talk 7 about OVEC a little bit now and that's on page 8 of 8 your testimony and as I understand it, you do not 9 have any management oversight or your fleet engineers 10 do not work on OVEC; is that correct? 11 A. That is correct. 12 Q. So where did you obtain the information 13 regarding OVEC for this testimony? 14 A. It could have come from a number of 15 places including the ICPA that's referenced as well 16 as their annual report. 17 Q. So did you actually look at the ICPA and 18 annual report? 19 A. Yes, I did. 20 Q. So when you said "it could have come," I 21 guess are you saying somebody else prepared this and 22 it could have come from there, or you actually looked 23 at those and drafted the testimony off of those 24 documents?</p>

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<p>1 Q. Okay. The term of the PPA which would be 2 through 2031, correct? 3 A. No, through May 31 of 2031. 4 Q. Okay. May 31, 2031, okay. And so you 5 project -- you input projections of the variable 6 operating costs for the Sammis units into the model; 7 is that correct? 8 A. Yes. 9 Q. And where did those projections come 10 from? 11 A. Look at -- starting on page 4 of my 12 testimony, row 22, we talk about Sammis where the 13 inputs for the fuel costs were provided by Company 14 Witness Rose. 15 Q. Okay. And did you do anything to assess 16 whether those projections from Company Witness Rose 17 were reasonable? 18 A. I just used what he provided me. 19 Q. Okay. So you don't have any opinions 20 regarding whether those projections are reasonable or 21 not? 22 A. I do not. 23 Q. Okay. And then I guess turning over to 24 page 5 of your testimony, the nuclear fuel and other</p>	<p>1 A. No. 2 Q. Okay. And then the variable fuel costs 3 for the OVEC units were provided by OVEC; is that 4 correct? 5 A. Some of them were. 6 Q. Okay. Which ones were? 7 A. The fuel and fuel-related expenses. 8 Q. Okay. 9 A. Coal in particular were provided by OVEC 10 and that's what we used. 11 Q. Were there other -- other variable costs 12 for OVEC that were not provided by OVEC? 13 A. Yes. 14 Q. Which ones were those? 15 A. Company Witness Rose provided a carbon 16 assumption and a carbon price that was used as an 17 input. 18 Q. Okay. And that carbon price was provided 19 for -- by Mr. Rose for -- also for Sammis; is that 20 correct? 21 A. That's correct. 22 Q. And did -- did you personally do anything 23 to evaluate whether Mr. Rose's carbon price 24 projection was reasonable?</p>
Page 38	Page 40
<p>1 fuel-related expenses were forecasted using internal 2 forecasts; is that correct? 3 A. That's correct. 4 Q. Okay. And do you know who did those 5 internal forecasts? 6 A. Again, those are items we have regularly 7 available within the model that FES would evaluate 8 whether they are appropriate or not. 9 Q. Okay. And did you have any role in 10 evaluating whether those were appropriate? 11 A. I looked at them. They seemed reasonable 12 to me, and so I didn't have any reason to believe 13 otherwise. 14 Q. Okay. Do you have any expertise in 15 forecasting nuclear fuel and other fuel-related 16 expenses? 17 A. I -- as part of our normal forecasting 18 process, I understand and see what the projections 19 are provided for those items and so based on my -- 20 what I've experienced as those costs, evaluated from 21 that perspective. 22 Q. Okay. But outside of that you don't have 23 any -- do you claim any expertise in projecting 24 nuclear fuel expenses?</p>	<p>1 A. No. 2 Q. Okay. Are you offering any opinions 3 regarding the reasonableness of his price projection? 4 A. No. 5 MR. ALEXANDER: Can we take a brief 6 break? 7 MR. FISK: Go off. 8 (Discussion off the record.) 9 Q. Okay. And the variable fuel costs 10 projection that you received from OVEC, did you do 11 anything to evaluate the reasonableness of that 12 projection? 13 A. No. 14 Q. Okay, okay. And then Mr. Rose also 15 provided to you projected capacity prices; is that 16 correct? 17 A. Yes. 18 Q. Okay. And did you do anything to 19 evaluate the reasonableness of those capacity price 20 projections? 21 A. No. 22 Q. No. And are you offering any opinions 23 regarding capacity price projections? 24 A. No.</p>

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<p style="text-align: right;">Page 65</p> <p>1 MR. FISK: First, general category, 2 MR. ALEXANDER: Okay. The concern is 3 these are internal FES proprietary forecasts, and I 4 don't want to get too far down that path so I 5 understand, I think, where you are getting. Let's 6 just be cognizant of that. 7 MR. FISK: Sure. We can punt to the 8 afternoon. 9 MR. ALEXANDER: Even in the afternoon I 10 would have objection to non-PPA forecasts if you ask, 11 but we can cross that bridge when we come to it. 12 MR. FISK: We can deal with that then. 13 A. Make sure I clarify, your question was 14 when -- what kind of forecasts has FES done since the 15 PPA? 16 Q. Yeah. 17 A. What the forecast is going to be for is 18 the competitive business of the FirstEnergy Solutions 19 for over the next couple of years. 20 Q. Okay. Any other projections? 21 A. No. 22 Q. Okay. Have you modeled the projected 23 operation of any of the Sammis plant or any of the 24 Sammis units since your testimony in this proceeding?</p>	<p style="text-align: right;">Page 67</p> <p>1 also used this model to project out even longer term 2 including the years in this PPA for, again, not just 3 the Sammis, Davis-Besse, and FES's share of OVEC but 4 all of FES's assets and generation plants. 5 Q. In separate modeling from what you 6 presented in this proceeding? 7 A. No. It was using the same dispatch 8 model. 9 Q. Same dispatch model but different runs. 10 A. Different -- different inputs were used. 11 Q. Okay. And to your knowledge have any of 12 those modeling runs been presented to any of the 13 parties in this proceeding? 14 A. My understanding is using FES's 15 projections, they've been provided to the Sierra 16 Club. 17 MR. FISK: Can we go off? 18 (Discussion off the record.) 19 Q. We can go back on. So you're saying that 20 there were different modeling runs using different 21 inputs, but your belief is those were presented to 22 the Sierra Club? 23 A. My understanding was there was a subpoena 24 by the Sierra Club requesting that information.</p>
<p style="text-align: right;">Page 66</p> <p>1 A. No. 2 Q. Okay. And have you projected revenues or 3 costs for any of the Sammis units since your 4 testimony in this proceeding? 5 A. No. 6 Q. Okay. Outside of this proceeding have 7 you modeled the projected operation of any of the 8 Sammis units any time in the past year? 9 A. Yes. 10 Q. Okay. And when was that? 11 A. In the August timeframe we projected what 12 the plants are doing not just -- I'm sorry, let me 13 clarify. We forecasted all of FES's plants and their 14 operations over -- over the near term. 15 Q. When you say near term, what -- how -- 16 A. Typically four, four years out. 17 Q. Okay. And you did that in August? 18 A. That was in August, yes. 19 Q. Okay. And you did that through the same 20 model that you used in this proceeding? 21 MR. ALEXANDER: Objection. Beyond the 22 scope of his testimony. Go ahead. 23 A. The -- let me clarify something I said 24 earlier. In that same August timeframe we would have</p>	<p style="text-align: right;">Page 68</p> <p>1 Q. Okay. And outside of that, outside of 2 whatever may have been produced in the response to 3 that subpoena, were there any other modeling runs 4 that you have done in the past year evaluating the 5 projected revenues or operation of any of the FES 6 units? 7 A. No. 8 Q. Okay. And when did you do the modeling 9 that you presented in this proceeding in your 10 testimony? 11 A. I don't remember the specific dates, but 12 I started to work on it right after I had the 13 discussions with Kelley Mendenhall based on Jim 14 Haney's request. 15 Q. May, June timeframe? 16 A. Somewhere, I don't remember the specific 17 timeframe, in that area. 18 Q. Okay. So the August modeling runs that 19 you referred to a couple of minutes ago were more 20 recent than the ones that you presented in your 21 testimony here? 22 A. The August -- those August runs were not 23 using Witness Rose's inputs. Those were using FES's 24 inputs.</p>

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<p style="text-align: right;">Page 69</p> <p>1 Q. Okay. We'll talk about those in the 2 afternoon. Those are probably confidential. 3 A. They are. 4 Q. Yes, so we will get to those. But the 5 question was those were done more recently than the 6 modeling that you did for the testimony you presented 7 here today. 8 A. Yes. 9 Q. Okay. And the near-term, four-year 10 approximately forecasts that you referenced earlier, 11 those were done more recently than your testimony in 12 this proceeding? 13 A. Those were done at around the same -- 14 same period of time, may have been a little bit later 15 but it would have been in that same time period. 16 Q. And did those use different inputs than 17 what was -- what was used in modeling in this 18 proceeding? 19 MR. ALEXANDER: Objection. Go ahead. 20 A. Which inputs? 21 Q. Any of the inputs that you used in 22 your -- in the four-year, near-term forecast 23 different than the ones you used in the modeling you 24 presented in your testimony.</p>	<p style="text-align: right;">Page 71</p> <p>1 back? 2 (Record read.) 3 A. Those forecasts, what do you mean by 4 those forecasts? We are talking about a lot of 5 forecasts here. I want to make sure we are clear. 6 Q. The four-year, near-term forecasts that 7 you mentioned in the last few minutes, were any of 8 those forecasts presented to any of the parties in 9 this proceeding? 10 MR. ALEXANDER: Same objection. 11 A. Those -- clarify, those four-year 12 forecasts that were run around the late August time 13 period, somewhere in that area; is that correct? 14 That's what you are asking me? 15 Q. Yes, yes. 16 A. Not that I am aware of, no. 17 Q. Okay. All right. Any other modeling 18 runs that you have done with regards to the Sammis, 19 Davis-Besse, or OVEC units in the past year? 20 A. We -- as I mentioned already, FES 21 continually will look at its plants, reforecast all 22 the plants, not just these plants. There would have 23 been other forecasts run prior to us preparing the 24 information that's laid out in my attachments. There</p>
<p style="text-align: right;">Page 70</p> <p>1 MR. ALEXANDER: Objection. Go ahead. 2 A. Well, near term, remember, we've got 3 different periods so this starts June 1 of 2016, so 4 we are talking there would only be an overlap of a 5 year and a half. Notwithstanding the forecast that 6 would have been run around that time period -- period 7 of time would have been consistent assumptions used, 8 FES assumptions, as we used in the longer-term 9 projected run. 10 Q. Okay. But the four-year forecast did not 11 use Mr. Rose's assumptions. 12 MR. ALEXANDER: Objection. Go ahead. 13 A. FES's -- the four-year projections were 14 used for FES forecasting. They would have been based 15 on FES's assumptions and inputs, so they did not use 16 Judah Rose's inputs. 17 Q. Okay. And to your knowledge have any of 18 those four-year forecasts been produced to any of the 19 parties in this proceeding? 20 MR. ALEXANDER: Objection both to form 21 and relevance. 22 A. What do you mean by -- can you repeat the 23 question? 24 MR. FISK: Can you read that question</p>	<p style="text-align: right;">Page 72</p> <p>1 would have been forecasts that were done prior in the 2 normal course of FES's business. 3 Q. Within the past year. 4 A. Within the past year, yes. 5 Q. Were you involved in any of those? 6 A. Yes. 7 Q. Okay. And did any of those use 8 assumptions from Mr. Rose? 9 A. No. 10 Q. So did they all use FES assumptions? 11 A. When FES is forecasting, it is always 12 going to use their own internal projections. 13 Q. So then why -- why did you decide to use 14 Mr. Rose's assumptions in the modeling for this 15 proceeding when normally you forecast using FES's? 16 A. I didn't -- I didn't decide that. 17 Q. Do you know who did? 18 A. I was -- 19 MR. ALEXANDER: Objection. 20 A. I don't know who decided to use it. I 21 was asked to run the forecast using Mr. Rose's 22 projections. 23 Q. And who -- who -- who asked you to use 24 Mr. Rose's projections?</p>

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<p style="text-align: right;">Page 117</p> <p>1 A. I can't think of an example. 2 Q. Have you ever -- have you ever put 3 different assumptions into the model? 4 A. Different from what? 5 Q. From -- have you ever run the model twice 6 in any situation using different assumptions to see 7 how it came out? 8 A. Not that I recall. 9 Q. So for every -- every time you've used 10 the model that you can recall, you have input a 11 single set of assumptions, come out with a result, 12 and that's the result you've used. 13 A. In every case that I can recall, that's 14 correct. 15 Q. Can you recall any other instances in 16 which you've accepted input for the model from a 17 third party? 18 A. Not that I recall. 19 Q. And when you received the inputs from 20 Mr. Rose, you said that you accepted those and 21 plugged them into the model; is that correct? 22 A. Into the model that was used for this -- 23 for my testimony, that's correct. 24 Q. Okay. Is there some other model that you</p>	<p style="text-align: right;">Page 119</p> <p>1 to repeat. I didn't catch it. I want to make sure I 2 heard it all. 3 MS. FLEISHER: Sure. 4 (Question read.) 5 MR. ALEXANDER: Objection. Go ahead. 6 A. I don't know. I don't know the answer to 7 that. 8 MS. FLEISHER: Okay. I think that's all 9 I have. Thanks. 10 MR. ALEXANDER: Thank you. Would anyone 11 else like to ask questions of Mr. Lisowski in the 12 public portion of the transcript? 13 MR. SETTINERI: Yes. This is Mike 14 Settineri with RESA. I don't know if anybody else 15 also has questions. 16 MR. ALEXANDER: Okay. Mike, go ahead. 17 MR. SETTINERI: Thank you, Trevor. 18 --- 19 CROSS-EXAMINATION 20 By Mr. Settineri: 21 Q. Good morning, Mr. Lisowski. My name is 22 Mike Settineri on behalf of the Retail Energy Supply 23 Association. How are you? 24 A. I am doing well. Good morning to you as</p>
<p style="text-align: right;">Page 118</p> <p>1 would have plugged them into? 2 A. I'm sorry. I am not following you. Can 3 you repeat the question? 4 Q. Sorry. You seem to be specific that it 5 was into the model that you used for your testimony. 6 I just was wondering if there is some other model 7 that you had in mind. 8 A. No. We -- we have one model that -- that 9 we use for long-term forecasting and that was the 10 same model used in my testimony. 11 Q. Okay. Great. That was my understanding 12 as well. And is your understanding that Mr. Rose was 13 working for FirstEnergy Solutions? 14 A. I don't know. 15 Q. Give me one second here. I think one 16 more question. So when -- do you know with respect 17 to the projected costs for the Sammis plants whether 18 that incorporated any potential for required heat 19 rate improvements? 20 MR. ALEXANDER: Could I have that 21 question reread, please? 22 MS. FLEISHER: Sorry. Do you want me to 23 repeat or? 24 MR. ALEXANDER: I was asking the reporter</p>	<p style="text-align: right;">Page 120</p> <p>1 well. 2 Q. I want to just cover a few areas here but 3 going -- following up on some of the questions that 4 were just asked regarding the model, I think you had 5 mentioned that you -- at any time FES needs a 6 long-term forecast that that model would be used; is 7 that correct? This is the proprietary dispatch model 8 that's referenced in your testimony. 9 A. That's correct. 10 Q. Okay. And in comparing those modeling 11 runs to the modeling run that you did using 12 Mr. Rose's energy prices, what forecast for energy 13 prices did you use or, I should say, were used for 14 those prior modeling runs? 15 MR. ALEXANDER: Just a clarification 16 point, are you asking for who provided those 17 forecasts, or are you asking for the numbers? 18 MR. SETTINERI: I am not asking for the 19 numbers. I am just asking who -- who provided those 20 and getting to the essence of it is what company 21 MR. ALEXANDER: Go ahead. 22 A. I want to make sure I understand the 23 question. You are asking in prior to this proposed 24 PPA in the forecasts in my testimony when FES has</p>

