

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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

- - -

DEPOSITION

of Eileen M. Mikkelsen, taken before me, Karen Sue
Gibson, a Notary Public in and for the State of Ohio,
at the offices of FirstEnergy Corporation, 76 South
Main Street, Akron, Ohio, on Wednesday, August 19,
2015, at 9 a.m.

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10 On behalf of the Applicants.

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15 On behalf of the Northeast Ohio Public
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On behalf of IGS Energy.

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1 APPEARANCES:

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13 On behalf of the Residential Consumers of
14 Ohio Edison Company, The Cleveland
15 Electric Illuminating Company, and The
16 Toledo Edison Company.

17 Mike DeWine, Ohio Attorney General
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On behalf of the Staff of the PUCO.

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On behalf of the Ohio Energy Group.

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Wednesday Morning Session,

August 19, 2015.

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EILEEN M. MIKKELSEN

being by me first duly sworn, as hereinafter

certified, deposes and says as follows:

CROSS-EXAMINATION

By Mr. Fisk:

Q. Good morning, Ms. Mikkelsen.

A. Good morning.

Q. How are you doing today?

A. Fine, thank you.

Q. Good. Could you just state your complete
name for the record.

A. My name is Eileen M. Mikkelsen.

Q. Okay. And who are you employed by?

A. FirstEnergy Service Company.

Q. Okay. And what's your business address?

A. 76 South Main Street, Akron, Ohio.

Q. Okay. Great. And just to start out, I
just wanted to make sure we are on the same page in
terms of terminology. So your second supplemental
testimony here is filed on behalf of Ohio Edison
Company, the Cleveland Electric Illuminating Company,

1 and the Toledo Edison Company; is that right?

2 A. Yes.

3 Q. Okay. And can we agree to refer to those
4 three entities collectively as the companies?

5 A. Yes.

6 Q. Okay. Great. And on page 3, line 17, of
7 your testimony.

8 MR. KUTIK: Again, this is the second
9 set?

10 MR. FISK: Yes.

11 MR. KUTIK: We can assume you are talking
12 about the second supplemental unless you say
13 otherwise?

14 MR. FISK: Yes.

15 MR. KUTIK: Thanks.

16 Q. You have a reference there to FES. Do
17 you see that?

18 A. Yes.

19 Q. Okay. And FES, that's FirstEnergy
20 Solutions; is that correct?

21 A. Yes.

22 Q. Okay. And FES owns the W.H. Sammis plant
23 and the Davis-Besse plant; is that right?

24 A. I don't know.

1 Q. Okay. Do you know who owns those plants?

2 A. I'm not certain.

3 Q. Okay. And are you aware as to whether
4 FES has a 4.85 percent interest in two of Ohio Valley
5 Electric Cooperative's plants?

6 A. Yes.

7 Q. Okay. And, yes, they are? Yes, they do
8 have that interest; is that right?

9 A. Yes.

10 Q. Okay. And can we agree Ohio Valley
11 Electric Cooperative is OVEC?

12 A. Yes.

13 Q. Okay. And the two OVEC plants that FES
14 owns an interest in are Clifty Creek and Kyger Creek;
15 is that right?

16 A. Yes.

17 Q. And can we agree to refer to FES's 4.85
18 percent interest in those OVEC plants as the OVEC
19 entitlement?

20 A. Yes.

21 Q. Okay. Great. And are you aware of the
22 proposed transaction under which FES would sell its
23 energy, capacity, and ancillary services from the
24 Sammis and Davis-Besse plants and from the OVEC

1 entitlement to the companies?

2 A. Yes.

3 Q. Okay. And can we agree to refer to that
4 as the proposed transaction?

5 A. Yes.

6 Q. And on page 3, line 16, of your
7 testimony, you refer to an economic stability
8 program. Do you see that?

9 A. Yes.

10 Q. And is the proposed transaction part of
11 the economic stability program?

12 MR. KUTIK: Objection.

13 A. May I ask you to restate the question.

14 Q. What part is confusing to you?

15 A. I just need to be refreshed on the
16 question.

17 MR. FISK: Okay. Can you read the
18 question back.

19 (Record read.)

20 A. No.

21 Q. Okay. On your testimony page 3, line 16,
22 you include two of the plants that are included in
23 the economic stability program, correct?

24 A. Yes.

1 Q. Okay. And what plants are you referring
2 to there?

3 A. Davis-Besse, Sammis, and the OVEC
4 entitlement.

5 Q. Okay. And how are they included in the
6 economic stability program?

7 A. The economic stability program includes a
8 retail rate stability rider the companies are seeking
9 authorization for, and one of the elements included
10 in the economic -- pardon me, in the retail rate
11 stability rider are costs associated with the output
12 from those plants.

13 Q. Okay, okay. And we will get to the rider
14 in a second, but on the proposed transaction, am I
15 correct that the companies would pay all of the costs
16 of Sammis, Davis-Besse, and the OVEC entitlement?

17 MR. KUTIK: Well, at this point I am
18 going to object as asked and answered. If you want
19 to talk to her about her second supplemental
20 testimony and the following subsequent testimonies,
21 fine. But all of this stuff has already been covered
22 in depositions.

23 MR. FISK: Well, I am just setting a
24 groundwork to make sure we are on the same page here.

1 MR. KUTIK: The groundwork has already
2 been set in previous depositions.

3 Q. You may answer.

4 THE WITNESS: May I ask you to repeat the
5 question.

6 (Record read.)

7 A. May I ask you to restate the question,
8 please.

9 Q. What do you find confusing about it?

10 A. "All the costs."

11 Q. Under the proposed transaction would the
12 companies pay the costs of operating the Sammis,
13 Davis-Besse, and OVEC entitlement?

14 A. There's a term sheet that dictates the
15 costs that the companies would be responsible for
16 under the proposed transaction.

17 Q. Okay. And to your knowledge are those --
18 are those costs related to the operation of Sammis,
19 Davis-Besse, and the OVEC entitlement?

20 A. Yes.

21 Q. Okay. And under the proposed
22 transaction, the companies would then receive all of
23 the market revenues generated from the sale of the
24 energy, capacity, and ancillary services from Sammis,

1 Davis-Besse, and the OVEC entitlement; is that right?

2 A. No.

3 Q. What -- what is incorrect about that?

4 A. The revenues derived from the sale of the
5 capacity, energy, and ancillary services would be
6 included in the retail rate stability rider for the
7 customers. The companies don't retain any of the
8 revenue.

9 Q. Well, that's -- that's assuming that the
10 retail rate rider is approved, correct?

11 A. The retail rate stability rider, correct.

12 Q. Okay. And the retail rate stability
13 rider is simply between the companies and its
14 customers, correct?

15 A. Can you restate the question, please.

16 Q. What's confusing about that?

17 A. "Between the companies and."

18 Q. The retail rate stability is not between
19 the companies and FES, correct?

20 A. Correct.

21 Q. Okay. So it only governs what revenues
22 or costs may be passed through to the customers?

23 MR. KUTIK: Let me note my objection. I
24 really don't think you need this witness to answer

1 those questions. What the rider is the rider is and
2 who pays the rider is quite apparent and all you are
3 doing is wasting time. I made my objection. Go
4 ahead.