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<p>1 seven-day timeframe, it's more economic to run it 2 through those couple of hours of uneconomic operation 3 in general. 4 Q. Okay. So you take -- you take a 5 seven-day snapshot generally speaking when deciding 6 how to make offers into PJM? 7 A. Yes. 8 Q. Okay. But PJM itself, when it's making 9 the ultimate dispatch decisions, does that on an 10 hourly basis; is that correct? 11 A. If it's economically offered into the 12 market, yes. 13 Q. As opposed to must run? 14 A. Correct. 15 Q. Okay. And leaving aside reliability 16 issues or, you know, transmission constraints, PJM 17 will dispatch the available unit that has the lowest 18 variable operating cost; is that correct? 19 A. No. 20 Q. And why is that not correct? 21 A. A must-run unit will be dispatched as 22 well, may be dispatched at its minimum but it will be 23 dispatched as well. 24 Q. So if we -- let's carve out for a moment</p>	<p>1 Q. But if you have unit A that has a 2 variable operating cost of X and then you have unit B 3 that has a variable operating cost of X plus 1, and 4 PJM is looking at both of those units, I recognize 5 this is a very -- very, very simplified hypothetical, 6 whether unit 1 gets dispatched or not will depend on 7 part of what the costs of unit 2 are, correct? 8 A. Ignoring must-run status, ignoring 9 production tax credits that may come into play, 10 ignoring all those other market realities, yes. 11 Q. Okay. Those are good caveats. 12 A. Because it's how the market works. 13 Q. And with respect to FES's generating 14 units, the dispatch of those units into PJM is 15 because of the market affected by the costs and 16 conditions of units outside of the FES fleet, 17 correct? 18 A. Oh, yes. 19 Q. Okay. Again, without delving into 20 specifics of bid strategy, to be sensitive of 21 confidentiality and related issues, do you make 22 decisions about whether FirstEnergy -- about whether 23 FES's units are bid into the capacity market? 24 A. Yes. Well, no, because unless you put in</p>
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<p>1 must-run units which I know that could be a big carve 2 out. 3 A. Could be a significant portion of the 4 market. 5 Q. With respect to units that are offered 6 economically -- 7 A. Yes. 8 Q. -- does PJM dispatch those based on the 9 one that has the lowest variable operating cost? 10 A. Yes. 11 Q. Okay. And do you think it's fair to say 12 in general the dispatch of different generating units 13 into PJM is affected by the costs of other generating 14 units on the grid? 15 A. No. 16 Q. And why is that wrong? 17 A. It's affected by their fuel cost, their 18 variables costs, and where they line up on the supply 19 stack. Then it becomes based on their costs relative 20 to other operating units on the grid. 21 Q. Okay. So apart from -- so we have the 22 aspect of a unit's own variable operating costs, 23 right? 24 A. Yeah.</p>	<p>1 a deactivation notice, you have a must offer 2 requirement into the capacity market, so short of 3 deactivating a unit, you don't really have a choice. 4 Q. What about with respect to the capacity 5 auctions, like the base residual auction, are you 6 responsible for those bids? 7 A. Yes, those offers. 8 Q. Okay. And what are your specific 9 responsibilities with respect to retail load 10 forecasting and retail structuring and pricing? 11 A. We have in my organization a load 12 forecasting group that -- that projects based upon 13 the load we serve every day into PJM what that load 14 is going to be because you have to not only offer 15 your load but offer your generation as well. And so 16 that's load forecasting. 17 And then from a structuring and pricing 18 standpoint, we develop all the costing as well as all 19 the margin associated with retail offers that we put 20 in front of retail customers for the sales force. 21 Q. Okay. And you also have responsibility 22 for wholesale transactions; is that correct? 23 A. Yes. 24 Q. And what are those specific</p>

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<p>1 Q. And you don't report to anyone at Toledo 2 Edison? 3 A. No. 4 Q. And no one at Toledo Edison reports to 5 you. 6 A. That's correct. 7 Q. And you don't communicate with anyone 8 from Toledo Edison with respect to 9 FirstEnergy-related business. 10 A. That's correct. 11 Q. Okay. And just for the record in your 12 appearance today you are appearing on behalf of those 13 three companies; is that correct? 14 A. Yes. 15 Q. Okay. Not on behalf of FES. 16 A. I'm employed by FES, but I am on behalf 17 of the companies. 18 Q. Okay. Thank you. Are you familiar with 19 the regulated generation group within FirstEnergy 20 Corporation? 21 A. Yes. 22 Q. And do you know who the director of that 23 group is? 24 A. The director, I believe that's Jay</p>	<p>1 A. No. 2 Q. And you don't report to anyone at 3 FirstEnergy service company. 4 A. No. I report to Don Schneider. 5 Q. Okay. And no one from the service 6 company reports to you, correct? 7 A. That's correct. 8 Q. All right. Do you communicate with any 9 employees of the service company? 10 A. Yes. 11 Q. I suspect that would be hard to avoid. 12 A. Right. 13 Q. And who -- who do you communicate with 14 from the service company? 15 A. Well, our legal support -- 16 Q. Okay. 17 A. -- is from the service company. Some of 18 the markets support is through the service company. 19 Some of the external affairs folks I keep in contact 20 with that are from the service company as well. 21 Q. And I'm sorry. I think you told me this 22 before, but could you explain again the external 23 affairs folks, what are their responsibilities? 24 A. It varies. There is different parts of</p>
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<p>1 Ruberto. 2 Q. Okay. And in your current position do 3 you communicate with Mr. Ruberto? 4 A. Rarely, if ever. 5 Q. Okay. Do you communicate with any other 6 employees from the regulated generation group? 7 A. Jim Haney I see from time to time. 8 Q. Okay. And what do you discuss with 9 Mr. Haney when you see him from time to time? 10 A. Could you be more specific? What are you 11 looking for? 12 Q. Apart from a casual encounter with 13 Mr. Haney, do you meet with him? 14 A. We -- we are on some committees together 15 from time to time, and I'll see him in our generation 16 study team. 17 Q. Okay. Do you discuss the marketing or 18 dispatch of generating units with Mr. Haney? 19 A. No. 20 Q. Okay. In your current position do you do 21 any work for the FirstEnergy Service Company? 22 A. No. 23 Q. Okay. And you don't receive any 24 compensation from the service company.</p>	<p>1 the group. Some are local affairs. Some are federal 2 and -- federal affairs in Washington, D.C. So -- 3 Q. So generally speaking relationships with 4 entities outside of FirstEnergy Corp. 5 A. Yes. 6 Q. Okay. Got it. Just like the name 7 sounds. 8 A. Right. 9 Q. Are you familiar with the business 10 development department at FirstEnergy Corporation? 11 A. Yes. 12 Q. Okay. And does that department provide 13 any services to FES? 14 A. Yes. 15 Q. Okay. And what services? 16 A. They will do asset evaluations, both 17 considering whether we want to purchase something or 18 whether we want to sell something, and they also are 19 the keepers of our long-term price forecast. 20 Q. And when you say "our long-term price 21 forecast," you mean FES's. 22 A. Yes. 23 Q. Do you know whether or not the business 24 development department provides services to the</p>

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<p>1 regulated generation group?</p> <p>2 A. I don't know.</p> <p>3 Q. Okay. When you say "asset evaluation,"</p> <p>4 are you referring to plants specifically or other</p> <p>5 types of assets?</p> <p>6 A. Really it's mostly plants, but it could</p> <p>7 be other types of assets as well, right? We own a</p> <p>8 Norton facility which is a compressed air storage</p> <p>9 potential location. That's something that the</p> <p>10 business development team would evaluate. It's not a</p> <p>11 plant.</p> <p>12 Q. Okay. So apart from asset evaluations</p> <p>13 and the long-term price forecast, does business</p> <p>14 development provide any other services to FES?</p> <p>15 A. They support us on some of our purchases</p> <p>16 of RECs.</p> <p>17 Q. And, I'm sorry, RECs are renewable --</p> <p>18 A. Renewable energy credits, yes.</p> <p>19 Q. Okay. Anything else?</p> <p>20 A. Not that I can remember right now.</p> <p>21 Q. Okay. And who is the head of the</p> <p>22 business development group?</p> <p>23 A. That's Dave Pinter.</p> <p>24 Q. Okay. And do you have -- do you have a</p>	<p>1 come up.</p> <p>2 Q. Okay. If we could talk for a minute</p> <p>3 about those long-term price forecasts.</p> <p>4 A. Sure.</p> <p>5 Q. So apart from anything related to this</p> <p>6 proceeding, FES has a long-term price for --</p> <p>7 long-term energy price forecast, correct?</p> <p>8 A. Yes.</p> <p>9 Q. Okay. And a capacity price forecast?</p> <p>10 A. Yes.</p> <p>11 Q. Okay.</p> <p>12 MR. SOULES: Just to allay any worries I</p> <p>13 am not going to ask any specific numbers.</p> <p>14 MR. LANG: Okay.</p> <p>15 MR. SOULES: I am trying to be very</p> <p>16 cognizant.</p> <p>17 A. Yes. Those are highly proprietary.</p> <p>18 Q. Yes, yes, I understand. And who</p> <p>19 specifically prepares those forecasts?</p> <p>20 A. I don't know.</p> <p>21 Q. Okay.</p> <p>22 A. It's housed in business development, but</p> <p>23 I don't know who specifically calculates them. I</p> <p>24 know some are internal and some are externally</p>
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<p>1 sense of generally speaking what types of expertise</p> <p>2 that department has?</p> <p>3 A. Economic modeling.</p> <p>4 Q. Okay. Does business development do all</p> <p>5 the economic modeling for FES?</p> <p>6 A. No.</p> <p>7 Q. Okay. Who else does modeling for FES?</p> <p>8 A. We do some of it internally.</p> <p>9 Q. Okay. And are you referring to dispatch</p> <p>10 modeling when you refer to modeling or broader?</p> <p>11 A. Broader than that.</p> <p>12 Q. Okay. And what else would that include?</p> <p>13 A. It could include gas market modeling.</p> <p>14 Q. Okay. Anything else?</p> <p>15 A. Energy market modeling.</p> <p>16 Q. Okay, okay.</p> <p>17 A. Things that are relevant to our commodity</p> <p>18 business.</p> <p>19 Q. Okay. Thank you. Any other modeling</p> <p>20 beyond what you just mentioned?</p> <p>21 A. It would be on a case-by-case basis. We</p> <p>22 have some folks with strong analytical capabilities</p> <p>23 in FirstEnergy Solutions so there are times when we</p> <p>24 will ask them to do modeling for emergent issues that</p>	<p>1 sourced through Dave Pinter's group.</p> <p>2 Q. Okay. But the price forecasts are</p> <p>3 prepared by business development, not by FES itself,</p> <p>4 correct?</p> <p>5 A. That's correct.</p> <p>6 Q. And do you know what those price</p> <p>7 forecasts are used for?</p> <p>8 A. Yes.</p> <p>9 Q. And what are they used for?</p> <p>10 A. A variety of things.</p> <p>11 Q. Okay. Can you give me some examples?</p> <p>12 A. Valuation of units in our -- in our</p> <p>13 fleet, valuation of assets that we're considering to</p> <p>14 purchase.</p> <p>15 Q. Okay.</p> <p>16 A. Any number of things. If it interfaces</p> <p>17 with a commodity market, that would be at least one</p> <p>18 of the inputs into its valuation.</p> <p>19 Q. Okay. And FES uses these price forecasts</p> <p>20 for generation dispatch modeling as well; is that</p> <p>21 correct?</p> <p>22 A. We do sometimes, yes.</p> <p>23 Q. Okay. Under what circumstances do you</p> <p>24 use those forecasts for modeling purposes?</p>

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<p>1 A. For a long-term dispatch. Generation 2 dispatch modeling is something we do on a daily basis 3 seven days, pretty short-term stuff. 4 Q. Right. But if you are doing the 5 long-term forecast, then you would use these price 6 projections. 7 A. Yes, something beyond four years where 8 you have visibility to energy future prices. 9 Q. Okay. So the price forecast extends 10 beyond four years; is that correct? 11 A. Yes. 12 Q. Okay. Do you know how far out they 13 extend? 14 A. No. 15 Q. Do you know if they extend out beyond 10 16 years? 17 A. Yes. 18 Q. And they do? 19 A. Yes. 20 Q. Okay. Do you know if they extend out 21 beyond 15 years? 22 A. I'm not positive but I believe they do. 23 Q. Okay. With respect to the sort of 24 longer-term analyses that FES performs, how</p>	<p>1 views depending upon what your belief is the way the 2 economy is going to go. So there's a range of 3 outputs that could be -- could be determined based on 4 a long-term price forecast based on your view what 5 the future holds. 6 Q. Okay. So if you -- if FES were 7 interested in doing some kind of long-term revenue 8 analysis, business development would be capable of 9 giving you, say, a case based upon a higher energy 10 price as well as a case based upon a lower energy 11 price; is that correct? 12 A. They would give us a range basically. 13 Q. Okay. Do you have a sense of how many 14 different -- how -- strike that. 15 And is it the same situation with respect 16 to capacity prices where business development would 17 be capable of giving you a range of? 18 A. I don't know. 19 Q. Okay. But certainly for energy prices. 20 A. Yeah. 21 Q. Apart from the work that business 22 development does in terms of long-term forecasting, 23 am I correct that FES itself does some long-term 24 forecasting as well internally?</p>
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<p>1 frequently are those analyses performed? 2 A. Not very frequently. 3 Q. Okay. Can you give me a ballpark figure? 4 A. It would be event based, right, on a 5 case-by-case basis. 6 Q. They are not regularly updated? 7 A. The business development group regularly 8 updates their price forecasts, but I don't know what 9 kind of a cadence or what regular schedule they are 10 on to reevaluate assets, for example. 11 Q. Okay. Do you know when the price 12 forecasts were most recently updated? 13 A. Within the last year. 14 Q. Can you be more specific? 15 A. I can't remember off the top of my head. 16 Q. Okay. But they are fairly current it's 17 fair to say. 18 A. Yes. 19 Q. Do you know, is there only one set of 20 price projections? Are there multiple sets of 21 projections? 22 A. There are different projections for 23 different commodities but there is really one 24 long-term price forecast and there are different</p>	<p>1 A. No. 2 Q. Okay. So anything that's far forward 3 looking you would go to business development. 4 A. Yes. 5 Q. Okay. Does FES ever commission any 6 outside parties to do forecasts? 7 A. Not forecasts. 8 Q. Okay. How about to do modeling, dispatch 9 modeling? 10 A. Yes. 11 Q. Okay. And what circumstances? 12 A. Associated with capacity market 13 evaluations but it's not a specific dispatch model. 14 Q. Okay. All right. 15 A. Also for hedging analysis determining 16 what our right balance of -- of sales channels should 17 be for our portfolio, portfolio management. We 18 engage outside support for some of that as well 19 because we don't have the capability internally. 20 Q. But none of that outside work involves 21 modeling the dispatch of generating units; is that 22 correct? 23 A. The portfolio analysis would have a 24 sample dispatching associated with it that feeds into</p>

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<p>1 it.</p> <p>2 Q. Okay.</p> <p>3 A. But it's not a specific output that says</p> <p>4 this is what you are going to dispatch.</p> <p>5 Q. Okay. And FES also has long-term CO-2</p> <p>6 price forecasts as well; is that correct?</p> <p>7 A. Business development would support us</p> <p>8 with anything that's long term. Some of these</p> <p>9 markets are kind of emerging right now with CASPR</p> <p>10 showing up again so.</p> <p>11 Q. Right.</p> <p>12 A. A lot of that is factored into the</p> <p>13 long-term price forecast already, the cost of CO-2,</p> <p>14 for example.</p> <p>15 Q. Okay. And business development would</p> <p>16 maintain any CO-2 price forecast on FES's behalf,</p> <p>17 correct?</p> <p>18 A. Yes.</p> <p>19 Q. Okay. And with respect to the CO-2</p> <p>20 prices, is it the kind of situation where business</p> <p>21 development would be able to give you a high CO-2</p> <p>22 case and low CO-2 case if you were doing a long-term</p> <p>23 revenue analysis?</p> <p>24 A. I don't know if they have got a high or</p>	<p>1 Q. You know business development factors in</p> <p>2 the CO-2 prices; you don't know if they disaggregate</p> <p>3 that into --</p> <p>4 A. Correct.</p> <p>5 Q. Okay. Got it. Thank you. Are you</p> <p>6 familiar with the proposed agreement under which FES</p> <p>7 would sell its capacity, energy, and ancillary</p> <p>8 services to Ohio Edison Company, Cleveland Electric</p> <p>9 Illuminating Company, and Toledo Edison Company?</p> <p>10 A. Yes.</p> <p>11 Q. Okay. And the assets that would be the</p> <p>12 subject of the proposed agreement, the Sammis plant,</p> <p>13 the Davis-Besse plant, and FES's share of the OVEC</p> <p>14 plants, correct?</p> <p>15 A. Yes.</p> <p>16 Q. Okay. If I refer to that proposed</p> <p>17 agreement as the proposed transaction, will you</p> <p>18 understand what I mean?</p> <p>19 A. Yes, I will.</p> <p>20 Q. Okay. Great. And if I refer to our</p> <p>21 little trio of -- actually big trio of utilities as</p> <p>22 the companies, will you understand what I mean?</p> <p>23 A. Yes, I will.</p> <p>24 Q. Great. Do you know whether or not FES</p>
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<p>1 low. I know they have it factored in.</p> <p>2 Q. Okay. And do you know how far out those</p> <p>3 price forecasts extend?</p> <p>4 A. Not specifically but as we went through</p> <p>5 the ladder before, greater than 15 years.</p> <p>6 Q. Okay, okay. And how about with respect</p> <p>7 to future coal prices, does business development have</p> <p>8 a set of price projections for coal?</p> <p>9 A. I don't know. We'll use industry indices</p> <p>10 for that.</p> <p>11 Q. Okay. Can you give me an example of an</p> <p>12 industry index?</p> <p>13 A. BOYD has price forecasts.</p> <p>14 Q. All right.</p> <p>15 A. ICE has price forecasts for coal.</p> <p>16 Q. And I guess to clarify the CO-2 price</p> <p>17 that we were talking about a moment ago, business</p> <p>18 development has its own -- has a separate projected</p> <p>19 CO-2 price; is that correct?</p> <p>20 A. I don't know if it's separate or if it's</p> <p>21 included in their long-term price forecast.</p> <p>22 Q. And when you say long-term price</p> <p>23 forecast, you mean long-term energy price forecasts.</p> <p>24 A. Yes.</p>	<p>1 and the companies have executed a final purchase</p> <p>2 power agreement for this proposed transaction?</p> <p>3 A. We have not. We have a term sheet.</p> <p>4 Q. Okay. And the companies and FES have not</p> <p>5 yet put together a draft of the PPA, correct? They</p> <p>6 only have the term sheet; is that correct?</p> <p>7 A. That's correct.</p> <p>8 Q. Okay. All right. Are you familiar with</p> <p>9 the economic stability program that the companies</p> <p>10 proposed to the Commission?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. And what is that generally</p> <p>13 speaking as you understand it?</p> <p>14 A. It's an update or a renewal of our</p> <p>15 previous economic -- economic stability program, and</p> <p>16 it also includes rider RRS which is associated with</p> <p>17 the transaction that you mentioned previously.</p> <p>18 Q. Okay. So rider RRS and the proposed</p> <p>19 transaction are the two components of the economic</p> <p>20 stability program; is that accurate?</p> <p>21 A. Yes.</p> <p>22 Q. Okay.</p> <p>23 (EXHIBIT MARKED FOR IDENTIFICATION)</p> <p>24 Q. You have been passed a document that's</p>

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<p>1 A. No.</p> <p>2 Q. That's not your understanding?</p> <p>3 A. That's correct.</p> <p>4 Q. Okay. And why -- why is that incorrect?</p> <p>5 A. The assumption is unless you have an</p> <p>6 exemption in the capacity performance proposal you</p> <p>7 have to prove that you cannot qualify as a capacity</p> <p>8 performance product to the independent market</p> <p>9 monitor. Otherwise, you have a must offer</p> <p>10 requirement.</p> <p>11 Q. Okay. So it's assumed then unless you</p> <p>12 can prove otherwise.</p> <p>13 A. Correct --</p> <p>14 Q. Okay.</p> <p>15 A. -- or you have an exemption.</p> <p>16 Q. Or you have an exemption. And do you</p> <p>17 know what those exemptions are?</p> <p>18 A. They are listed in the proposal but, for</p> <p>19 example, pumped hydro storage.</p> <p>20 Q. Okay. Has FES evaluated whether the</p> <p>21 Sammis units would qualify as a capacity</p> <p>22 performance -- would qualify as capacity performance</p> <p>23 resources?</p> <p>24 MR. LANG: To the extent you are</p>	<p>1 reflecting that evaluation?</p> <p>2 A. No.</p> <p>3 Q. And has FES evaluated whether the OVEC</p> <p>4 units would qualify?</p> <p>5 A. Yes.</p> <p>6 Q. Okay. And, yes, there was an evaluation,</p> <p>7 or yes?</p> <p>8 A. Yes, there was an evaluation.</p> <p>9 Q. Okay. And that -- what was -- is it</p> <p>10 FES's understanding that those units would qualify?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. Was there a written report</p> <p>13 reflecting that evaluation?</p> <p>14 A. No.</p> <p>15 Q. Okay. We may come back to that a little</p> <p>16 bit in the afternoon, but I don't want -- I want to</p> <p>17 be sensitive to the --</p> <p>18 A. Sure.</p> <p>19 Q. So just a few more questions. Earlier</p> <p>20 you were describing sort of the short-term four-year</p> <p>21 forecast that FES performs. Do you recall that</p> <p>22 discussion --</p> <p>23 A. Yes.</p> <p>24 Q. -- where business development would</p>
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<p>1 getting -- you might be able to answer this question,</p> <p>2 but to the extent you are getting into a confidential</p> <p>3 area, let us know.</p> <p>4 THE WITNESS: All right.</p> <p>5 A. Yes.</p> <p>6 Q. Okay. FES has evaluated that.</p> <p>7 A. Yes.</p> <p>8 Q. Okay. And, again, if we tread into</p> <p>9 something that is confidential, please, you know.</p> <p>10 A. I think if we get into specifics, we</p> <p>11 might want to save that for the confidential portion</p> <p>12 of the discussion.</p> <p>13 MR. LANG: Right.</p> <p>14 Q. Okay. Well, I will ask this, and if we</p> <p>15 need to punt it, we can. Did FES prepare a written</p> <p>16 report of that evaluation?</p> <p>17 A. No.</p> <p>18 Q. Okay. Same question with respect to</p> <p>19 Davis-Besse, do you know whether Davis-Besse would</p> <p>20 qualify as a capacity performance resource?</p> <p>21 A. Yes, I do know.</p> <p>22 Q. It is your opinion that it would.</p> <p>23 A. Yes.</p> <p>24 Q. Okay. And is this a written report</p>	<p>1 handle something that was longer term; is that</p> <p>2 correct?</p> <p>3 A. Yes.</p> <p>4 Q. Okay. Does FES have a four-year</p> <p>5 projection of the profitability of the Sammis plant?</p> <p>6 A. Well, I think those have been provided</p> <p>7 already. Those are the profit and loss statements.</p> <p>8 Q. The profit and loss statements.</p> <p>9 A. Yeah, for the Sammis plant.</p> <p>10 Q. Okay. And it's your understanding that</p> <p>11 those have been provided to whom?</p> <p>12 A. Through Jason Lisowski's testimony.</p> <p>13 Q. Okay. Jason Lisowski provided testimony</p> <p>14 regarding a 15-year evaluation; is that correct?</p> <p>15 A. Yeah, but in that 15-year projection</p> <p>16 there is the first four years. In order to do that,</p> <p>17 they use market forwards because that's the best</p> <p>18 information available and then the long-term price</p> <p>19 forecast transitions for the out years.</p> <p>20 Q. Okay. So with respect to that -- the</p> <p>21 near years, the near term years, is it your</p> <p>22 understanding that Mr. Lisowski's forecast is</p> <p>23 consistent with FES's internal forecast?</p> <p>24 A. Yes.</p>

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<p>1 Q. Okay. And do you know what price 2 projections Mr. Lisowski used in preparing his 3 15-year forecast? 4 A. I don't. 5 Q. Okay. Do you know -- so you don't know 6 whether or not FES's -- the energy -- the energy 7 capacity and CO-2 price forecasts that FES regularly 8 use, you don't know whether or not those were used by 9 Mr. Lisowski for his projections? 10 A. That's correct. 11 Q. Okay. You had mentioned earlier that FES 12 does some forecasting of capacity prices working with 13 an entity outside of business development; is that 14 correct? 15 A. Yes. 16 Q. And who is that forecaster? 17 THE WITNESS: It's a contract with an 18 outside firm. Can I answer it? 19 MR. LANG: Could be confidential to your 20 business. 21 THE WITNESS: Right. 22 A. Can we save that for the confidential 23 portion? 24 Q. Absolutely, absolutely, yeah. Apart</p>	<p>1 Corporation -- if anyone within FirstEnergy 2 Corporation has an internal asset evaluation of the 3 Sammis units? 4 A. I don't know. 5 Q. Okay. Do you know if anyone within 6 FirstEnergy Corporation has an asset evaluation of 7 the Davis-Besse plant? 8 A. Well, there would be -- there would be a 9 book value that business development would have for 10 Davis-Besse and Sammis but other than that, I don't 11 know. 12 Q. Okay, okay. Sorry I am skipping around 13 here a little bit. Just trying to get done as quick 14 as we can. So cycling back for a moment to the 15 period before you had that initial conversation with 16 James Haney in May, 2014, do you recall that 17 discussion? 18 A. Yes. 19 Q. Okay. And you had said that before 20 approaching Mr. Haney you and three others at FES 21 were looking at profit and loss statements for the 22 FES generating units; is that correct? 23 A. Yes. 24 Q. Okay. And when you were looking at those</p>
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<p>1 from -- I'm sorry. Stepping back to before 2 Mr. Lisowski's price forecast or, you know, his 3 revenue analysis that was provided to the companies, 4 apart from that does FES have a purely internal 5 four-year forecast for the profitability of its 6 units? 7 A. No. 8 Q. Okay. And you had mentioned earlier that 9 FES prepares his -- occasionally prepared asset 10 evaluations of certain units in the regular course of 11 its business; is that correct? 12 A. Actually that's not correct. It's 13 business development will -- 14 Q. Oh, okay. 15 A. -- perform those evaluations. 16 Q. Okay. Because those are the longer-term 17 evaluations that FES doesn't have the internal 18 capability to? 19 A. Not only that. FES's function isn't 20 asset evaluation. 21 Q. Okay. The business development asset 22 evaluations, are those prepared at FES's request? 23 A. From time to time, yes. 24 Q. Okay. Do you know if FirstEnergy</p>	<p>1 statements, were you evaluating what the terms of the 2 PPA with the companies might ultimately look like? 3 A. Could you rephrase that question? 4 Q. Sure. So we -- so Exhibit 1 is the term 5 sheet, right, which reflects the proposed 6 transaction. 7 A. Yes, yes. 8 Q. And that term sheet is a culmination of a 9 process that began shortly after New Year's of 2014, 10 correct? 11 A. Yes. 12 Q. Okay. Prior to -- when you were looking 13 at these earlier profit and loss statements thinking 14 about approaching the companies, were you thinking 15 about, you know, what the term of the proposed 16 transaction might look like or might be? 17 A. Yes. As I mentioned, 15 years was what 18 we had originally thought. 19 Q. Okay. And you had also mentioned after 20 the initial discussion with Mr. Haney but before 21 making the specific proposal for Sammis, Davis-Besse, 22 and the OVEC share, FES had prepared a PowerPoint 23 presentation? 24 A. No. That was after I got a letter back</p>

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<p style="text-align: right;">Page 53</p> <p>1 I forwarded to legal counsel.</p> <p>2 Q. Okay. So then all the notes that you</p> <p>3 took throughout the evaluation process, you took</p> <p>4 because of the instructions of legal counsel?</p> <p>5 A. The creation of the notes, yes.</p> <p>6 Q. Okay.</p> <p>7 A. Yes, those notes were, yes.</p> <p>8 Q. Including the notes that you took on May</p> <p>9 20th?</p> <p>10 A. I don't think I said May 20th, though.</p> <p>11 Q. Didn't you tell me that you took notes</p> <p>12 during the May 20th conference call?</p> <p>13 A. I don't recall saying there was a May</p> <p>14 20th conference call. The team was formed on May</p> <p>15 20th, and I did set up a conference call.</p> <p>16 Q. Oh.</p> <p>17 A. I don't recall that -- I don't recall</p> <p>18 that it was on May 20th.</p> <p>19 Q. Okay. So it may have been a few days</p> <p>20 after?</p> <p>21 A. I don't -- I don't know the date of it,</p> <p>22 yes, yes.</p> <p>23 Q. Okay. But on that conference call that</p> <p>24 occurred soon after the formation of the team, you</p>	<p style="text-align: right;">Page 55</p> <p>1 recollection, the only instructions that the EDU team</p> <p>2 was given were those provided verbally to you by</p> <p>3 Ebony Yeboah?</p> <p>4 A. Those were the initial instructions. I</p> <p>5 can't say we didn't talk to anybody during the</p> <p>6 three-month period. So I'm reluctant to say that is</p> <p>7 the only time anybody ever gave any -- any</p> <p>8 instruction, but that certainly was the initial</p> <p>9 instructions.</p> <p>10 Q. Okay. Okay. So to the best of your</p> <p>11 recollection, the EDU team performed its</p> <p>12 responsibilities without any written instructions or</p> <p>13 guidance; is that correct?</p> <p>14 A. I don't remember any written</p> <p>15 instructions.</p> <p>16 Q. Did the EDU team receive assistance from</p> <p>17 any outside experts in evaluating the proposed</p> <p>18 transaction?</p> <p>19 A. Can I ask what you mean by "evaluating"?</p> <p>20 Q. So I think -- well, your direct</p> <p>21 testimony discusses an evaluation process that the</p> <p>22 EDU team undertook, correct?</p> <p>23 A. (Nods head.)</p> <p>24 Q. During that evaluation process, did the</p>
<p style="text-align: right;">Page 54</p> <p>1 took notes?</p> <p>2 A. Yes.</p> <p>3 Q. Okay. And those notes were -- the only</p> <p>4 reason you took those notes was because of the</p> <p>5 directions of legal counsel?</p> <p>6 A. Legal counsel asked that I record those</p> <p>7 notes for that meeting, and I did.</p> <p>8 Q. Okay. Thank you.</p> <p>9 Apart from the -- the verbal directions</p> <p>10 that you were provided by Ebony Ebola (sic)? I'm</p> <p>11 sorry.</p> <p>12 A. Yeboah.</p> <p>13 Q. Yeboah. Sorry, there's too much in the</p> <p>14 news. Yeboah. Okay. Sorry about that.</p> <p>15 MS. DUNN: Good thing she's not in here.</p> <p>16 BY MR. SOULES:</p> <p>17 Q. So apart from the verbal instructions</p> <p>18 that she provided you in mid to late May, were there</p> <p>19 any other directions provided to the EDU team?</p> <p>20 A. No.</p> <p>21 Q. Okay. Were there any -- do you recall</p> <p>22 any directions in writing?</p> <p>23 A. I -- I don't.</p> <p>24 Q. Okay. So to the best of your</p>	<p style="text-align: right;">Page 56</p> <p>1 EDU team engage any outside consultants or experts to</p> <p>2 consider the benefits and disadvantages of the</p> <p>3 proposed transaction?</p> <p>4 A. There was an outside consultant that</p> <p>5 provided information that was used for the</p> <p>6 evaluation.</p> <p>7 Q. And do you -- who was that outside</p> <p>8 consultant?</p> <p>9 A. Rose.</p> <p>10 Q. Judah Rose?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. And what information did Mr. Rose</p> <p>13 provide?</p> <p>14 A. He projected the market prices for the</p> <p>15 15-year term.</p> <p>16 Q. And when you say "market prices," do you</p> <p>17 mean market energy prices?</p> <p>18 A. Yes.</p> <p>19 Q. And market capacity prices?</p> <p>20 A. Correct.</p> <p>21 Q. And carbon prices?</p> <p>22 A. Correct.</p> <p>23 Q. Okay. Was there any other information</p> <p>24 that he provided?</p>