5 THE WITNESS: May I ask you to repeat the
6 question, please, ma'am.

7 MR. KUTIK: But I will say at some point
8 I am going to shut down these introductory questions
9 because we are just wasting time.

10 MR. FISK: Well, wasting time is not an
11 objection, and I am addressing --

12 MR. KUTIK: Yes, it is. What's an
13 objection is annoying, embarrassing, and harassing
14 questions, and wasting time is harassing the witness.

15 MR. FISK: Asking details about the
16 proposal is embarrassing to the company? That's
17 interesting to note.

18 MR. KUTIK: That's not what I said,
19 wasting time. You know, if you want to ask her about
20 her testimony, ask her about her testimony.

21 MR. FISK: She's testified about how
22 costs are allocated and risks are allocated under
23 rider RRS. I am asking about --

24 MR. KUTIK: That's prior testimony.

1 MR. FISK: No, it is in her testimony
2 here, her second supplemental testimony.

3 MR. KUTIK: Go ahead. I am just telling
4 you you are wasting time. Go ahead.

5 (Record read.)

6 A. May I ask you to restate the question,
7 please.

8 Q. Am I correct under rider RRS the
9 companies would pass through to their companies the
10 net of the costs and market revenues from Sammis,
11 Davis-Besse, and the OVEC entitlement?

12 A. Yes.

13 Q. Okay. And the companies themselves would
14 incur those costs or receive those revenues under the
15 proposed transaction, correct?

16 MR. KUTIK: May I have the question read,
17 please.

18 (Record read.)

19 A. No.

20 Q. Okay. How would they incur those costs
21 or receive those revenues?

22 MR. KUTIK: Objection, assumes facts.

23 THE WITNESS: May I ask you to repeat the
24 question, ma'am.

1 (Record read.)

2 A. May I ask you to restate the question,
3 sir.

4 Q. The costs or revenues that are being
5 passed through from rider RRS are being passed
6 through the companies to the customers, correct?

7 A. Correct.

8 Q. Okay. And where do those -- how did it
9 come -- how does it come about that the companies
10 incur those costs or receive those revenues?

11 MR. KUTIK: Objection.

12 A. May I ask you to restate the question.

13 Q. What is confusing about the question?

14 A. Compound.

15 Q. Okay. Let's start with the costs. How
16 does -- how does it come about that the companies are
17 incurring the costs that are passed through in rider
18 RRS?

19 MR. KUTIK: Objection.

20 A. The costs are incurred as part of the
21 proposed transaction.

22 Q. Okay. And the revenues that would be
23 passed through rider RRS, are those also received by
24 the companies pursuant to the proposed transaction?

1 A. No.

2 Q. Okay. How are they received?

3 A. The revenues are received as a result of
4 the companies selling the capacity, energy, and
5 ancillary services into the market.

6 Q. Okay, okay. And on page 9, line 4, of
7 your testimony, you refer to retail rate
8 stabilization credit; is that right?

9 A. Yes.

10 Q. Okay. And are those credits the net
11 revenues that would be passed on to customers under
12 rider RRS if the market revenues from the Sammis,
13 Davis-Besse, and the OVEC entitlement are higher than
14 the costs related to those plants?

15 MR. KUTIK: Did you say "related to those
16 plants"?

17 MR. FISK: Yes.

18 A. Yes.

19 Q. Okay. And on page 3, lines 15 to 19, you
20 state that in the near term the costs of Sammis,
21 Davis-Besse, and the OVEC entitlement are projected
22 to be higher than the market revenues from those
23 plants; is that correct?

24 A. I say that the aggregate projected

1 revenues from the plants and the FES 4.85 percent
2 interest in the Ohio Valley Electric Cooperative are
3 less than the projected costs of the plants and OVEC.

4 Q. Okay. So in the near term the companies
5 are projecting that they would incur a net cost under
6 the proposed transaction; is that correct?

7 A. No.

8 Q. Why not?

9 A. The revenues received are not part of the
10 proposed transaction.

11 Q. Okay. Well, am I correct that under
12 rider RRS the difference between the revenues
13 received and the costs under the proposed transaction
14 would be passed on to customers, correct?

15 MR. KUTIK: Objection.

16 THE WITNESS: I'm sorry. May I ask you
17 to repeat the question, ma'am, please.

18 (Record read.)

19 A. May I ask you to restate the question,
20 please.

21 Q. What's confusing?

22 A. What "proposed transaction" modifies.

23 Q. The market -- I'm sorry, the costs that
24 the companies are incurring under the proposed

1 transaction, if those are higher than the market
2 revenues that are received, the net cost would be
3 passed on to rate -- customers under rider RRS,
4 correct?

5 A. Yes.

6 Q. Okay. Would it be fair to refer to such
7 net costs as the retail rate stabilization costs?

8 A. Yes.

9 Q. Okay. And in your -- in your testimony
10 on page 3 on lines 15 to 19 still, when you are
11 talking about the near-term projections, you refer to
12 testimony from Mr. Ruberto; is that correct?

13 A. Yes.

14 Q. Okay. And then over on page 9, lines 3
15 through 7, you refer there to the net present value
16 of retail rate stability credits. Do you see that?

17 A. Yes.

18 Q. Okay. And -- and, again, in that section
19 you are referring to Mr. Ruberto's testimony; is that
20 right?

21 A. Yes.

22 Q. Okay. And with regards to the retail
23 rate stability credits or costs that you have gotten
24 from Mr. Ruberto's testimony, did you do anything to

1 verify those figures?

2 A. Yes.

3 Q. Okay. What did you do?

4 A. Reviewed the information contained in his
5 exhibit, tied it out to Mr. Lisowski's testimony.

6 Q. Okay. Anything else?

7 A. No.

8 Q. Okay. And do you know about how long you
9 spent reviewing Mr. Ruberto's projections of the
10 retail rate stability credits or costs?

11 A. I don't remember.

12 Q. Okay. Did you do any sort of independent
13 calculation of the levels of retail rate stability or
14 costs under rider RRS?

15 A. I reviewed the information in
16 Mr. Ruberto's exhibit as well as assured myself it
17 agreed with the information and reviewed the
18 information in Mr. Lisowski's testimony.

19 Q. Okay. But you didn't do any separate
20 modeling or calculations outside of just reviewing
21 what Mr. Ruberto and Mr. Lisowski had done; is that
22 correct?

23 A. I did not do any separate modeling.

24 Q. Okay. And would you agree that the

1 actual costs or credits that would be passed along
2 under rider RRS could be different than what
3 Mr. Ruberto has projected?

4 A. Yes.

5 Q. Okay. And do the amount of credits or
6 costs that would be passed on to customers under
7 rider RRS impact in any way the amounts that the
8 companies would pay to FES under the proposed
9 transaction?

10 A. No.

11 Q. Okay, okay. If you could turn to page 11
12 of your testimony, starting on line 17, you have a
13 discussion there about issues raised in the AEP Ohio
14 order related to proposed rider RRS. Do you see
15 that?

16 A. Yes.

17 Q. Okay. And the AEP Ohio order, that's the
18 Commission order regarding American Electric Power
19 Ohio's PPA rider proposal; is that right?

20 MR. KUTIK: Objection.

21 A. No.

22 Q. What -- then what is the AEP Ohio order
23 referring to?

24 A. PUCO order in the AEP third ESP case.

1 Q. Okay. And that AEP ESP case involved the
2 PPA rider, correct?

3 A. Among other things, yes.

4 Q. Okay. And on page 12, line 2, of your
5 testimony, you -- you have a reference there to an
6 alternative plan to allocate the rider's financial
7 risks between both the companies and its ratepayers.
8 Do you see that?

9 A. Yes.

10 Q. Okay. And is it your testimony that the
11 companies' proposal in this proceeding includes an
12 alternative plan to allocate the rider's financial
13 risk between both the companies and its ratepayers?

14 A. Yes.

15 Q. Okay. And what -- what alternative plan
16 is that?

17 A. The review process that I articulated in
18 my direct testimony for rider RRS.

19 Q. Okay. Anything else besides that review
20 process?

21 A. May I ask you to restate the question,
22 please.

23 Q. What's confusing about that?

24 A. The whole question, "anything else," I'm

1 sorry.

2 Q. Is there any other portion of the
3 companies' application in this proceeding that you
4 would consider an alternative plan to allocate the
5 rider's financial risk between both the companies and
6 its ratepayers?

7 A. No.

8 Q. Okay. And what financial risk is
9 allocated by this alternative plan?

10 A. The companies' proposal contemplates that
11 the Commission would conduct periodic reviews to
12 assure itself that the actions taken by the companies
13 were reasonable. To the extent that the Commission
14 determines they weren't reasonable, we would have an
15 opportunity to address those costs or revenues at
16 that time.

17 Q. Okay. So is there any -- in the
18 companies' proposal is there any allocation of risks
19 for costs that aren't specifically found unreasonable
20 by the Commission?

21 THE WITNESS: Can I ask you to repeat the
22 question, please, ma'am.

23 (Record read.)

24 A. All of the costs included in the proposed

1 transaction are subject to the audit and review
2 process by the Public Utilities Commission of Ohio.

3 Q. Okay. We discussed a few minutes ago
4 that Mr. Ruberto's testimony that you've cited in
5 your testimony projects in the near term that there
6 would be -- the companies would receive less revenues
7 under the proposed transaction -- I'm sorry, less
8 revenues through the sale of the energy, capacity,
9 and ancillary services than the costs it would incur
10 in the proposed transaction, correct?

11 A. Yes.

12 Q. And that cost would be passed on to
13 customers, correct?

14 A. Yes.

15 Q. Okay. And is there any -- and there
16 is -- would you agree with me there is a risk that
17 those net costs would be higher than what the
18 companies have projected?

19 A. The rider RRS charges in the near term
20 could be higher or lower than projected.

21 Q. Okay. And that's true for the full 15
22 years, correct? It could be higher or lower than
23 projected?

24 A. The company does not project costs for

1 rider RRS over the 15-year term. It projects credits
2 for the majority of the term.

3 Q. Okay. That credit could be higher or
4 lower than what's projected, correct?

5 A. Rider RRS credits could be higher or
6 lower than what is projected for the term.

7 Q. Okay. And in looking at the near-term
8 projected net cost, in the absence of any Commission
9 decision that the companies had taken some kind of
10 unreasonable action, is there any provision in the
11 companies' proposal that would allocate any of the
12 financial risks of those costs to the companies
13 rather than to the customers?

14 MR. KUTIK: Objection.

15 A. Yes.

16 Q. And what provision is that?

17 A. The review process allows the Commission
18 to review all of the costs and revenues proposed for
19 inclusion in rider RRS to determine if they are
20 reasonable.

21 Q. Okay. My question was outside of a
22 finding by the Commission that such costs were
23 unreasonable, is there any other provision in the
24 proposal that would allocate the risks of such losses

1 to the companies rather than to the customers?

2 MR. KUTIK: Objection. Asked and
3 answered.

4 Q. You may answer.

5 A. I thought your first question asked me
6 about actions taken by the companies. And I'm saying
7 this review process allows the Commission to review
8 all the costs and all the revenues included in the
9 rider for reasonableness.

10 Q. But outside of that review -- so if the
11 Commission doesn't find that any of the companies'
12 actions were unreasonable, there -- am I correct that
13 there is nothing in the companies' proposal that
14 would allocate any risks of net costs under rider RRS
15 to the companies rather than to the customers?

16 MR. KUTIK: Objection, asked and
17 answered.

18 A. No.

19 Q. No, I am not correct?

20 A. Correct, you are not correct.

21 Q. Okay. And so what other -- outside --
22 outside of a Commission finding of unreasonableness,
23 what other provisions of the proposal would allocate
24 those risks to the company -- companies rather than

1 the customers?

2 MR. KUTIK: Objection, asked and
3 answered.

4 THE WITNESS: May I ask you to reread
5 that question, please, ma'am.

6 (Record read.)

7 A. That is the provision that allocates the
8 risk between the companies and the customers.

9 Q. Okay. And that provision is described in
10 your second supplemental testimony on page 12 from
11 lines 4 to 16; is that right?

12 A. Yes.

13 Q. Okay. And is there any provision in the
14 companies' proposal that would allocate any of the
15 financial risk to FES as opposed to the customers?

16 A. May I ask you to restate the question,
17 please.

18 Q. What's confusing?

19 A. "The companies' proposal."

20 Q. The companies' application, is there any
21 provision in the companies' application that would
22 allocate the rider RRS financial risk to FES rather
23 than to the customers?

24 A. May I ask you to restate the question,

1 please.

2 Q. What's confusing about that?

3 A. The allocation of the risk between FES
4 and the companies' customers.

5 Q. Okay. Well -- okay. Your testimony on
6 page 12, line 2, refers to an alternative plan to
7 allocate the rider's financial risks, correct?

8 A. Correct.

9 Q. Okay. And that allocation that you are
10 referring to there is between the company and its --
11 it says "the company and its ratepayers." I assume
12 you mean the companies, correct?

13 A. Yes.

14 Q. Okay. And my question is simply is there
15 any provision in the companies' application that
16 would allocate any portion of that financial risk to
17 FES rather than to the customers?

18 MR. KUTIK: Objection.

19 A. There is no provision in the plan that
20 allocates the rider RRS financial risk between the
21 company and FES.

22 Q. Okay, okay. And when you said "company,"
23 you mean companies --

24 A. Yes.

1 Q. -- is that right? Okay. Making sure.
2 Okay. And if you could turn to page 4 of your
3 testimony, starting on line 3, you have a
4 discussion -- reference there to Mr. Moul's
5 supplemental testimony regarding the financial need
6 of the plants; is that correct?

7 A. Yes.

8 Q. Okay. And then you have a discussion
9 there about Mr. Makovich's supplemental testimony
10 describing a "missing money problem." Do you see
11 that?