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<p style="text-align: right;">Page 57</p> <p>1 A. Those -- those were the main ones that 2 were the basis of calculating the benefits for the 3 customers, but obviously his -- the information he 4 provided was much more voluminous than just a couple 5 numbers. 6 Q. Yeah, yeah. Having looked at his 7 testimony, I can agree it's more voluminous. 8 A. Yes. 9 Q. Did the -- did the EDU team retain 10 Mr. Rose to provide those figures? 11 A. No. 12 Q. Do you know who did? 13 A. The companies did, but the EDU team 14 specifically did not. 15 Q. Okay. Do you know why the companies 16 asked Mr. Rose to provide those price projections? 17 A. Yes. Because -- because we -- the 18 companies were aware that a significant portion of 19 the analysis is going to require 15-year projections 20 of prices. 21 Q. Okay. Do you know whether or not FES 22 has its own price projections? 23 A. I did not know at the time. 24 Q. Okay.</p>	<p style="text-align: right;">Page 59</p> <p>1 services to both FES and to regulated generation? 2 A. They can. 3 Q. Okay. And are you aware of whether or 4 not they -- that department specifically has its own 5 set of price projections? 6 A. I don't know. 7 Q. Okay. So apart from the members of the 8 EDU team, and Mr. Thorn, and Ms. Morrow, and Judah 9 Rose, was there anyone else that helped assist in 10 evaluating the proposed transaction on behalf of the 11 companies? 12 A. Again, can you -- can you rephrase that 13 and clarify what you're asking? 14 Q. Sure. So the members of the EDU team, 15 including -- maybe for purposes of this discussion, 16 let's talk about the EDU team in terms of all the 17 individuals listed in Discovery Response 19.a. 18 A. Yes, okay. 19 Q. So including Mr. Thorn and Ms. Morrow? 20 A. Okay. 21 Q. Is that -- 22 A. That's fine, uh-huh. 23 Q. Okay. So apart from the members of the 24 EDU team and apart from Mr. Rose, was there anyone</p>
<p style="text-align: right;">Page 58</p> <p>1 A. But I -- I've since -- as you have seen, 2 that they do have projects, but I -- I did not know 3 at the time. 4 Q. Okay. When did you learn that they had 5 their own price projections? 6 A. Probably pretty recently, I mean, weeks 7 or months at most. 8 Q. So would it be fair to say that that was 9 long after the proposed -- the term sheet had been 10 finalized? 11 A. Yes. 12 Q. Okay. And does the Regulated Generation 13 Department have its own set of future price 14 projections? 15 A. Not to that extent, no. 16 Q. Okay. Does the department have any at 17 all? 18 A. We don't look out more than a few years. 19 We don't go anywhere near what they do. 20 Q. Okay. The -- the Business Development 21 Department, is that -- that's within FirstEnergy 22 Service Company? 23 A. Yes. 24 Q. And does that department provide</p>	<p style="text-align: right;">Page 60</p> <p>1 else who helped evaluate the proposed transaction? 2 A. No. 3 Q. No, okay. 4 A. Mr. Rose didn't evaluate the 5 transaction, though. I just want to make clear, the 6 way you phrased that, I'm not sure if that's what you 7 were saying. 8 Q. Oh. That was not my intent, but I'm 9 glad you clarified. 10 A. Okay. 11 Q. Thank you. He just provided the market 12 price information? 13 A. Correct. 14 Q. Okay. What is Mr. Haney's role at 15 FirstEnergy? 16 A. As I mentioned, he's vice-president of 17 Compliance and Regulated Services. 18 Q. Okay. And he was not involved in 19 evaluating the proposed transaction? 20 A. Correct. 21 Q. Okay. Are you familiar with Cecilia 22 Liang-Nicol? 23 A. Yes. 24 Q. What is her role with FirstEnergy?</p>

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<p style="text-align: right;">Page 33</p> <p>1 THE WITNESS: May I ask you to read the 2 question back, ma'am, please? 3 (Record read.) 4 A. Could you be more specific what you mean 5 with respect to "purpose for the retail rate 6 stability rider," please? 7 Q. Sure. Let me rephrase. Does the retail 8 rate stability rider distribute costs and revenues to 9 the companies' customers that are associated with -- 10 or that would be associated with the proposed 11 purchase power agreement between FES and the 12 companies? 13 MR. KUTIK: May I have the question read, 14 (Record read.) 15 A. And the retail rate stability rider is 16 designed to provide rate stability and certainty to 17 the customers of the electric utility. 18 Q. Would that -- would that rider -- strike 19 that. 20 If the companies and FES do not enter 21 into a purchase power agreement, would there be any 22 purpose to rider RRS? 23 A. I apologize. I am struggling with the 24 use of the word "purpose for the rider RRS" so if you</p>	<p style="text-align: right;">Page 35</p> <p>1 Q. Great. Thank you. 2 A. You're welcome. 3 Q. We can set this aside for the moment. 4 Ms. Mikkelsen, this proceeding you have submitted two 5 sets of testimony; is that correct? 6 A. Yes. 7 Q. Okay. If I refer to the direct testimony 8 that was filed on August 4, 2014, as your initial 9 testimony or your original testimony, will you 10 understand what I mean? 11 A. I would prefer you refer to it as my 12 direct testimony -- 13 Q. Your direct testimony. 14 A. -- as it is labeled. 15 Q. Okay. That's fine. And if I refer to 16 the testimony that was filed on December 22, 2014, as 17 your supplemental testimony, will you understand what 18 I mean? 19 A. Yes. 20 Q. Okay. Great. Could we please turn to 21 page 14 of your direct testimony. So looking at line 22 21 you say "Rider RRS will be subject to two separate 23 reviews"; is that correct? 24 A. Yes.</p>
<p style="text-align: right;">Page 34</p> <p>1 could better clarify that to me, that would be 2 helpful. 3 Q. Sure. Would -- would the -- would the 4 expected, you know, retail rate stability benefits 5 associated with rider RRS exist in the absence of a 6 purchase power agreement between the companies and 7 FES? 8 A. No. 9 Q. Okay. So would you agree with me that 10 the retail rate stability rider was developed based 11 in part on the proposed transaction? 12 A. Again, the retail rate stability rider 13 was designed to provide customers rate stability and 14 certainty over the economic stability program period. 15 Costs arising from the proposed transaction would be 16 one element of the design of the retail rate 17 stability rider. 18 Q. Okay. Thank you. Do you know if anyone 19 from the companies has approved this term sheet 20 that's been marked as Exhibit 1? 21 A. No. 22 Q. No, you don't know one way or the other? 23 A. No, I don't know. Your question was do I 24 know, and I answered, no, I don't know.</p>	<p style="text-align: right;">Page 36</p> <p>1 Q. Okay. And then looking at the next 2 sentence in your testimony you state that "In the 3 first review, the Staff will have from April 1 to 4 May 31 to review the annual Rider RRS filing for 5 mathematical errors, consistency with the Commission 6 approved rate design, and incorporation of prior 7 audit findings, if applicable"; is that correct? 8 A. Yes. 9 Q. Okay. So I would like to talk about this 10 first review process in a little bit more detail. Is 11 this first review process something that's been 12 proposed as part of the companies' electric security 13 plan? 14 A. Yes. 15 Q. Okay. And is this first review process 16 included in the ESP application? 17 A. It's included in my testimony, my direct 18 testimony that was filed in support of the 19 application, yes. 20 Q. Okay. Apart from your direct testimony, 21 is there anywhere else in the application package 22 where this first review process is described? 23 A. I don't have the application package with 24 me to review at this time.</p>

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<p style="text-align: right;">Page 37</p> <p>1 Q. Okay. I'm sorry. Were you going to?</p> <p>2 Do you know if this first review process</p> <p>3 is described in the application itself?</p> <p>4 A. I don't think it is.</p> <p>5 Q. Okay. Do you know if this first review</p> <p>6 process is outlined in any Commission rule?</p> <p>7 A. I think it is practice -- standard</p> <p>8 practice for staff to review riders when they are</p> <p>9 filed by the company.</p> <p>10 Q. And when you say "company," which company</p> <p>11 are you referring to?</p> <p>12 A. Based on your establishment of the ground</p> <p>13 rules earlier on, I thought we had agreed that when</p> <p>14 we used the word companies, we were referring to Ohio</p> <p>15 Edison Company, The Cleveland Electric Illuminating</p> <p>16 Company, and The Toledo Edison Company.</p> <p>17 Q. Okay. Yeah, I thought I had heard you</p> <p>18 say company singular and that's why I was confused</p> <p>19 so.</p> <p>20 MR. KUTIK: Did you mean to say</p> <p>21 companies?</p> <p>22 THE WITNESS: I did.</p> <p>23 Q. Okay. Great. Thank you. Apart from --</p> <p>24 well, scratch that.</p>	<p style="text-align: right;">Page 39</p> <p>1 this proposed first review process, how did you come</p> <p>2 up with that proposal?</p> <p>3 A. In developing the review process we felt</p> <p>4 it was important that the staff have an opportunity</p> <p>5 to review the filing both initially and then in the</p> <p>6 subsequent review process, and we wanted to be clear</p> <p>7 and transparent that we thought that was an important</p> <p>8 element of the economic stability program.</p> <p>9 Q. Okay. Were you relying upon that</p> <p>10 standard practice you referred to earlier in</p> <p>11 developing this proposal?</p> <p>12 A. My regulatory experiences with respect to</p> <p>13 review of riders would have contributed to the</p> <p>14 development, yes.</p> <p>15 Q. Okay. How frequently would this first</p> <p>16 review process occur?</p> <p>17 A. Annually.</p> <p>18 Q. Okay. And is that stated in your</p> <p>19 testimony, your direct testimony, somewhere?</p> <p>20 A. In my testimony it states that the staff</p> <p>21 will have from April 1 to May 31 to review the annual</p> <p>22 rider RRS filing --</p> <p>23 Q. Okay.</p> <p>24 A. -- in the first review.</p>
<p style="text-align: right;">Page 38</p> <p>1 Do you know what the basis for that</p> <p>2 standard practice is?</p> <p>3 A. Could you be more specific, sir?</p> <p>4 Q. Do you know why there is a standard</p> <p>5 practice that the Commission staff reviews riders?</p> <p>6 A. I think that's probably a question better</p> <p>7 addressed to the staff.</p> <p>8 Q. Okay. Are you aware of any legal</p> <p>9 requirement that calls for the staff to review</p> <p>10 riders?</p> <p>11 MR. KUTIK: Objection to the extent it</p> <p>12 calls for a legal conclusion, but you can answer.</p> <p>13 A. I am not a lawyer. I am not aware of any</p> <p>14 legal requirement.</p> <p>15 Q. Okay. Apart from the standard practice</p> <p>16 of staff and the description on pages 14 and 15 of</p> <p>17 your direct testimony, are you aware of any other</p> <p>18 sources for this first review process?</p> <p>19 MR. KUTIK: Objection.</p> <p>20 A. Could you clarify the question, please?</p> <p>21 Q. Sure. Can you tell me what part is</p> <p>22 confusing to you?</p> <p>23 A. The use of the word "sources."</p> <p>24 Q. Let me step back. When you developed</p>	<p style="text-align: right;">Page 40</p> <p>1 Q. Okay. Cool. Thank you. I would like to</p> <p>2 understand a little bit better what the specific</p> <p>3 steps of this first review process would be. What --</p> <p>4 what is the first step? What happens first?</p> <p>5 A. I don't know what the staff's steps would</p> <p>6 be with respect to their review.</p> <p>7 Q. Would the companies file something with</p> <p>8 the staff at some point?</p> <p>9 A. The companies would propose to file the</p> <p>10 rider -- the retail rate stability rider on April 1</p> <p>11 of each year for a rate that would be effective</p> <p>12 June 1.</p> <p>13 Q. Okay. And then the staff would have a</p> <p>14 two-month review period, if I am doing my math right.</p> <p>15 A. For the first review, yes.</p> <p>16 Q. Okay. When you say the first review, you</p> <p>17 mean -- you are distinguishing this from the second</p> <p>18 review process discussed on page 15 of your</p> <p>19 testimony?</p> <p>20 A. Yes.</p> <p>21 Q. Okay.</p> <p>22 MR. KUTIK: Tell me when you are done</p> <p>23 finishing your discussion of the first review because</p> <p>24 then we'll take a break.</p>

10 (Pages 37 to 40)