12 A. Yes.

13 Q. And are you -- are you yourself offering
14 any testimony regarding the missing money problem, or
15 is that you are just simply saying that's what
16 Dr. Makovich is discussing?

17 MR. KUTIK: Objection.

18 A. I'm referring to Dr. Makovich's
19 supplemental testimony where he describes the missing
20 money problem.

21 Q. Okay. So if I have any questions about
22 the missing money problem, those would be better
23 directed to Mr. Makovich than to you?

24 A. Yes.

1 Q. Okay. And if you go down to still on
2 page 4, line 13, you have a reference to Mr. Moul's
3 direct testimony discussing the necessity of
4 maintaining the reliability benefits of resource
5 diversity. Do you see that?

6 A. Yes.

7 Q. Okay. Did you yourself do any analysis
8 of the necessity of maintaining the reliability
9 benefits of resource diversity?

10 A. I reviewed Mr. Moul's direct testimony as
11 well as the testimony of the other witnesses in the
12 case as it relates to that matter.

13 Q. Okay. Outside of that did you do any --
14 any of your own independent analysis of that issue?

15 MR. KUTIK: Objection.

16 A. For example, Mr. Moul's direct testimony
17 talks about the challenges facing nuclear plants
18 across the country today. In reviewing that
19 testimony I would compare that to my knowledge of the
20 industry and my understanding of things that are
21 going on. By way of example I would perform that
22 type of analysis while I was reviewing the testimony.

23 Q. Okay. Did you yourself do any
24 independent verification of Mr. Moul's testimony

1 outside of just determining whether it agrees with
2 your general knowledge?

3 A. Yes.

4 Q. Okay. What did you do?

5 A. I can independently attest to the fact
6 that Davis-Besse and Sammis have on-site fuel storage
7 capabilities.

8 Q. Okay. Anything else?

9 A. I cite that by way of example. I'm sure,
10 testimony not in front of me now, but a number of
11 things like that which I would be able to review and
12 corroborate independently.

13 Q. Okay. But in terms of the -- in terms of
14 the testimony in this proceeding, any -- would any
15 questions regarding the necessity of maintaining
16 reliability benefits of resource diversity, would
17 those be better directed to Mr. Moul than to you?

18 MR. KUTIK: Objection.

19 A. I believe there is a necessity of
20 maintaining the reliability benefits of resource
21 diversity.

22 Q. Okay. And why do you believe that?

23 A. I think it is important to have
24 dispatchable resources as well as intermittent

1 resources. I think it's important to have on-site
2 fuel storage capabilities. I think it's important to
3 have baseload generation located close to your load,
4 for example.

5 Q. Okay. And is it your opinion that
6 approval of rider RRS is necessary to maintain the
7 reliability benefits of resource diversity?

8 A. Approval of rider RRS assures the
9 continued operation of Davis-Besse and Sammis and
10 with that comes the reliability benefits of the
11 resource diversity that we have been discussing.

12 Q. And without rider RRS, would Sammis and
13 Davis-Besse be retired?

14 MR. KUTIK: Objection, asked and
15 answered.

16 A. The future of the plants is uncertain.

17 Q. You can't say today whether they
18 definitely would or would not be retired without
19 rider RRS; is that right?

20 MR. KUTIK: Objection, asked and
21 answered.

22 A. The future of the plants is uncertain
23 absent the approval of rider RRS.

24 Q. And with regards to the necessity of

1 maintaining the reliability benefits of resource
2 diversity, what -- are you referring there to simply
3 the resource diversity within the FirstEnergy system
4 or within Ohio or within PJM? What -- what frame of
5 reference are you talking about?

6 A. Mr. Moul's direct testimony.

7 Q. Okay. So -- so you are simply relying on
8 what Mr. Moul said there with regards to the proper
9 frame of reference?

10 A. May I ask you to restate the question,
11 please.

12 Q. I'm interested in knowing you've
13 testified that -- about the necessity of maintaining
14 the reliability benefits of resource diversity. And
15 I'm trying to determine when you say resource
16 diversity, are you referring to simply resource
17 diversity within the FES system, or are you referring
18 to it within the state of Ohio? What frame of
19 reference are you referring to?

20 MR. KUTIK: Objection, asked and
21 answered.

22 A. Certainly the benefits of resource
23 diversity from a state of Ohio perspective. But I
24 think the benefits of resource diversity has been

1 beyond the state of Ohio as well.

2 Q. Okay. And -- and do you -- is it your
3 opinion that if Sammis and Davis-Besse were to
4 retire, there would not be resource diversity within
5 the state of Ohio?

6 A. No.

7 Q. No, that's not your opinion or, no, there
8 would not be resource diversity?

9 A. No, that is not my opinion.

10 Q. Okay.

11 A. There would be less resource diversity.

12 Q. Okay. On line 14 on page 4, you
13 reference Mr. Strah's direct testimony regarding
14 stability and certainty for the companies' delivery
15 system. Do you see that?

16 A. Yes.

17 Q. Okay. And are you offering any
18 independent opinions regarding the promotion of
19 stability and certainty for the companies' delivery
20 system, or are you simply relying on Mr. Strah's
21 testimony?

22 A. I am relying on Mr. Strah's testimony,
23 but I also am of the opinion that continued operation
24 of the plants promotes stability and certainty for

1 the companies' delivery system.

2 Q. Okay. And what's the basis for that
3 opinion?

4 A. The continued operation of baseload
5 plants with on-site fuel storage capabilities that
6 were built to serve the companies' load in my opinion
7 will increase the reliability of the companies'
8 delivery system.

9 Q. Okay. And have you personally evaluated
10 the reliability of the companies' delivery system?

11 A. May I ask you to restate the question,
12 please.

13 Q. What's confusing about that?

14 A. I'm not sure what you mean by reviewed
15 the reliability.

16 Q. Have you evaluated whether the companies'
17 delivery system is reliable?

18 A. The company has reliability targets that
19 have been targets but goals or standards that have
20 been established by the Public Utilities Commission
21 of Ohio, and we report to the Commission our progress
22 against those reliability standards on an annual
23 basis, so very much aware of our reliability
24 statistics and our performance against those

1 standards as part of the discharge of my day-to-day
2 responsibilities.

3 Q. Okay. And your -- and the companies are
4 satisfying those standards?

5 A. May I ask you to restate the question,
6 please.

7 Q. What's confusing about that?

8 A. "Satisfying."

9 Q. Are they meeting those standards?

10 A. Yes.

11 Q. Okay. And have you evaluated whether the
12 companies would meet those standards if rider RRS
13 were rejected?

14 A. No.

15 Q. Okay. Line 16 on page 4 -- actually
16 strike that. Strike that.

17 If you go over to page 5, line --
18 starting at line 11, you have a discussion of the
19 third AEP Ohio order factor; is that correct?

20 A. Yes.

21 Q. Okay. And that factor is regarding
22 compliance with all pertinent environmental
23 regulations of plants or compliance with pending
24 regulations; is that right?

1 A. Yes.

2 Q. Okay. And do you have any responsibility
3 for environmental compliance with regards to the
4 Sammis or Davis-Besse plants?

5 A. No.

6 Q. And have you personally evaluated their
7 environmental compliance?

8 A. I have reviewed the testimony of
9 Mr. Harden and Mr. Evans as it relates to the
10 environmental compliance of the Davis-Besse, Sammis,
11 and OVEC stations.

12 Q. Okay. Outside of reviewing their
13 testimony, the testimony of Mr. Harden, Mr. Evans,
14 have you yourself done any analysis of the
15 environmental compliance of Sammis, Davis-Besse, or
16 the OVEC plants?

17 A. No.

18 Q. Okay, okay. And then if you turn to page
19 6 of your testimony and starting at line 1, there is
20 a discussion of the fourth AEP Ohio order factor; is
21 that correct?

22 A. Yes.

23 Q. Okay. And that factor deals with whether
24 closure of a generating plant would impact electric

1 prices; is that correct?

2 A. Yes.

3 Q. Okay. And on line 9 of page 6, you
4 reference Ms. Murley's testimony about the economic
5 benefit associated with the continued operation of
6 Sammis and Davis-Besse; is that right?

7 A. Yes.

8 Q. Okay. And have you independently
9 evaluated the economic benefits associated with
10 continued operation of the Sammis or Davis-Besse
11 plants?

12 THE WITNESS: May I ask you to repeat the
13 question, please, ma'am.

14 (Record read.)

15 A. May I ask you to restate the question,
16 please.

17 Q. What do you find confusing?

18 A. "Evaluated."

19 Q. What's confusing about the word
20 "evaluated"?

21 A. I don't know what you mean by
22 "evaluated."

23 Q. Okay. Do you have a general sense of
24 what the word "evaluated" means?

1 A. I'm asking you, sir, what you mean by
2 "evaluated."

3 Q. Have you undertaken any sort of an
4 analysis?

5 A. I have reviewed Ms. Murley's direct
6 testimony, supporting study, as well as her
7 supplemental testimony.

8 Q. Okay.

9 A. And, in addition, I am involved from time
10 to time with economic development-related activities
11 which make me aware of the importance to the local
12 economies of the jobs, good family-sustaining jobs,
13 payments, tax basis, you know, secondary supplier
14 support, so that experience informs my review of
15 Ms. Murley's testimony and my agreement with the
16 economic development benefits of continued operation
17 of the plants.

18 Q. Okay. And what sort of economic
19 development activities are you referring to that you
20 are involved in?

21 MR. KUTIK: I'm just -- admonish the
22 witness to not be -- not mention any specific
23 customers.

24 A. There is a process in the state of Ohio

1 where customers seeking to site or expand operations
2 in Ohio can approach the Public Utilities Commission
3 of Ohio to seek a unique arrangement, a reasonable
4 arrangement. I would be very much involved in those
5 discussions when they occur relative to our service
6 territory.

7 Q. Okay. Any other involvement that you
8 were referring to?

9 A. Conversations with our large customers
10 outside of the reasonable arrangement process
11 regarding rates, the level of rates, and the impact
12 on the economic development.

13 Q. Okay. Anything else?

14 A. That's what I remember at this time.

15 Q. Okay. And do you have any experience in
16 any sort of modeling of economic benefits of a -- the
17 operation of a plant?

18 A. May I ask you to restate the question?

19 Q. Sure. Are you -- are you aware as to
20 whether Ms. Murley did any sort of modeling of the
21 economic benefits associated with the operation of
22 Sammis and Davis-Besse?

23 A. Yes.

24 Q. Okay. And, yes, she did do such

1 modeling?

2 A. Yes.

3 Q. Okay. And do you have any experience in
4 doing any such modeling of economic benefits?

5 A. No.

6 Q. And did you review any of Ms. Murley's
7 modeling itself as opposed to just her written
8 testimony?

9 MR. KUTIK: Can I have the question read,
10 please.

11 A. I reviewed Ms. Murley's direct testimony,
12 her supplemental testimony, and attachment to her
13 testimony.

14 Q. Okay. But not any modeling files.

15 A. I have not reviewed modeling files, no.

16 Q. Okay. And about how long did you spend
17 reviewing Ms. Murley's testimony?

18 A. I don't recall.

19 Q. And then still on page 6 of your
20 testimony, line 14, you have a reference there to
21 Mr. Phillips' supplemental testimony describing the
22 range of investment that would be necessary to
23 maintain reliability if Davis-Besse and Sammis were
24 removed from the transmission grid. Do you see that?

1 A. Yes.

2 Q. Okay. And do you have any experience in
3 evaluating transmission grid reliability?

4 A. May I ask you to restate the question,
5 please.

6 Q. What's confusing?

7 A. "Evaluating."

8 Q. Do you have any experience with modeling
9 of transmission grid reliability?

10 A. No.

11 Q. Okay. Do you have any experience with
12 regards to assessing what sort of investments may be
13 needed to maintain transmission reliability?

14 A. Yes.

15 Q. And what experience is that?

16 A. At one point in my career I was
17 responsible for the corporate capital expenditures
18 budget and the engineering economic analyses
19 surrounding capital budgeting investment decisions
20 and ultimately presentation of that information to
21 the board for approval.

22 Q. Okay. Any other experience?

23 A. May I ask you to restate the question.

24 Q. Besides this involvement in the corporate

1 capital expenditure budgeting, do you have any other
2 experience assessing what sort of investments may be
3 needed to maintain transmission reliability?

4 A. No.

5 Q. Okay. And when -- when were you involved
6 in the corporate capital expenditure budgeting?

7 A. It would have been, I believe, in the
8 late 1980s, then again in a more senior role maybe
9 the mid-1990s.

10 Q. And for how many years in the late 1980s?

11 A. I don't remember.

12 Q. And how about in the mid-1990s, how many
13 years?

14 A. I don't remember.

15 Q. Okay. And were those positions -- by
16 whom were you employed when you were involved in the
17 corporate capital expenditures budgeting?

18 A. Centerior Energy.

19 Q. Centerior?

20 A. Yes.

21 Q. Where are they located?

22 MR. KUTIK: Objection.

23 A. The company no longer exists.

24 Q. Okay. When you worked there, was that in

1 Ohio or?

2 A. Yes, it was in Ohio.

3 Q. Okay. And what -- what was Centerior?

4 MR. KUTIK: Objection.

5 A. Cleveland Electric Illuminating Company
6 and The Toledo Edison Company comprised the Centerior
7 Energy --

8 Q. Okay.

9 A. -- Company.

10 Q. Okay, okay. And when you worked at the
11 corporate capital expenditures budgeting, were you
12 yourself responsible for identifying what investments
13 would be needed to maintain reliability, or was
14 somebody else just presenting that information to
15 you?

16 MR. KUTIK: Objection.

17 A. I would have been responsible in the '80s
18 for performing the economic analysis around the
19 proposed investments. And then in the 1990s, it
20 would have been done under my direction.

21 Q. Okay. But so you were analyzing the
22 economics around a proposed investment that someone
23 had identified; is that right?