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<p>1 MR. SOULES: Okay. That sounds good.</p> <p>2 Q. In this first review process would the</p> <p>3 staff be entitled to submit data requests to the</p> <p>4 companies?</p> <p>5 A. Yes.</p> <p>6 Q. Okay. And apart from the staff, who is</p> <p>7 allowed to participate in this first review process?</p> <p>8 A. As proposed, the staff would be</p> <p>9 responsible for the first review.</p> <p>10 Q. Okay. So customers of the companies</p> <p>11 would not be able to participate in that review</p> <p>12 process?</p> <p>13 A. As proposed, correct.</p> <p>14 Q. Okay. If in this first review process</p> <p>15 the staff found a problem with the rider filing that</p> <p>16 resulted in an overcharge of the companies'</p> <p>17 customers, would the Commission be entitled to reject</p> <p>18 the excess costs?</p> <p>19 MR. KUTIK: Objection, assumes facts.</p> <p>20 A. May I ask you to restate that question,</p> <p>21 sir?</p> <p>22 Q. Sure. Let's assume hypothetically rider</p> <p>23 RRS gets approved and a few years from now the</p> <p>24 Commission staff is performing its review under this</p>	<p>1 to reject those costs?</p> <p>2 MR. KUTIK: Objection, assumes facts,</p> <p>3 mischaracterizes her testimony.</p> <p>4 A. I think if the staff found a mathematical</p> <p>5 error of any nature in the filing, they would</p> <p>6 approach the company, and if the company agreed that</p> <p>7 it was an error, we would amend and correct the</p> <p>8 filing.</p> <p>9 Q. If the company did not agree there was an</p> <p>10 error, who would have the final say?</p> <p>11 A. It is difficult for me to understand a</p> <p>12 hypothetical circumstance where the staff and the</p> <p>13 company couldn't agree on whether or not a</p> <p>14 mathematical error existed. A mathematical error is</p> <p>15 a mathematical error, so I guess I can't really</p> <p>16 accept the hypothetical circumstance, sir.</p> <p>17 Q. Okay. If the staff and the companies had</p> <p>18 a disagreement about consistency with the</p> <p>19 Commission-approved rate design, who would have the</p> <p>20 final say under the first review process?</p> <p>21 A. The Public Utilities Commission of Ohio</p> <p>22 always has the final say with respect to the rates</p> <p>23 and tariffs of the company.</p> <p>24 Q. Okay. And would a -- would the staff</p>
Page 42	Page 44
<p>1 first review process. And let's assume further that</p> <p>2 the staff found a problem with the rider filing that</p> <p>3 resulted in an excess charge to the companies'</p> <p>4 customers. In that situation would the Commission be</p> <p>5 entitled to reject those excess costs?</p> <p>6 MR. KUTIK: Objection, assumes facts.</p> <p>7 Mischaracterizes the process and her testimony.</p> <p>8 A. I'm having trouble with the hypothetical</p> <p>9 with respect to the characterization that it's</p> <p>10 overcharging customers.</p> <p>11 Q. Okay. Well, let's step back. In your</p> <p>12 testimony you state that "In the first review, the</p> <p>13 Staff will have from April 1 to May 31 to review the</p> <p>14 annual Rider RRS filing for mathematical errors" and</p> <p>15 then for some other aspects as well. Would you agree</p> <p>16 with me?</p> <p>17 A. As proposed, the first review would allow</p> <p>18 for review for mathematical errors, consistency with</p> <p>19 the Commission approved rate design, and</p> <p>20 incorporation of prior audit findings, if any.</p> <p>21 Q. Okay. And if the staff found a</p> <p>22 mathematical error in its review that had it not been</p> <p>23 corrected would have resulted in customers being</p> <p>24 charged more money, would the Commission be entitled</p>	<p>1 itself have that power, or would it have to be</p> <p>2 elevated to the Commission itself to make that</p> <p>3 decision?</p> <p>4 A. The Commission approves the rates that</p> <p>5 are implemented by the companies.</p> <p>6 MR. SOULES: Okay. Thank you. This is</p> <p>7 probably a good time for a break.</p> <p>8 MR. KUTIK: Okay.</p> <p>9 (Recess taken.)</p> <p>10 Q. Welcome back, Ms. Mikkelsen. So before</p> <p>11 the break we were talking a little bit about the</p> <p>12 first review process described on pages 14 and 15 of</p> <p>13 your direct testimony. I would now like to shift our</p> <p>14 attention to the second review process discussed in</p> <p>15 your testimony.</p> <p>16 And starting on page 15, line 3 of your</p> <p>17 direct testimony, you state that "In the second</p> <p>18 review, the Staff will have the opportunity to audit</p> <p>19 the reasonableness of the actual costs (excluding</p> <p>20 Legacy Cost Components which shall not be included in</p> <p>21 this second review or challenged in any subsequent</p> <p>22 audit or review) contained in Rider RRS and the</p> <p>23 actual market revenues contained in Rider RRS. The</p> <p>24 audit shall include a review to confirm the actual</p>

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<p style="text-align: right;">Page 45</p> <p>1 costs and actual market revenues included in Rider 2 RRS are not unreasonable." Do you see where it 3 states that? 4 A. Yes. 5 Q. Okay. And is this second review process 6 something that's been proposed as part of the 7 companies' electric security plan? 8 A. Yes. 9 Q. Is the second review process included in 10 the application? 11 A. The second review process is outlined in 12 my direct testimony which was filed with the 13 application. 14 Q. Okay. Apart from the description of the 15 second review process described in your direct 16 testimony, are you aware of any other descriptions of 17 the second review process? 18 A. Can you be more specific? 19 Q. Sure. Do you know whether or not the 20 second review process is outlined in the application 21 itself? 22 MR. KUTIK: Objection, asked and 23 answered. 24 A. The second review process is outlined in</p>	<p style="text-align: right;">Page 47</p> <p>1 A. Not that I can think of at this time. 2 Q. Did you review any Commission regulations 3 when you were developing this proposal? 4 A. No. 5 Q. Did you review any Commission orders when 6 you were developing this proposal? 7 A. No. 8 Q. So similar to the first review process, I 9 would like to walk through the specific steps of the 10 second review process. Looking at page 15 of your 11 direct testimony, lines 13 to 14, it states "Staff 12 will document the results of their audit in a Staff 13 Report to the Commission." Do you see where it 14 states that? 15 A. Yes. 16 Q. And how much time would the staff have to 17 perform the audit being referenced here? 18 A. There was no time parameters proposed. 19 Q. Okay. Oh, in stepping back I'm curious 20 what like the initial step that triggers the staff 21 audit would be. Can you tell me what would trigger 22 the audit process? 23 A. I think the staff would have to determine 24 what the trigger is for the audit process.</p>
<p style="text-align: right;">Page 46</p> <p>1 my direct testimony which was filed with the 2 application. 3 Q. Okay. Have you drafted a -- any other 4 descriptions of the second review process other than 5 the one described in your direct testimony? 6 A. Can you be more specific, please? 7 Q. Sure. So I think, you know, big picture 8 what I am trying to understand is if I went to the 9 400 some page application and thumbed through it, 10 would I be able to find a description of the second 11 review process? 12 A. You would be able to find a description 13 of the second review process in the direct -- in my 14 direct testimony which was filed with the 15 application. 16 Q. Okay. Did you personally develop the 17 second review process? Strike that. 18 Did you personally develop this proposed 19 second review process? 20 A. Yes. 21 Q. Okay. What -- what did you rely upon in 22 developing that proposal? 23 A. My professional judgment. 24 Q. Anything else?</p>	<p style="text-align: right;">Page 48</p> <p>1 Q. So is it your understanding that they 2 would have authority to begin an audit whenever they 3 so desired? 4 A. I think the staff does have the authority 5 to audit the utilities whenever they choose to do so. 6 Q. Okay. So under the proposed second 7 review process, there is not necessarily a regular 8 time interval at which these reviews would occur, is 9 that correct? 10 A. The second review is designed to audit 11 the actual costs and revenues so there would need to 12 be actual costs and revenues in order to conduct the 13 second review. 14 Q. Okay. But apart from that, the need for 15 there to be actual costs and revenues, there's not a 16 specified frequency at which these audits would occur 17 under the proposal? 18 A. That's correct. 19 Q. Okay. During the audit process that 20 occurs as part of the second review, would the staff 21 be able to submit data requests to the companies? 22 A. Yes. 23 Q. Okay. Do you know how quickly the 24 companies would need to respond to those data</p>

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<p style="text-align: right;">Page 49</p> <p>1 requests?</p> <p>2 A. No.</p> <p>3 Q. Okay. Looking again at page 15 of your</p> <p>4 direct testimony, starting on line 14, it states "The</p> <p>5 Companies will be given the opportunity to review the</p> <p>6 draft Staff Report for factual accuracy and to</p> <p>7 identify confidential items, if any, prior to its</p> <p>8 filing." Do you see where it states that?</p> <p>9 A. Yes.</p> <p>10 Q. Okay. Once the companies have completed</p> <p>11 their review of the draft staff report, would the</p> <p>12 report then be filed with the Commission?</p> <p>13 A. As contemplated, yes.</p> <p>14 Q. Okay. And except for the confidential</p> <p>15 portions of that report, the rest of it would be</p> <p>16 publicly available under this proposal?</p> <p>17 A. Yes.</p> <p>18 Q. Okay. So in the next sentence starting</p> <p>19 on line 16, it states "After the filing of the Staff</p> <p>20 Report, the Companies would then have an opportunity</p> <p>21 to file a response to the Staff Report and any</p> <p>22 findings from the Staff audit." Do you see where it</p> <p>23 states that?</p> <p>24 A. Yes.</p>	<p style="text-align: right;">Page 51</p> <p>1 in the proceeding, does that mean that parties other</p> <p>2 than the staff would be entitled to participate in</p> <p>3 this proceeding?</p> <p>4 A. Yes.</p> <p>5 Q. Okay. Would those other party -- well,</p> <p>6 would those other parties be entitled to submit data</p> <p>7 requests to the companies under this proposal?</p> <p>8 MR. KUTIK: Objection.</p> <p>9 THE WITNESS: May I have the question</p> <p>10 reread, please, ma'am?</p> <p>11 (Record read.)</p> <p>12 A. Parties would be able to participate in</p> <p>13 the proceeding under the procedural rules established</p> <p>14 for the proceeding.</p> <p>15 Q. And what procedural rules are you</p> <p>16 referring to?</p> <p>17 A. Procedural schedules that may be</p> <p>18 established for the proceeding.</p> <p>19 Q. Would you contemplate that this type of</p> <p>20 proceeding would be similar to the proceeding that we</p> <p>21 are engaged in now where parties would be entitled to</p> <p>22 submit discovery requests and submit testimony?</p> <p>23 A. I don't agree it will be like this</p> <p>24 proceeding.</p>
<p style="text-align: right;">Page 50</p> <p>1 Q. Okay. Under this proposed second review</p> <p>2 process, do you know how much time the companies</p> <p>3 would have to file a response?</p> <p>4 A. I don't recall.</p> <p>5 Q. Does that mean that there is a time</p> <p>6 that's embedded within this proposal; you just don't</p> <p>7 recall what that time would be?</p> <p>8 A. There is not a time embedded within this</p> <p>9 proposal, no.</p> <p>10 Q. Okay, okay. And then the next sentence</p> <p>11 on line 18 states "If needed, the matter could be set</p> <p>12 for hearing." Do you see where it states that?</p> <p>13 A. Yes.</p> <p>14 Q. What type of hearing are you referring to</p> <p>15 in that sentence?</p> <p>16 A. An evidentiary hearing.</p> <p>17 Q. Okay. And what circumstances would</p> <p>18 trigger the need for a hearing under this proposal?</p> <p>19 A. Disagreement over matters associated with</p> <p>20 the rider.</p> <p>21 Q. Disagreement by whom?</p> <p>22 A. The companies -- the companies and</p> <p>23 parties in the proceeding.</p> <p>24 Q. Okay. And when you refer to the parties</p>	<p style="text-align: right;">Page 52</p> <p>1 Q. Okay. Would -- in the proceeding that</p> <p>2 would occur under the second review process, would</p> <p>3 parties other than the staff be limited to simply</p> <p>4 filing comments regarding the staff audit report?</p> <p>5 A. I don't know.</p> <p>6 Q. Okay. Do you know if other parties would</p> <p>7 be entitled to submit sworn testimony in such a</p> <p>8 proceeding?</p> <p>9 A. I think they would, subject to Commission</p> <p>10 establishment of protocols for the hearing.</p> <p>11 Q. Okay. So backing up to the beginning of</p> <p>12 the paragraph we have been focusing on, starting on</p> <p>13 line 9, it states "Any determination that the costs</p> <p>14 and revenues included in Rider RRS are not</p> <p>15 unreasonable shall be made in light of the facts and</p> <p>16 circumstances known at the time such costs were</p> <p>17 committed and market revenues were received." Do you</p> <p>18 see where it states that?</p> <p>19 A. Yes.</p> <p>20 Q. Okay. And what is the basis for your</p> <p>21 conclusion that these determinations shall be made in</p> <p>22 light of the facts and circumstances known at the</p> <p>23 time such costs were committed and market revenues</p> <p>24 were received?</p>

13 (Pages 49 to 52)

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<p>1 MR. KUTIK: Objection, mischaracterizes 2 her testimony. 3 THE WITNESS: May I have that reread, 4 please, ma'am? 5 (Record read.) 6 A. Ask you to restate the question, sir. 7 Q. Sure. So looking back at your direct 8 testimony, it states "Any determination that the 9 costs and revenues included in Rider RRS are not 10 unreasonable shall be made in light of the facts and 11 circumstances known at the time such costs were 12 committed and market revenues were received." And 13 what I would like to know is what the basis for that 14 conclusion is. 15 MR. KUTIK: Objection, mischaracterizes 16 her testimony as to conclusion. 17 A. The proposed audit recommendation is that 18 the determination should be fact based based on the 19 facts and circumstances that were known at the time 20 the decisions were made. 21 MR. SOULES: I'm sorry. Could I have 22 that question -- answer read back. 23 (Record read.) 24 Q. Okay. How did you develop that aspect of</p>	<p>1 Q. Okay. Do you recall specifically which 2 cases? 3 A. A case that comes to mind is 4 85-52-EL-COI. There were others but I don't recall 5 the docket numbers. 6 Q. Okay. Thank you. 7 MR. SOULES: Could we have this marked as 8 Exhibit 2. 9 (EXHIBIT MARKED FOR IDENTIFICATION.) 10 Q. Ms. Mikkelsen, you have been passed a 11 document that's been marked as Mikkelsen Exhibit 2. 12 This document is in response to discovery request 13 P3-EP5A Set 1-INT-1. Are you familiar with this 14 document? 15 A. Yes. 16 Q. Okay. And did you provide the answer to 17 this discovery request? 18 MR. KUTIK: To move this along we will 19 stipulate that any interrogatory or discovery answer 20 that bears her name she provided. 21 MR. SOULES: Okay. That's fine. 22 Could we have this marked Exhibit 3. 23 (EXHIBIT MARKED FOR IDENTIFICATION.) 24 Q. Ms. Mikkelsen, you have been passed a</p>
Page 54	Page 56
<p>1 this proposal? 2 A. Professional experience. 3 Q. Did you review any documents when you 4 were developing that aspect of this proposal? 5 A. No. 6 Q. Did you review any legal authorities when 7 developing this aspect of the proposal? 8 A. No. 9 Q. Okay. And what professional experience 10 are you referring to? 11 A. The professional experience of a rates 12 and regulatory affairs professional. 13 Q. Okay. Do you know if -- do you know if 14 this task has been previously applied in a Commission 15 proceeding? 16 A. Again, I am not an attorney, but I am 17 aware of proceedings that have used similar criteria. 18 Q. Okay. And which proceedings? 19 A. Prudence cases. 20 Q. Okay. Can you elaborate on that? Which 21 prudence cases? 22 A. I can elaborate on prudence cases that 23 I've been involved in which related to the inclusion 24 in rate base of nuclear units.</p>	<p>1 document that's been marked as Exhibit 3. This 2 document is a response to discovery request P3-EP5A 3 Set 1-INT-2. Are you familiar with this document? 4 A. Yes. 5 Q. Okay. I won't ask my next question 6 because we just had a stipulation. 7 So looking down at the response to this 8 discovery request, it cross-references some 9 objections that were made in INT 1, and then it 10 states that "the assessment that the costs and 11 revenues included in Rider RRS are not unreasonable 12 should be made in accordance with the following 13 guidelines." And then beneath that there are four 14 guidelines listed. Do you see where it states that? 15 A. Yes. 16 Q. Okay. How did you identify these four 17 guidelines? 18 A. The second guideline was really referred 19 to in my direct testimony at page 15, lines 9 through 20 11. The other three guidelines would have been 21 provided by counsel. 22 MR. SOULES: I'm sorry. So could we have 23 that answer read back. 24 (Record read.)</p>

14 (Pages 53 to 56)

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<p>1 Q. Okay. Do you personally have an opinion 2 as to whether there should exist a presumption that 3 the decisions made were prudent? 4 A. Yes, I have an opinion. 5 Q. And what is your opinion? 6 A. That there should exist a presumption 7 that the decisions made were prudent. 8 Q. And what is the basis for that opinion? 9 A. Professional experience. 10 Q. Apart from your professional experience, 11 are you relying on anything in support of that 12 personal opinion? 13 A. No. 14 Q. Okay. If I asked those same questions 15 regarding the other two -- regarding guidelines 3 and 16 4, would you answer the same? 17 A. Yes. 18 Q. Okay. Did you review any Commission 19 decisions -- scratch that. 20 Did you review any Commission regulations 21 in preparing your response to this discovery request? 22 A. No. 23 Q. Did you review any Commission orders in 24 preparing your response to this discovery request?</p>	<p>1 you've agreed that the Commission would be able to 2 exclude or disallow costs associated with the plants 3 from recovery through rider RRS if the Commission 4 finds those costs to be unreasonable or imprudent; is 5 that correct? 6 A. Yes. 7 Q. Okay. And why? 8 A. May I ask you to restate the question, 9 please? 10 Q. Sure, absolutely. I'm just trying to 11 understand why you agreed that the Commission would 12 be able to exclude or disallow those costs. 13 A. The companies are only allowed to charge 14 Commission-approved rates. 15 Q. Okay. Just to make sure I'm 16 understanding your -- are you -- did you read part 17 (h) and the response to that as referring to the 18 second review process as described on page 15 of your 19 direct testimony? 20 A. Yes. 21 Q. Okay. So, Ms. Mikkelsen, let's assume 22 that rider RRS gets approved. I'm sorry. Strike 23 that. 24 Let's take another look at page 15 of</p>
Page 58	Page 60
<p>1 A. I don't recall. 2 Q. Do you recall if you reviewed any 3 documents in preparing your response to this 4 discovery request? 5 A. I did review documents. 6 Q. Okay. Which documents? 7 A. I don't recall. 8 MR. SOULES: Okay. Could we have this 9 marked Exhibit 4. 10 (EXHIBIT MARKED FOR IDENTIFICATION.) 11 Q. Ms. Mikkelsen, you have been passed a 12 document that's been marked as Exhibit 4. This 13 document is a response to discovery request Nucor Set 14 1-INT-38. Are you familiar with this document? 15 A. Yes. 16 Q. Okay. And with respect to part (h) of 17 the interrogatory, are you responsible for the answer 18 to that question? 19 A. Yes. 20 Q. Okay. And what's the basis for your 21 response to that question? 22 A. May I ask you to restate the question, 23 please? 24 Q. Sure. So in your response to part (h),</p>	<p>1 your direct testimony. Looking at lines 21 to 22, it 2 states "Any expenses incurred by the Companies 3 associated with the audit process will be recovered 4 in Rider RRS." Do you see where it states that? 5 A. Yes. 6 Q. Okay. And just to be clear, the audit 7 process being referred to here is the same one 8 discussed earlier on page 15 of your testimony? 9 A. It is the second review. 10 Q. Okay. An audit process is a subcomponent 11 of the overall second review process. 12 MR. KUTIK: Objection. 13 A. Can I ask you to restate the question, 14 please? 15 Q. It is -- is the audit process a part of a 16 larger second review process under this proposal? 17 A. The audit process is the second review. 18 Q. Okay. But that audit process could 19 include up to and including an evidentiary hearing; 20 is that correct? 21 A. Yes. 22 Q. So let's assume that rider RRS gets 23 approved and a few years from now the Commission 24 staff reviews under the second review process. And</p>

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<p style="text-align: right;">Page 61</p> <p>1 let's assume further that the Commission determines 2 that certain costs are unreasonable and, therefore, 3 rejects recovery of those costs. In that 4 circumstance would the companies be able to recover 5 the expenses they had incurred as a result of the 6 audit process? 7 A. The companies would be able to recover 8 any audit-related expenses in rider RRS. 9 Q. So the companies would be able to recover 10 audit-related expenses regardless of whether the 11 Commission finds rider RRS costs to be reasonable? 12 MR. KUTIK: Objection, asked and 13 answered. Also confusing with respect to the word 14 "cost." You are referring to the audit costs or some 15 other costs? 16 MR. SOULES: Could we have the question 17 read back. 18 (Record read.) 19 Q. Ms. Mikkelsen, if you don't understand 20 the question, please let me know. 21 A. I don't understand the question. 22 Q. Okay. Just to put some numbers on it, 23 these are obviously very simplified numbers. Let's 24 suppose that under the second review process the</p>	<p style="text-align: right;">Page 63</p> <p>1 process; is that correct? 2 A. Yes. 3 Q. Okay. Thank you. Ms. Mikkelsen, are you 4 familiar with the team that represented the companies 5 in evaluating and negotiating the proposed 6 transaction with FES? 7 A. May I ask you to restate the question? 8 Q. Sure. Could you tell me what part of 9 that question you didn't understand? 10 A. "Familiar." 11 Q. Okay. Are you aware as to whether there 12 was a team that represented the companies in 13 evaluating and negotiating the proposed transaction 14 with FES? 15 A. Yes, I am aware there was a team. 16 Q. Okay. If I refer to that team as the EDU 17 team, will you understand what I mean? 18 A. Yes. 19 Q. Okay. Thank you. When did you first 20 hear that an EDU team was being created? 21 MR. KUTIK: May I have the question read, 22 please. 23 (Record read.) 24 A. May, 2014.</p>
<p style="text-align: right;">Page 62</p> <p>1 companies incur \$100 of audit-related expenses. And 2 let's assume further that at the end of that process 3 the Commission determines that the rider RRS costs 4 are excessive in the amount \$1,000, and the 5 Commission disallows that \$1,000 of costs. In that 6 circumstance would the \$100 still be recoverable 7 through rider RRS? 8 MR. KUTIK: Objection. 9 A. Could you provide greater clarity around 10 expenses versus costs? 11 Q. Sure. I was using expenses because 12 that's the word used on line 21 of your testimony. I 13 guess what I am trying to understand is if in a 14 situation where the Commission determined that rider 15 RRS costs were unreasonable, would the companies 16 still be able to recover any costs that it -- that 17 they incurred during the auditing process? 18 MR. KUTIK: Objection. 19 A. The companies' proposal is that costs 20 incurred related to the audit would be recovered in 21 rider RRS. 22 Q. And the recoverability of those costs 23 does not hinge upon how the Commission might 24 ultimately rule at the end of the second review</p>	<p style="text-align: right;">Page 64</p> <p>1 Q. Okay. Do you remember who told you that 2 an EDU team was being created? 3 A. Yes. 4 Q. And who was that? 5 A. William Ridmann. 6 Q. And how did you hear about it from 7 Mr. Ridmann? Was it an in person meeting? In a 8 phone call? In an e-mail? 9 A. In person. 10 Q. Okay. And what did Mr. Ridmann tell you? 11 A. I don't recall the specifics of the 12 conversation. 13 Q. At the time of that conversation, were 14 you already aware of the possibility of a proposed 15 transaction with FES? 16 THE WITNESS: May I have that question 17 reread, please? 18 (Record read.) 19 A. Yes. 20 Q. Okay. Following the meeting with 21 Mr. Ridmann, did you take any steps, you know, 22 pursuant to that meeting? 23 A. Yes. 24 Q. Okay. And what steps did you take?</p>

16 (Pages 61 to 64)

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<p style="text-align: right;">Page 398</p> <p>1 A. Yes.</p> <p>2 Q. Do you know what it is?</p> <p>3 A. No.</p> <p>4 Q. That's fine. We can move on then from</p> <p>5 that.</p> <p>6 In your testimony you describe a review</p> <p>7 process for costs that are flowed through Rider RRS,</p> <p>8 correct?</p> <p>9 MR. KUTIK: You want to refer her to a</p> <p>10 page?</p> <p>11 MR. OLIKER: I can try to find it if</p> <p>12 you'd like, but I was going to talk pretty high</p> <p>13 level.</p> <p>14 MR. KUTIK: Okay.</p> <p>15 THE WITNESS: Yes.</p> <p>16 BY MR. OLIKER:</p> <p>17 Q. And you're talking, just from a high</p> <p>18 level, there would be a first audit of costs which</p> <p>19 would be sort of performed parallel with this case,</p> <p>20 and then there would be a continuing ongoing audit of</p> <p>21 costs that were flowed through RRS in the future,</p> <p>22 correct?</p> <p>23 MR. KUTIK: I'll object to the extent</p> <p>24 that this was discussed thoroughly by several</p>	<p style="text-align: right;">Page 400</p> <p>1 THE WITNESS: May I ask you to restate</p> <p>2 the question, please?</p> <p>3 BY MR. OLIKER:</p> <p>4 Q. You -- are you familiar with what the</p> <p>5 manufactured gas plant site is?</p> <p>6 MR. KUTIK: I'm sorry, what was the</p> <p>7 question?</p> <p>8 (Record read back as requested.)</p> <p>9 MR. KUTIK: I'll object.</p> <p>10 THE WITNESS: May I ask you to restate</p> <p>11 the question, please?</p> <p>12 BY MR. OLIKER:</p> <p>13 Q. Is one of the purposes of Rider GDR to</p> <p>14 potentially collect site remediation costs at</p> <p>15 manufactured gas plant sites?</p> <p>16 THE WITNESS: May I ask you to reread</p> <p>17 the question for me, please, ma'am?</p> <p>18 (Record read back as requested.)</p> <p>19 THE WITNESS: Yes.</p> <p>20 BY MR. OLIKER:</p> <p>21 Q. Okay. And this is on Page 24 of your</p> <p>22 direct testimony. I didn't think this would be such</p> <p>23 a difficult issue.</p> <p>24 Have you quantified the cost of</p>
<p style="text-align: right;">Page 399</p> <p>1 questioners in the first session; so it's been asked</p> <p>2 and answered.</p> <p>3 MR. OLIKER: I'll be brief.</p> <p>4 THE WITNESS: May I have the question</p> <p>5 reread, please, ma'am?</p> <p>6 (Record read back as requested.)</p> <p>7 MR. KUTIK: I'll further object;</p> <p>8 mischaracterizes her testimony, but go ahead.</p> <p>9 THE WITNESS: May I ask you to restate</p> <p>10 the question, please, sir?</p> <p>11 BY MR. OLIKER:</p> <p>12 Q. Let's just cut to the chase: Assuming</p> <p>13 the Commission decides to audit Rider RRS for</p> <p>14 prudence on an ongoing basis, if there is a</p> <p>15 disallowance of costs that are flowed through RRS,</p> <p>16 would you agree that that will have no impact on the</p> <p>17 amount of money that FirstEnergy Ohio utilities pay</p> <p>18 to FirstEnergy Solutions?</p> <p>19 A. Yes.</p> <p>20 Q. Thank you. And jumping to Rider GDR,</p> <p>21 which is I believe the Government Directives Rider,</p> <p>22 have you calculated -- first of all, does FirstEnergy</p> <p>23 have any manufactured gas sites?</p> <p>24 MR. KUTIK: Objection.</p>	<p style="text-align: right;">Page 401</p> <p>1 remediating these manufactured gas plant sites?</p> <p>2 MR. KUTIK: Objection; asked and</p> <p>3 answered, thoroughly discussed in her previous</p> <p>4 deposition session.</p> <p>5 THE WITNESS: No.</p> <p>6 BY MR. OLIKER:</p> <p>7 Q. Okay. And this is a similar part of</p> <p>8 your testimony, you say this is -- this is regarding</p> <p>9 Rider GDR, "This is not an exhaustive list of</p> <p>10 directives that could arise" --</p> <p>11 THE COURT REPORTER: I'm sorry, could</p> <p>12 you start over?</p> <p>13 BY MR. OLIKER:</p> <p>14 Q. You indicate that your testimony does</p> <p>15 not describe an exhaustive list of directives that</p> <p>16 could arise between now and the end of ESP IV, but</p> <p>17 instead provide examples of the types of costs that</p> <p>18 could be recovered.</p> <p>19 My question is: Has FirstEnergy</p> <p>20 identified any additional costs that may be collected</p> <p>21 through Rider GDR?</p> <p>22 MR. KUTIK: Objection; asked and</p> <p>23 answered. Go ahead, tell him.</p> <p>24 THE WITNESS: No.</p>

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1 Q. Okay. Are you -- from your last
2 statement that "prudently and conservatively incurred
3 costs to effectively participate in the competitive
4 market," are you stating that every decision made by
5 a competitive retail electric supplier must be
6 presumed to be prudent and conservative if they are
7 participating in the competitive market?

8 A. I think it's reasonable to assume the
9 decisions were prudent, yes.

10 Q. And that's by the mere fact that they're
11 participating in the competitive market?

12 MR. KUTIK: Objection; asked and
13 answered.

14 THE WITNESS: Yes.

15 BY MS. BOJKO:

16 Q. And would you make the same statement
17 with a contract entered into by an alternative
18 credit -- or, an alternative CRES provider such as
19 IGS?

20 MR. KUTIK: Objection.

21 THE WITNESS: May I ask you to restate
22 the question, please?

23 BY MS. BOJKO:

24 Q. Sure. Would you make the same

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1 assumption that decisions made by IGS are prudent by
2 the mere fact that they participate in the
3 competitive market?

4 A. Yeah. I would have a presumption of
5 prudence, yes.

6 Q. Okay. And how do you know that the
7 participation by FES was effective in the market?

8 A. I -- I think that doesn't properly
9 characterize the testimony here.

10 Q. Okay. I thought you said that on
11 Line 13, "a competitive company," you were talking
12 about FirstEnergy Solutions. And you stated that
13 FirstEnergy Solutions prudently and conservatively
14 incurred costs to effectively participate in the
15 competitive market.

16 I'm asking how you know that FirstEnergy
17 Solutions was effective in its participation in the
18 competitive market?

19 A. And I guess that's what I'm saying,
20 that's not -- my testimony here doesn't address
21 whether they were effective or weren't. What my
22 testimony here addresses is that these decisions were
23 made that gave rise to these Legacy cost components
24 by a competitive company, with the presumption that

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1 they were prudently made in order to help them
2 effectively participate in the competitive market and
3 deliver shareholder value.

4 Q. And are the Legacy cost components
5 specifically defined that will be included, or could
6 additional costs from the testimony you cited to be
7 included?

8 MR. KUTIK: Objection.

9 THE WITNESS: I'm sorry. May I have the
10 question reread, please?

11 BY MS. BOJKO:

12 Q. Let me try again. I apologize. On Line
13 15 you say, "...these Legacy Cost Components were
14 reviewed by the EDU Team," and I'm asking if that was
15 a defined set of Legacy costs that are known by the
16 EDU team when this review occurred?

17 A. The Legacy cost components would have
18 been -- assumptions associated with the Legacy cost
19 components would have been reflected in the cost
20 components contained in the attachment to Witness
21 Lisowski's testimony. And Witness Ruberto and his
22 team then reviewed the costs for a determination of
23 whether or not they were reasonable or unreasonable,
24 including those Legacy cost components.

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1 Q. And under the companies' proposal, the
2 Legacy costs included in the rider calculation are
3 not subject to the audit review that you describe on
4 Page 15, Line 3; is that correct?

5 A. Correct.

6 Q. And those Legacy costs cannot be
7 challenged at a later time; is that right?

8 A. May I ask you to restate the question,
9 please, as it relates to a later time?

10 Q. Sure. Legacy costs -- the Legacy cost
11 components can never be challenged; is that right?

12 A. No.

13 Q. Okay. It says, "(excluding Legacy Cost
14 Components which shall not be included in this second
15 review or challenged in any subsequent audit or
16 review)." So can they be challenged in a subsequent
17 audit or review?