24 A. Yes, or comparing competing

1 investments --

2 Q. Okay.

3 A. -- designed to satisfy the same
4 objectives.

5 Q. Okay. But you did not -- you were not
6 the person who was evaluating does this, you know --
7 do we need a transmission line here versus a
8 substation here, those types of issues; is that
9 correct?

10 MR. KUTIK: Objection.

11 A. The engineering or economic analysis
12 would have been part of that decision-making process.

13 Q. Okay. And were you responsible -- did
14 you have any responsibility for the engineering
15 analysis as opposed to the economic analysis?

16 A. We referred to it at the time as
17 engineering economics.

18 Q. Okay. Did you have any responsibility
19 for the engineering side of that issue as opposed to
20 figuring out the economics of it?

21 MR. KUTIK: Objection, asked and
22 answered.

23 A. I think the two were intertwined.

24 MR. KUTIK: Before you move on to a

1 different topic or your next question, why don't we
2 take a break.

3 MR. FISK: Okay. 10 minutes or?

4 MR. KUTIK: Sure.

5 (Recess taken.)

6 Q. (By Mr. Fisk) Okay. If you could turn to
7 page 7 of your testimony. Starting on line 14, you
8 reference Mr. Phillips' testimony identifying
9 additional transmission investments of at least
10 \$436.5 million. Do you see that?

11 A. Yes.

12 Q. Okay. And did you have any involvement
13 in identifying any of the additional transmission
14 investments that may be needed if Sammis and
15 Davis-Besse were closed?

16 A. No.

17 Q. Okay. And have you done any independent
18 evaluation outside of reviewing Mr. Phillips'
19 testimony of what additional transmission investments
20 may be needed?

21 A. No.

22 Q. Okay. And then on -- starting on line
23 16, you state that Mr. Phillips describes the
24 difficulty in estimating precisely how dollars spent

1 to maintain reliability would be allocated to various
2 companies. Do you see that?

3 A. Yes.

4 Q. Okay. And have you personally evaluated
5 how such dollars would be allocated?

6 THE WITNESS: May I ask you to reread the
7 question, please, ma'am.

8 (Record read.)

9 A. I mean, as Mr. Phillips described, and I
10 agree, the allocation will be very dependent upon the
11 solution chosen.

12 Q. Okay. And my understanding is that your
13 analysis assumed that 82 percent of the costs of the
14 transmission upgrades would be allocated to the
15 companies; is that correct?

16 A. For purposes of modeling we assumed
17 82 percent of both of the estimates provided by
18 Mr. Phillips would be allocated to the companies
19 consistent with our most recent experience associated
20 with transmission investment necessitated by the
21 retirement of the lake plants.

22 Q. Okay. But the -- in actual -- in
23 actuality the percent could be different than
24 82 percent, correct?

1 A. Yes.

2 Q. Okay. And were you involved in deciding
3 to use the 82 percent figure, or was that
4 Mr. Phillips who decided that?

5 THE WITNESS: May I ask you to reread the
6 question, please, ma'am.

7 (Record read.)

8 A. Mr. Phillips.

9 Q. Okay. And over on page 8 starting at
10 line 6, you reference there that Mr. Phillips'
11 initial testimony assumed that all overloaded
12 facilities were remedied by reconductoring, and then
13 his supplemental testimony evaluated whether the --
14 what the costs would be if the lines needed to be
15 rebuilt or perhaps even be replaced; is that right?

16 A. Yes.

17 Q. Okay. And have you -- have you
18 personally evaluated whether the various overloaded
19 facilities would need to be rebuilt or replaced
20 rather than simply reconductored?

21 MR. KUTIK: Objection.

22 A. No.

23 Q. Okay. So any questions about that would
24 be best directed to Mr. Phillips; is that right?

1 A. Yes.

2 Q. Okay. And any of the costs related to
3 transmission investments, am I correct that those
4 would not be passed through rider RRS?

5 A. Yes.

6 Q. Okay. And then if you turn to your
7 Attachment EMM-2, and this attachment describes how
8 you estimated the revenue requirement associated with
9 the transmission investments that were identified by
10 Mr. Phillips; is that right?

11 A. In part.

12 Q. Okay. And where --

13 A. Attachment EMM-1 also --

14 Q. Okay.

15 A. -- estimates revenue requirements
16 associated with transmission investment identified by
17 Mr. Phillips.

18 Q. Okay. So EMM-1 was the estimated revenue
19 requirements if the transmission investments were all
20 reconductoring, correct?

21 A. Conservative estimate, yes, if the
22 reliability concerns were remedied via
23 reconductoring.

24 Q. Okay. And then EMM-2 is the revenue

1 requirements if the transmission investments were all
2 rebuilds, is that right, as opposed to
3 reconductorings?

4 A. Rebuild or replaced, yes.

5 Q. Okay, okay. So if there were a
6 combination of reconductoring and rebuilds or
7 replacements, the total costs would presumably be
8 somewhere in between that identified in EMM-1 and
9 EMM-2?

10 A. I don't know.

11 Q. Okay. And what would you need to figure
12 that out?

13 A. An estimate with the cost of the
14 investment.

15 Q. Okay. And would you also need to know
16 the actual allocation to the companies as opposed to
17 other customers?

18 A. Actual or an estimate, yes.

19 Q. Okay, okay. And in the box at the top of
20 both EMM-1 and EMM-2, there's an identification of
21 sources for certain inputs that went into your
22 analysis; is that correct?

23 A. Yes.

24 Q. Okay. And what is the ATSI formula rate

1 filing Attachment H?

2 A. It is the formula rate filing made by
3 ATSI.

4 Q. Filed where?

5 A. Before FERC.

6 Q. Okay. And do you know when that filing
7 was made?

8 A. Fall of 2014.

9 Q. All right. Okay. And did you personally
10 prepare Attachments EMM-1 and EMM-2?

11 A. They were prepared under my direction.

12 Q. Okay. And who prepared them?

13 A. An analyst that reports to me.

14 Q. Okay. So that was someone who works for
15 FirstEnergy Service Company; is that right?

16 A. Yes.

17 Q. Okay, okay. If you could turn to page 10
18 of your testimony. Starting at line 1, you have a
19 discussion of Mr. Rose's testimony; is that correct?

20 A. Yes.

21 Q. Okay. And you are citing his testimony
22 that as coal -- coal plants retire, demand grows,
23 natural gas plants will increasingly set the marginal
24 price in the energy market; is that right?

1 A. Yes.

2 Q. Okay. And that this would result in an
3 increase in energy prices; is that right?

4 A. It says the expected result would be an
5 increase in energy prices.

6 Q. Okay. And did you personally do any
7 evaluation of the impact of closure of the Sammis
8 plant on energy prices?

9 THE WITNESS: May I ask you to reread the
10 question, please, ma'am.

11 (Record read.)

12 A. May I ask you to restate the question,
13 please.

14 Q. What's confusing?

15 A. "Evaluation."

16 Q. Right, that word.

17 MR. KUTIK: At least she is consistent.
18 And you're not. But go ahead.

19 Q. Did you personally do any assessment of
20 how -- of whether closure of the Sammis plant would
21 result in an increase in energy prices?