18 A. No.

19 Q. So the opportunity to challenge them is
20 in this case; is that right?

21 A. Yes.

22 Q. And you refer to the second review on
23 Line 3 on Page 15. When does that second review
24 occur?

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<p style="text-align: right;">Page 438</p> <p>1 MR. KUTIK: Objection. These questions 2 have been asked and answered in the prior session. 3 She can answer them, but you should be -- you should 4 hopefully get to the point that's not been covered 5 already. 6 THE WITNESS: I'm sorry, may I have the 7 question reread, please, ma'am? 8 (Record read back as requested.) 9 THE WITNESS: The second review would 10 occur after there are actual costs and revenues 11 included in Rider RRS. The timing would be at the 12 discretion of the Commission. 13 BY MS. BOJKO: 14 Q. Okay. And then any disallowance that is 15 found to be due to unreasonable costs through this 16 second review, that would be recognized in a 17 subsequent Rider RRS filing, is that how I understand 18 it? 19 MR. KUTIK: Objection; asked and 20 answered. Go ahead. 21 THE WITNESS: Disputed costs and 22 revenues would continue to be recovered in Rider RRS 23 during the dispute period. Resolution of any audit 24 findings would be included in the next Rider RRS</p>	<p style="text-align: right;">Page 440</p> <p>1 Q. Okay. And do you mean that -- does that 2 mean MTEP to you? 3 A. I think it means MISO transmission 4 expansion costs to me. I'm not sure if it's -- it 5 equates to MTEP. 6 Q. Okay. I will not abbreviate it then. 7 A. Thank you. 8 Q. So going back to Page 17 on Line 21 -- 9 actually it's on Line 22 and 23, is it your 10 understanding that today customers are not required 11 to pay up to \$360 million for RTEP costs? 12 A. Customers -- I would -- the companies 13 have committed to absorb \$360 million of Legacy RTEP 14 costs. 15 Q. Okay. And under the original agreement, 16 customers would not pay for the MISO expansion plant 17 costs if they couldn't be included in the ATSI 18 formula; is that right? 19 THE WITNESS: May I have that question 20 reread, please? 21 (Record read back as requested.) 22 THE WITNESS: No. 23 BY MS. BOJKO: 24 Q. Okay. When would -- when would</p>
<p style="text-align: right;">Page 439</p> <p>1 filing after a final nonappealable order related to 2 that matter. 3 BY MS. BOJKO: 4 Q. Okay. So you're saying the 5 reconciliation or disallowance would occur in that 6 subsequent filing? 7 A. Any adjustments arising out of a Rider 8 RRS audit would occur -- or would be included in a 9 subsequent Rider RRS filing. 10 Q. Okay. Let's turn to Page 17 and talk 11 about RTEP and MTEP. I've used the term before, but 12 do you understand that RTEP means the regional 13 transmission expansion plan costs; is that right? 14 A. Yes. 15 Q. And do you understand that when I use 16 the word MTEP, that that's the MISO transmission 17 expansion costs? 18 A. Yes. 19 Q. Okay. And you don't use the acronym 20 MTEP in your testimony, but I believe that that's 21 what you're referring to on Page 18, Line 17; is that 22 correct? 23 A. On Line 17, I'm talking about MISO 24 transmission expansion costs, yes.</p>	<p style="text-align: right;">Page 441</p> <p>1 customers pay for the MISO transmission expansion 2 costs? 3 A. When they are included in rates charged 4 to the company and in turn passed along to its 5 customers. 6 Q. Okay. So through your testimony on 7 Page 18 and 19, it's my understanding that customers 8 currently could forego up to \$360 million for the 9 Legacy RTEP costs, plus customers would not have to 10 pay for the MISO expansion costs if they weren't 11 included in the ATSI formula that was passed onto 12 customers? 13 MR. KUTIK: Can I have the question 14 read, please? 15 (Record read back as requested.) 16 THE WITNESS: May I ask you to restate 17 the question, please? 18 BY MS. BOJKO: 19 Q. Which part do you not understand? 20 A. The forego -- the customers foregoing 21 360 million. 22 Q. Okay. My understanding that the 23 companies have agreed to absorb up to \$360 million 24 for the Legacy RTEP costs -- so customers would not</p>

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1 A. No.
 2 Q. Okay. And did --
 3 A. I'll clarify that. Only -- documentation
 4 in response to some of the requests but only in that
 5 fashion.
 6 Q. Okay. But -- outside of any requests you
 7 might have received from parties in this proceeding,
 8 you didn't make any documentation of any of your
 9 meetings with Mr. Jurusik about environmental
 10 compliance.
 11 A. No.
 12 Q. Okay. And did Mr. Jurusik share any
 13 documents with you about environmental compliance at
 14 Sammis?
 15 A. I don't remember any.
 16 Q. Okay. But he may have.
 17 A. He may have showed me some of the
 18 proposed regulation wording, but I don't -- I don't
 19 remember.
 20 Q. Okay. Are there any other documents he
 21 may have shown you?
 22 A. None that I remember.
 23 Q. Okay. And what were your discussions
 24 with Mr. Jurusik about environmental compliance at

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1 Sammis?
 2 A. I asked Mr. Jurusik to help me understand
 3 how we know we are in compliance with all the
 4 existing regulations and to help me understand what
 5 the proposed regulations related to environmental
 6 were and what -- his judgment on the likely outcome
 7 of those regulations.
 8 Q. Okay. Anything else?
 9 A. I remember discussing 316(b) and what we
 10 were -- what we were doing to assess 316(b). And I
 11 remember having detailed discussions on the coal
 12 combustion waste residuals both before and after that
 13 rule became final.
 14 Q. Okay. And what was the substance of the
 15 discussion about the coal combustion waste rule?
 16 MR. LANG: Going back to the, which keeps
 17 coming up, the confidentiality issue, to the extent
 18 that there is confidential plant information, we can
 19 keep it to the -- for the second part of this
 20 deposition. But, you know, you need to tell me
 21 whether it's company specific.
 22 THE WITNESS: Yeah. I mean, there were
 23 cost figures we discussed that I would prefer to do
 24 in the confidential section, but I can talk

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1 generically about, you know, the nature of the
 2 discussions now, or we can wait until later.
 3 Q. Why don't we talk about the nature and if
 4 there is more we can get into, we can do it this
 5 afternoon.
 6 A. Okay. The nature was more in terms of
 7 what the proposed rules were, what -- what has been
 8 occurring associated with those rules, and what --
 9 his judgment on the outcome of some of those rules.
 10 Q. Okay. And you said you had these
 11 discussions both before and after the rules were
 12 finalized; is that right?
 13 A. For the coal combustion residual
 14 specifically, yes.
 15 Q. Okay. And has Mr. Jurusik's take on the
 16 rules changed now that they are finalized?
 17 A. No.
 18 Q. Okay, okay. We'll punt the substantive
 19 discussion about that to the afternoon. You -- let's
 20 see, if you could turn to page 12, lines 5 to 7 of
 21 your testimony, you state that "Because Sammis is
 22 equipped with scrubbers and SNCR/SCR, no additional
 23 emission controls will be required for compliance
 24 with CSAPR"; is that right?

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1 A. That is correct.
 2 Q. Okay. And CSAPR which I think is
 3 referred to as CSAPR, right?
 4 A. Yes.
 5 Q. That's the Cross-State Air Pollution
 6 Rule?
 7 A. Yes.
 8 Q. And SNCR is selective non-catalytic
 9 reduction control?
 10 A. Yes.
 11 Q. Okay. For NOx?
 12 A. Yes.
 13 Q. And SCR, selective catalytic reduction
 14 for NOx?
 15 A. Yes.
 16 Q. And what is your basis for believing that
 17 no additional emission controls will be required for
 18 compliance with CSAPR at Sammis?
 19 A. Because modeling done to date by the
 20 state would not indicate Sammis is a contributor to
 21 nonattainment areas.
 22 Q. And what modeling are you referring to?
 23 A. I've not seen the modeling personally. I
 24 am referring to what Mr. Jurusik briefed me on.

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<p style="text-align: right;">Page 105</p> <p>1 Q. Okay. So Mr. Jurusik told you the state 2 has done some modeling, and on that basis it's his 3 opinion that nothing further will be needed at 4 Sammis; is that right? 5 A. That is correct. 6 Q. Okay. And you have not reviewed any of 7 that modeling. 8 A. No. 9 Q. Okay. Have you reviewed the CSAPR rule? 10 A. Not in its entirety. 11 Q. Okay. In any sense? 12 A. I believe I've seen excerpts of the 13 rule. 14 Q. Okay. And do you recall what those were 15 with regards to? 16 A. Not specifically. 17 Q. Do you recall anything specifically about 18 the CSAPR rule? 19 A. No, just generalities. 20 Q. Okay. Do you know if Mr. Jurusik has the 21 modeling that you referred to? 22 A. I don't believe so. I believe the -- I 23 am trying to recall the discussion. What I remember 24 is that -- I mean, CSAPR is a cross-state rule</p>	<p style="text-align: right;">Page 107</p> <p>1 A. I'm not sure. I see a lot of documents. 2 Q. Okay. Do you know if CSAPR -- if under 3 CSAPR there are NOx allowances that are provided for 4 specific units? 5 A. I know there are NOx allowances. I do 6 not remember, you know, specific to the units. 7 Q. Okay. So do you know -- do you have any 8 opinion as to whether NOx emissions from any of the 9 Sammis units are higher or lower than allowances for 10 the Sammis plant under CSAPR? 11 A. I don't remember the specifics on any of 12 the units. 13 Q. With regards to their allowances. 14 A. That's correct. 15 Q. So you have no opinion as to whether -- 16 whether the Sammis units were over or under their 17 allowances? 18 A. As far as opinion, I have an opinion 19 they're all under. 20 Q. And how do you know that? 21 A. Based upon briefings I've had with our 22 environmental group. 23 Q. Okay. So that's with Mr. Jurusik and his 24 team.</p>
<p style="text-align: right;">Page 106</p> <p>1 that -- and the modeling he referred to was some 2 state modeling that had been done. 3 Q. Okay. But you don't know if he actually 4 has that modeling himself. 5 A. I do not know. 6 Q. Or a report about that modeling. 7 A. I do not know. 8 Q. Okay. But you have never seen a report 9 about that modeling either. 10 A. No. 11 Q. Have you seen any document with regards 12 to Sammis's compliance with CSAPR? 13 A. That's -- I don't know. That's a broad 14 request. 15 Q. Well, can you recall any document you've 16 seen with regards to Sammis's compliance with CSAPR? 17 A. I can remember seeing some documents with 18 emission levels of some of the like SO-2 and NOx. 19 Q. Of emission levels from the Sammis plant? 20 A. Yes. 21 Q. Okay. Any other documents? 22 A. Not that I remember. 23 Q. Okay. What would you need to do to 24 remember if there was any other documents?</p>	<p style="text-align: right;">Page 108</p> <p>1 A. Yes, yes. 2 Q. And so what were those briefings? 3 A. Can you be more specific? 4 Q. I mean, did he just tell you we are under 5 the allowances and that was it or is there some sort 6 of here is what the allowances are, here is what our 7 emissions are? 8 A. We had discussions on how we know we are 9 in compliance, and they did have data on the 10 emissions that they reviewed with me. 11 Q. Okay. And that was written data, like a 12 document? 13 A. Yes. 14 Q. Okay. Was it a document actually 15 analyzing are we in compliance with CSAPR? 16 A. It was a document listing the levels of 17 emissions. I don't remember what else was on the 18 document. 19 Q. Okay. Was that document ever produced to 20 any of the parties? 21 A. I believe it was. I take that back. 22 Maybe not the specific document but information 23 concerning those emission levels may have been. 24 Q. But you're not sure.</p>

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<p style="text-align: right;">Page 109</p> <p>1 A. No, I'm not.</p> <p>2 Q. Okay. Any other basis for believing that</p> <p>3 Sammis emissions are below the allowances under</p> <p>4 CSAPR?</p> <p>5 A. None other than what we've discussed.</p> <p>6 Q. Okay. And have you ever directly</p> <p>7 evaluated whether SCRs would need to be installed on</p> <p>8 any of Sammis units 1 through 5?</p> <p>9 A. No.</p> <p>10 Q. Okay. And is that true not just under</p> <p>11 CSAPR but under any other environmental regulatory</p> <p>12 program?</p> <p>13 A. Is what true?</p> <p>14 Q. That you have never evaluated whether an</p> <p>15 SCR would be needed on units 1 through 5?</p> <p>16 A. No, I have not.</p> <p>17 Q. Okay. And have you ever evaluated the</p> <p>18 potential cost of compliance with the recently</p> <p>19 propounded Clean Power Plan for the Sammis plant?</p> <p>20 A. What do you mean by evaluated?</p> <p>21 Q. Have you done any analysis of that of</p> <p>22 how -- what sort of costs for the Sammis plant might</p> <p>23 be established by the Clean Power Plan?</p> <p>24 A. No.</p>	<p style="text-align: right;">Page 111</p> <p>1 Q. Okay. Have you ever seen any documents</p> <p>2 about the Clean Power Plan?</p> <p>3 A. I don't know.</p> <p>4 Q. Okay. You can't remember any documents</p> <p>5 you've seen?</p> <p>6 A. That's correct. I do not remember.</p> <p>7 Q. Okay, okay. Do you know, does FES have a</p> <p>8 forecast of CO-2 prices?</p> <p>9 A. I don't know.</p> <p>10 Q. Okay. Have you ever seen one?</p> <p>11 A. No.</p> <p>12 Q. Okay. Do you ever speak with anybody in</p> <p>13 the business development group?</p> <p>14 A. Yes.</p> <p>15 Q. Okay. And do you know, do they prepare</p> <p>16 forecasts of various commodity prices?</p> <p>17 A. Yes.</p> <p>18 Q. Okay. And do you have any involvement in</p> <p>19 that?</p> <p>20 A. No.</p> <p>21 Q. Okay. Do you ever use any of their</p> <p>22 forecasts?</p> <p>23 A. Are you referring relative to commodity</p> <p>24 prices?</p>
<p style="text-align: right;">Page 110</p> <p>1 Q. Do you know if anybody at FirstEnergy</p> <p>2 has?</p> <p>3 A. No, I do not.</p> <p>4 Q. Have you ever discussed that topic with</p> <p>5 anybody?</p> <p>6 A. Yes.</p> <p>7 Q. With who?</p> <p>8 A. With Mr. Jurusik.</p> <p>9 Q. Okay. What were those discussions?</p> <p>10 A. They were part of the discussions on the</p> <p>11 proposed rules as I explained previously. We went</p> <p>12 through what the proposed -- the existing proposed</p> <p>13 rules were.</p> <p>14 Q. Oh, so that was not with just regards to</p> <p>15 the coal combustion waste but that was with regards</p> <p>16 to the Clean Power Plan also.</p> <p>17 A. Yes.</p> <p>18 Q. And did Mr. Jurusik have an opinion as to</p> <p>19 any costs that might apply to the Sammis plant under</p> <p>20 the Clean Power Plan?</p> <p>21 A. Not that I remember.</p> <p>22 Q. And did he provide you any documents</p> <p>23 about that topic?</p> <p>24 A. No.</p>	<p style="text-align: right;">Page 112</p> <p>1 Q. Yes.</p> <p>2 A. No, I do not.</p> <p>3 Q. Okay. And how about with regards to</p> <p>4 energy prices?</p> <p>5 A. Energy prices in an indirect way.</p> <p>6 Q. How so?</p> <p>7 A. In -- in assessing our forecasts for a --</p> <p>8 from a profit and loss standpoint for our plants.</p> <p>9 Q. Okay. And are those -- over what time</p> <p>10 length are those forecasts?</p> <p>11 A. I would prefer to do that in a</p> <p>12 confidential session.</p> <p>13 Q. Okay. Fair enough. We can do that.</p> <p>14 Okay. And are you familiar with the proposed</p> <p>15 agreement under which FirstEnergy Solutions would</p> <p>16 sell its capacity, energy, and ancillary services to</p> <p>17 the companies?</p> <p>18 A. Are you referring to the term sheet?</p> <p>19 Q. Yeah, that's certainly part of it, yes.</p> <p>20 A. Yes.</p> <p>21 Q. Are you -- and are you aware that the</p> <p>22 term sheet is for a proposed transaction that's at</p> <p>23 issue in this proceeding?</p> <p>24 A. Yes.</p>