22 MR. KUTIK: Objection.

23 A. The comment here is addressing coal
24 plants retiring with demand growing, and in that

1 circumstance as a plant retires, the expected -- coal
2 plant retires, the expected result would be an
3 increase in energy prices. When I review that
4 testimony, I agree with the notion that removing
5 plants that would dispatch earlier from the economic
6 dispatch order could result in an increase in energy
7 prices.

8 Q. Okay, okay. But outside of reviewing
9 what -- Mr. Rose's testimony on that matter, have you
10 personally done any assessment of what -- what impact
11 retirement of Sammis might have on energy prices?

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

14 A. I have not modeled what the retirement --
15 what the impact of the retirement of Sammis would be
16 on energy prices.

17 Q. Okay. How about the impact of Sammis on
18 capacity prices, have you done any personal
19 assessment of that?

20 A. May I ask you to restate the question?

21 Q. What's confusing about that?

22 A. "Personal assessment."

23 Q. Have you personally assessed the impact
24 that retirement of the Sammis plant might have on

1 capacity prices?

2 A. I think all else equal, reduction in
3 supply would exert upward pressure on capacity
4 prices.

5 Q. Okay. And are you aware that Mr. Rose
6 has provided a capacity price projection in this
7 proceeding?

8 A. Yes.

9 Q. Okay. And do you have any opinion as to
10 whether retirement of Sammis would drive capacity
11 prices higher than what Mr. Rose is projecting?

12 A. I have not conducted that study.

13 Q. Okay. And are you aware Mr. Rose has
14 also submitted in this proceeding a projection of
15 energy prices?

16 THE WITNESS: I'm sorry. May I ask you
17 to reread that question, please.

18 (Record read.)

19 A. Yes.

20 Q. Okay. And are -- do you have any opinion
21 as to whether retirement of Sammis would lead to
22 energy prices higher than what Mr. Rose is
23 projecting?

24 A. I have not conducted that study.

1 Q. Okay. If you go down to line 9 on page
2 10 of your testimony, there is a discussion there of
3 Mr. Strah's testimony regarding plant closures
4 leading to an increase in load shedding. Do you see
5 that?

6 A. Yes.

7 Q. Okay. Have you assessed the impact that
8 closure of the Sammis plant might have on load
9 shedding?

10 A. May I ask you to restate the question.

11 Q. What's confusing about that?

12 A. "Assessed."

13 Q. Do you not know what the word "assessed"
14 means?

15 A. I don't know what you mean when you use
16 the word "assessed."

17 Q. Have you in any way analyzed what --
18 whether closure of the Sammis plant would lead to an
19 increase in the load shedding?

20 A. Mr. Strah's testimony was that it may,
21 not that it would lead to an increase --

22 Q. All right.

23 A. -- in load shedding which could adversely
24 affect the companies' delivery system. My view is

1 that retirement of plants that were built to serve
2 the companies' load could adversely affect the
3 companies' delivery system and may lead to increased
4 circumstances of load shedding, yes.

5 Q. And what's your basis for that opinion?

6 A. Specific example that comes to mind is
7 that during the polar vortex when we were very close
8 to having to interrupt firm service customers because
9 of a system emergency and in that instance
10 Davis-Besse was operating, so was Sammis, so when I
11 think of if those had not been operating during that
12 time, we may not have been as successful at avoiding
13 the load shedding.

14 Q. Okay. Any other bases?

15 A. The belief that load -- pardon me, that
16 generation located close to serve -- pardon me,
17 generation located close to load that was designed
18 electrically to serve that load supports the overall
19 stability of the system. It's been my understanding
20 for many -- the many years I have been in the
21 business.

22 Q. Okay. And do you have any opinion as to
23 whether those potential impacts to the delivery
24 system would be -- could be addressed by transmission

1 investments if the Sammis or Davis-Besse plants were
2 to close?

3 THE WITNESS: May I ask you to reread the
4 question, please, ma'am.

5 (Record read.)

6 A. Mr. Phillips discusses the transmission
7 investment that would be necessary to maintain --
8 maintain the reliability of the transmission system
9 in the event that the plants close, so I think that
10 investment, as I said, is designed to maintain the
11 reliability of the transmission system.

12 MR. FISK: Okay, okay. Can we go off?

13 (Recess taken.)

14 MR. KUTIK: Let's go back on the record.

15 THE WITNESS: Just to complete my prior
16 answer, I would add that transmission investment
17 would not offset the risk associated with closing
18 plants that have on-site fuel storage, and so to the
19 extent that those plants close and like the situation
20 we had in the polar vortex where it was really a
21 generation constraint, the transmission would not
22 necessarily in my mind reduce the risk of the
23 increased load shedding.

24 Q. Okay. Because of the on-site fuel issue.

1 A. The ability -- correct, the baseload
2 utilities with on-site fuel storage capabilities.

3 Q. Okay. And if it were natural gas
4 combined cycle plants with firm gas deliverability,
5 would that address the load shedding issue?

6 MR. KUTIK: Objection.

7 A. I think there is a difference between
8 having firm commitment and having physical
9 limitations on gas that could be delivered so, no.

10 Q. What physical limitations are you
11 referring to?

12 A. Pipeline constraints.

13 Q. Okay. And have you evaluated whether
14 there are pipeline constraints on natural gas
15 deliverability in Ohio?

16 A. I have not studied that, but I am aware
17 that there are pipeline constraints in Ohio.

18 Q. Based on what?

19 A. Participation in various industry
20 discussions.

21 MR. FISK: Okay, okay. I have nothing
22 further.

23 MR. KUTIK: Okay. Thank you. Let's go
24 off the record.

1 (Discussion off the record.)

2 MR. KUTIK: Let's go back on the record.

3 Ms. Petrucci.

4 MS. PETRUCCI: Thank you very much.

5 - - -

6 CROSS-EXAMINATION

7 By Ms. Petrucci:

8 Q. I would like to turn our attention to the
9 second supplemental stipulation and recommendation,
10 specifically the commercial high load factor
11 experimental time-of-use rate proposal. How many
12 customers will qualify given the eligibility criteria
13 that are contained in the second supplemental
14 stipulation, Ms. Mikkelsen?

15 MR. KUTIK: Objection.

16 A. I am not aware of any customers that
17 qualify currently.

18 Q. And by that answer do you mean that
19 you're not aware of any customers in any of the three
20 service territories for Toledo Edison, Ohio Edison,
21 and Cleveland Electric Illuminating or were you just
22 referring to one of the service territories or were
23 you referring to all three service territories?

24 MR. KUTIK: Objection.

1 A. I was referring to all three service
2 territories.

3 Q. And what's the purpose of the proposed
4 high load factor experimental time-of-use rate
5 proposal?

6 A. The commercial high load factor
7 experimental time-of-use rate proposal will give the
8 companies' commercial customers an opportunity to
9 determine whether time-of-use rates would reduce
10 their overall bills.