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<p>1 intervention, those types of things.</p> <p>2 Q. On page 4, line 21 of your testimony, you</p> <p>3 state that you have no reason to believe</p> <p>4 Davis-Besse's operating license will not be approved</p> <p>5 for renewal. What is the basis for that statement?</p> <p>6 A. The basis for that statement would be</p> <p>7 knowledge of the requirements to go into an</p> <p>8 application that are required to receive that</p> <p>9 approval and quite a bit of experience having had a</p> <p>10 personal involvement in putting one of those</p> <p>11 applications together for the referenced Palisades</p> <p>12 plant and the fact that all the appropriate</p> <p>13 information and all the appropriate requirements in</p> <p>14 my opinion have been provided in that application to</p> <p>15 achieve a successful renewal once the reviews are</p> <p>16 finished and any associated contentions are</p> <p>17 dismissed.</p> <p>18 Q. You would agree that it is possible that</p> <p>19 the license renewal will not be granted, correct?</p> <p>20 MR. LANG: Objection.</p> <p>21 A. I view it as unlikely.</p> <p>22 Q. Unlikely yet possible?</p> <p>23 MR. LANG: Objection.</p> <p>24 A. Unlikely but possible.</p>	<p>1 run on an as-needed basis any more, correct?</p> <p>2 A. That is correct.</p> <p>3 Q. When did that change occur?</p> <p>4 A. I don't remember specifically.</p> <p>5 Q. Can you give an approximation?</p> <p>6 A. I'm sorry. I can't because I do not</p> <p>7 remember.</p> <p>8 Q. So you don't recall if it was 2013 or</p> <p>9 sometime in 2014?</p> <p>10 A. Yeah. I just don't remember.</p> <p>11 Q. Okay. Do you know why it was taken out</p> <p>12 of the idle status?</p> <p>13 A. It had to do with economics, and I</p> <p>14 wouldn't want to answer any further on this portion.</p> <p>15 The rest would be confidential.</p> <p>16 Q. Okay. I suspected that might be the</p> <p>17 answer, but I wanted to check. Thank you. The W.H.</p> <p>18 Sammis plant was subject to a desulfurization</p> <p>19 retrofit, correct?</p> <p>20 A. Yes.</p> <p>21 Q. I think on page 8 of your testimony, line</p> <p>22 9, you refer to that as a WFGD retrofit.</p> <p>23 A. Yes.</p> <p>24 Q. Is that correct?</p>
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<p>1 Q. Thank you. If in the event the license</p> <p>2 was not renewed, what effect will that have on the</p> <p>3 PPA?</p> <p>4 A. The -- well, the PPA is not written and</p> <p>5 in place yet.</p> <p>6 Q. Let me rephrase. What effect -- if the</p> <p>7 license renewal is not granted, what effect will that</p> <p>8 have on the PPA term sheet?</p> <p>9 A. Per Section 4 of the term sheet titled</p> <p>10 "Facilities," it describes that the Davis-Besse power</p> <p>11 station being included in the agreement is subject to</p> <p>12 the NRC renewing the license. Therefore, if the</p> <p>13 license were not reviewed, the plant would simply be</p> <p>14 dropped from the transaction.</p> <p>15 Q. Okay. Would FirstEnergy Solutions still</p> <p>16 pursue the PPA in that event?</p> <p>17 A. I can't say. I don't know.</p> <p>18 Q. Okay. The W.H. Sammis plant was idled to</p> <p>19 run on an as-needed basis in 2012, correct?</p> <p>20 A. Yes.</p> <p>21 Q. Do you recall approximately when in 2012</p> <p>22 that occurred?</p> <p>23 A. No, I do not.</p> <p>24 Q. It is not currently in an idle status to</p>	<p>1 A. Yes.</p> <p>2 Q. What was the start and end date of the</p> <p>3 WFGD retrofit?</p> <p>4 A. Oh, I don't remember off the top of my</p> <p>5 head.</p> <p>6 Q. Do you know if there was a revenue</p> <p>7 analysis that was completed prior to conducting the</p> <p>8 WFGD retrofit?</p> <p>9 A. I do not know.</p> <p>10 Q. If I could turn you to page 5 of your</p> <p>11 testimony, I apologize for bouncing you around, but</p> <p>12 page 5, line 15, let me know when you're there.</p> <p>13 A. I am there.</p> <p>14 Q. Speaking with respect to the W.H. Sammis</p> <p>15 plant, you mention that on lines 4 to 15 \$52 million</p> <p>16 spent each year on Ohio coal alone, correct?</p> <p>17 A. That is correct.</p> <p>18 Q. What do you mean by Ohio coal?</p> <p>19 A. Coal that came from within the state of</p> <p>20 Ohio.</p> <p>21 Q. As in it was mined in Ohio?</p> <p>22 A. I guess I can't specifically answer as to</p> <p>23 whether it was actually mined or not based upon what</p> <p>24 I know of the contract. I don't know enough to -- on</p>

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<p style="text-align: right;">Page 181</p> <p>1 Q. You said that you couldn't answer the 2 question all inclusively. Why is that? 3 A. Because there may be reasons that I can't 4 remember sitting here. 5 Q. Fair enough. 6 A. Yeah. I gave you the ones I could 7 remember. 8 Q. I can't ask for more than that. Do you 9 have any projections of how many employees will be at 10 the Davis-Besse plant in the future? 11 A. No specific projections. 12 Q. Do you have the same expense projections 13 that we discussed with regard to the W.H. Sammis 14 plant? 15 A. Yes. 16 Q. That does not delineate the specific 17 number of employees. 18 A. It does not. 19 Q. And those projections are based on the 20 approval of rider RRS? 21 MR. LANG: Objection. 22 A. No. Those projections are our internal 23 projections of, you know, the required expenses for 24 continuing to operate the plant.</p>	<p style="text-align: right;">Page 183</p> <p>1 A. That is correct. 2 Q. Okay. And in your discussions with him, 3 did you discuss the substance of the CSAPR rule? 4 A. Yes, to some extent. I can't -- 5 Q. Okay. And did -- sorry. Did you discuss 6 the fact that it's designed to ensure compliance with 7 particular National Ambient Air Quality Standards? 8 A. Yes, we did discuss that. 9 Q. And if I refer to those as NAAQS going 10 forward, will you understand what I mean? 11 A. Yes. 12 Q. Great. And did you discuss which NAAQS 13 the CSAPR rule was designed to ensure compliance 14 with? 15 A. Yes, we did. 16 Q. Did you discuss the fact that those NAAQS 17 may change in the future? 18 A. Yes, we did. 19 Q. And did you discuss whether the 20 requirements under CSAPR might change in the future 21 if those NAAQS would change? 22 A. We discussed that possibility, yes. 23 Q. And did you discuss whether Sammis would 24 continue to be in compliance with CSAPR if the --</p>
<p style="text-align: right;">Page 182</p> <p>1 MR. SCHULER: All right. I have no 2 further questions for the public record. Thank you 3 very much, Mr. Harden. 4 MR. LANG: Next on the list is Madeline 5 Fleisher. 6 MS. FLEISHER: Yes, okay. I should not 7 have too much. 8 --- 9 CROSS-EXAMINATION 10 By Ms. Fleisher: 11 Q. Let's go ahead and get started. 12 Mr. Harden, my name is Madeline Fleisher. I 13 represent the Environmental Law & Policy Center. And 14 I just wanted to ask you a few questions to follow up 15 on your discussion with Mr. Fisk about the compliance 16 of the Sammis CSAPR. And do you understand when I 17 refer to CSAPR, that's the Cross-State Air Pollution 18 Rule, correct? 19 A. Yes. 20 Q. And you -- could you just confirm my 21 understanding of your testimony that you discussed 22 CSAPR compliance with Mr. Jurusik? 23 A. Yes. 24 Q. Is that correct?</p>	<p style="text-align: right;">Page 184</p> <p>1 those NAAQS become more stringent? 2 A. Yes, we did have discussions on that. 3 Q. And did you reach any conclusions over 4 the course of those discussions? 5 A. Yes. 6 Q. And what were your conclusions? 7 MR. LANG: I don't know if this is 8 confidential but. 9 THE WITNESS: I don't believe so. 10 MR. LANG: Okay. 11 A. I will stay out of confidential. At 12 least I believe I can stay out of confidential space. 13 We discussed that we believe Sammis will continue to 14 be in compliance for what we know on the horizon 15 today, and we also discussed the essence of cap and 16 trade and in the -- and the ability to purchase 17 allowances if needed. 18 Q. Okay. A couple of follow-up questions 19 about that answer. When you said that you believe 20 Sammis would remain in compliance for what you know 21 on the horizon today, does -- what is it that you 22 know is on the horizon or what were you referring to 23 with that answer? 24 A. We are referring to the current NAAQS and</p>

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1 what our environmental group believes will likely be
2 implemented in the foreseeable future that they can
3 predict.

4 Q. And does that include the pending update
5 to the 2008 ozone NAAQS?

6 A. Yes.

7 Q. Okay. And when you talked about the
8 ability to purchase allowances, how -- what role will
9 that play in compliance for Sammis in your view?

10 A. Our opinion right now is that that's I'll
11 say a contingency. We believe the plant will
12 continue to be in compliance. If needed, the ability
13 to purchase allowances exists.

14 Q. Okay. Let's break that down a little bit
15 further. Am I correct in understanding that you're
16 saying you believe Sammis will continue to be in
17 compliance without purchasing allowances even if some
18 of the NAAQS indicated in the CSAPR rules become more
19 stringent?

20 A. Our judgment on what we believe will be
21 implemented we believe Sammis can continue to comply
22 with.

23 Q. Okay. So am I correct then in
24 understanding that you view the need to purchase

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1 allowances as something that is unlikely to happen?

2 A. Yes.

3 Q. Okay. And is the possibility of having
4 to purchase allowances incorporated anywhere in the
5 forecast for the Sammis plant?

6 MR. LANG: Objection, beyond the scope,
7 but if you know.

8 A. I don't know.

9 Q. Am I -- my apologies if I am not
10 remembering correctly, but did you provide
11 information about costs for the Sammis plant to be
12 incorporated into the Lisowski projection?

13 A. Yes, for capital needs, capital
14 expenditures.

15 Q. Okay. But that -- the cost -- I guess
16 the cost information you provided for Mr. Lisowski's
17 analysis did not include any cost related to the
18 purchase of the allowances?

19 A. That is correct. Purchase after
20 allowances would not be a capital expenditure.

21 Q. Okay. What sort of expenditure would
22 that be categorized as?

23 A. That would be on the expense, you know,
24 operations and expenses for the plant rather than

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1 capital needs.

2 Q. But would that be the same as operations
3 and maintenance?

4 A. Yes.

5 Q. Okay. And as far as you are aware, was
6 the potential need to purchase allowances
7 incorporated in any of the operations and maintenance
8 costs forecasts?

9 A. I don't know. I did not have input on
10 the operation and maintenance expense.

11 Q. Okay. Do you know -- did you talk to Mr.
12 Jurusik about the potential cost of allowances at
13 all?

14 A. Not that I remember.

15 Q. Do you know if he talked to anyone else
16 about that issue?

17 A. I do not know.

18 Q. And going back to your conclusion, is
19 that Sammis -- I am just summarizing here -- would
20 probably not need to purchase allowances, what was
21 that conclusion based on?

22 A. Based upon the emissions today with the
23 what I would call state-of-the-art equipment that we
24 have installed, particularly on units 6 and 7 with

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1 the SCRs, and what the typical dispatch of the plant
2 has been and would be expected to be. It's a
3 judgment forecast based upon historical experiences.

4 Q. Okay. You mean historical experiences,
5 emissions from the Sammis plant; is that correct?

6 A. That's correct.

7 Q. And did your analysis -- or Mr. Jurusik's
8 analysis involve any emission modeling of any kind?

9 A. Not that I am aware of.

10 Q. Okay. And are there any documents
11 commemorating or relating to that analysis?

12 MR. LANG: Objection.

13 A. Yeah. I said there's no analysis or
14 modeling was done that I am aware of.

15 Q. Sorry. I took two steps ahead. I was
16 asking are there any documents or written analysis
17 related to your overall conclusion that Sammis would
18 continue to comply with CSAPR even if the related
19 NAAQS become more stringent?

20 A. None other than our records of historical
21 emissions.

22 Q. Okay. And moving to one other different
23 topic, did you discuss with Mr. Jurusik whether the
24 Sammis plant might need to undertake any heat rate

47 (Pages 185 to 188)

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1 "the Plants are good, efficient generation facilities
2 which benefit the State of Ohio and, if the Economic
3 Stability Program is implemented, will be able to
4 continue operating over the long term." Do you see
5 that?

6 A. Yes.

7 Q. Okay. Is it your testimony that if the
8 economic stability program is not implemented, the
9 plants won't be able to continue operating over the
10 long term?

11 A. Can you repeat that?

12 MR. FISK: Sure. Could you read that
13 back.

14 (Record read.)

15 A. I don't know. I don't know if they will
16 be able to continue to operate.

17 Q. Okay. Do you have any opinion on that
18 question as to whether they will be able to continue
19 operating if this proposed transaction is not
20 approved?

21 A. I guess I have the opinion that it is
22 very questionable.

23 Q. Okay. What's your basis for that
24 opinion?

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1 A. My basis for that opinion is their profit
2 and loss statement with the way -- with the levels of
3 capacity and energy prices in the last, I don't know,
4 year or so.

5 Q. Okay. Have you seen profit and loss
6 statements for any of the plants?

7 A. Yes.

8 Q. Okay. When did you see those?

9 A. I can't say specifically when because I
10 see them on a periodic basis.

11 Q. Okay. Just as a regular part of your job
12 you see them?

13 A. Yes.

14 Q. Okay. Did you see one specifically with
15 regards to this proceeding?

16 A. The ones I've seen I don't consider to
17 have anything to do with the -- this proceeding.
18 They are actuals.

19 Q. Okay, okay. Have you seen a projection
20 of future profits and losses from the plants?

21 A. Yes, yes, I have.

22 Q. Okay. And do you know who created those
23 projections?

24 A. No, I do not.

1 Q. Okay. When did you see those
2 projections?

3 A. I don't remember.

4 Q. Okay. Do you know since August or since
5 the testimony was filed?

6 A. Yes.

7 Q. Okay. Had you seen projections before
8 your testimony was filed?

9 A. I don't remember if I saw projections
10 before. I only remember seeing projections in the
11 last few months which would have been since.

12 Q. Okay. Outside of those projections have
13 you seen any analysis showing that Sammis or the
14 Davis-Besse plants would be retired if the proposed
15 transaction were rejected?

16 A. No.

17 Q. Okay. Has anyone told you that the
18 plants would be retired if the proposed transaction
19 were rejected?

20 A. No.

21 Q. Do you recall any discussions as to
22 whether the plants would be permanently retired if
23 the proposed transaction were rejected?

24 A. No.

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1 Q. Okay. Do you know who would make the
2 decision whether to retire any of the plants involved
3 in this proceeding?

4 A. By name, no. It could be a number of
5 people.

6 Q. Okay. Would you have any involvement in
7 that -- in that decision as to whether to retire a
8 plant?

9 A. I would likely be asked to provide an
10 opinion.

11 Q. Okay. With regards to just the nuclear
12 plant or also the coal plant?

13 A. Both.

14 Q. Have you ever been asked to provide such
15 an opinion?

16 A. No.

17 Q. Okay. Are you aware that the companies
18 have projected over the term of the proposed
19 transaction that -- the plants would earn
20 approximately \$2 billion, nominal dollars, over the
21 next 15 years?

22 A. Yes.

23 Q. Does it seem likely to you that
24 FirstEnergy would retire generating units that are

37 (Pages 145 to 148)

Armstrong & Okey, Inc., Columbus, Ohio (614) 224-9481

APPX-A-000052

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)	
Edison Company, The Cleveland Electric)	
Illuminating Company, and The Toledo)	Case No. 14-1297-EL-SSO
Edison Company for Authority to Provide for)	
a Standard Service Offer Pursuant to R.C.)	
4928.143 in the Form of An Electric Security)	
Plan)	

**APPENDIX B TO THE MOTION OF FIRSTENERGY SOLUTIONS CORP. TO
QUASH THE SUBPOENA DUCES TECUM OF SIERRA CLUB**

FILED UNDER SEAL

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Case No(s). 14-1297-EL-SSO

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