11 Q. And how is the program going to
12 accomplish that purpose?

13 A. Offering the rate provides the commercial
14 opportunities the opportunity.

15 MR. KUTIK: Commercial opportunities, you
16 mean commercial customers the opportunity?

17 A. Commercial customers the opportunity,
18 yes.

19 Q. Let's take a look at the illustration
20 that you had attached to your fourth supplemental
21 testimony. I'm sorry. It may have been filed
22 separately, but I think it was intended to be
23 attached, correct?

24 A. No.

1 MR. KUTIK: Just to move this along, it's
2 attached to the second stip, second supplemental
3 stipulation.

4 MS. PETRUCCI: Okay. Thank you.

5 Q. Is this illustration something that you
6 prepared, Ms. Mikkelsen?

7 A. It was prepared under my direction.

8 Q. And the fourth line indicates a load
9 factor of 52 percent, correct?

10 A. Yes.

11 Q. Does the high load factor experimental
12 time-of-use eligibility requirement contain a
13 different load factor?

14 A. Yes.

15 Q. Why was 52 percent used for this
16 illustration?

17 A. The 52 percent load factor cited on line
18 4 comes from our generation rider filing for the
19 delivery year '15-16 and represented the load factor
20 on our retail system, and it was used here in order
21 to derive the annual capacity value on a
22 dollars-per-megawatt-hour basis that then could be
23 subtracted from our total auction clearing price, so
24 it needed to be assessed on a retail system level.

1 Q. If a customer has to have a load factor
2 of 70 percent according to the stipulation, why would
3 not that load factor of 70 percent be used for
4 purposes of this illustration?

5 A. Because the capacity value is being
6 subtracted from the SSO total system auction clearing
7 price.

8 Q. Isn't it correct that any customer that
9 would qualify for this program has to initially have
10 a 70 percent load factor or higher?

11 A. Yes.

12 Q. So initially -- well, let me ask it --
13 let's strike that.

14 Later on their load factor may be a
15 different percentage, isn't that correct, according
16 to the stipulation?

17 A. May I ask you to restate that question,
18 please.

19 Q. Isn't it true that a customer that might
20 be eligibility for this program, the commercial high
21 load factor program, has -- does not have to maintain
22 a 70 percent load factor?

23 A. Yes.

24 Q. Isn't it also correct that any customer

1 that initially qualifies -- that all of the customers
2 that would initially qualify have to have a load
3 factor of 70 percent?

4 MR. KUTIK: Objection, asked and
5 answered.

6 THE WITNESS: May I have the question
7 reread, please.

8 (Record read.)

9 A. The qualifying facilities have to have a
10 load factor of 70 percent or higher.

11 Q. Then can you explain why an initial
12 illustration of this program would not use the
13 70 percent or higher load factor?

14 MR. KUTIK: Objection, asked and
15 answered.

16 A. As I explained, the 52 percent on line 4
17 represents the systemwide load factor for the
18 companies as of the time we made our '15-16 GEN
19 filing. That value is used to derive the energy --
20 the residual energy value from the total auction
21 clearing price that you see on lines 16 through 18.
22 If you look at the derivation of the capacity dollars
23 on line 8, you'll find that the 52 basically -- the
24 52 percent load factor reverses itself back out of

1 that calculation.

2 Q. Why is it more appropriate to use a
3 systemwide load factor for developing this program as
4 opposed to the customer-specific required load
5 factor?

6 MR. KUTIK: Objection, asked and
7 answered. Tell her again.

8 A. Because the generation that will be used
9 to serve the participants in the pilot is procured as
10 part of our competitive bid process. And we are
11 trying to isolate what portion of that competitive
12 bid result should be separated on a systemwide basis
13 to leave the remaining energy component.

14 Q. So how does the 70 percent load factor --
15 what relevance does it have for eligibility purposes?

16 MR. KUTIK: Objection.

17 A. May I ask you to repeat the question,
18 please, or restate the question, please.

19 Q. My question is why is the 70 percent load
20 factor even relevant for a customer to be eligible
21 for this program?

22 MR. KUTIK: Note my objection.

23 A. It was a negotiated value.

24 Q. Okay. Let's look at lines 11 and 12. On

1 the right-hand side there is the formula, and it says
2 1 - CAT. What does CAT stand for?

3 A. Commercial activity tax.

4 Q. And am I correct that lines 28 and 29 on
5 this illustration reflect two possible rates for each
6 of the rate schedules, correct?

7 A. May I ask you to restate the question,
8 please.

9 Q. Let's look at lines 28 and 29 on the
10 illustration. Those two lines reflect the two rate
11 options under the experimental time-of-use -- high
12 load factor time-of-use program as contained in this
13 illustration, correct?

14 A. If you could be more clear what you mean
15 with respect to "rate options."

16 Q. Well, okay. Then when you look at lines
17 28 and 29, there is a box that says "Summer Midday"
18 and then there is a box that says "All Other Hours."
19 And below each of those boxes are two different
20 rates, correct?

21 A. Yes.

22 Q. Are those the rates that are contained in
23 this illustration for each of those time periods,
24 summer midday and then all other hours?

1 A. Yes.

2 Q. Those are not the rates that are being
3 proposed for this program, are they?

4 A. No.

5 Q. What rates are proposed for this program?

6 A. I don't know at this time.

7 Q. What does "summer midday" mean? Can you
8 explain that to me?

9 A. It means the weekday, nonholiday hours
10 for June, July, and August between noon and 6 p.m.

11 Q. And per this illustration the
12 experimental time-of-use program will only have a
13 differentiated rate for the summer, those three
14 summer months between noon and 6 during the weekdays
15 and on nonholidays; is that accurate?

16 A. Yes.

17 Q. And based on this illustration, is it
18 correct that the summer midday rate that's listed on
19 28 and 29, lines 28 and 29, is a combination of the
20 capacity charge rate plus the energy charge rate?

21 A. Yes.

22 Q. And is that what is anticipated for the
23 ultimate rate for this program for summer midday?

24 MR. KUTIK: Objection.

1 A. May I ask you to restate the question,
2 please.

3 Q. Will the ultimate rate for this
4 experimental time-of-use program be a combination of
5 the capacity charge plus the energy charge during
6 summer midday?

7 A. The summer midday rate will combine a
8 capacity charge and an energy charge during the
9 pilot.

10 Q. And then there will be another rate for
11 all other hours; is that accurate?

12 A. Yes.

13 Q. And will that rate be just the energy
14 charge?

15 A. Yes.

16 Q. But at this time FirstEnergy doesn't know
17 what any of those rates are going to be; is that
18 accurate?

19 A. Yes.

20 Q. Is this illustration essentially seasonal
21 pricing?

22 MR. KUTIK: Objection.

23 A. May I ask you to restate the question,
24 please.

1 Q. Does this illustration essentially show
2 seasonal pricing?

3 MR. KUTIK: Same objection.

4 A. It has a price for the summer midday
5 hours that differs from the summer nonmidday hours
6 and all of the winter hours and the weekend hours.

7 Q. Is there anything in the stipulation that
8 indicates that the pricing for this high load factor
9 experimental time-of-use program will be based solely
10 on the midday summer versus all other hours?

11 MR. KUTIK: Objection.

12 THE WITNESS: May I ask you to reread the
13 question, please, ma'am.

14 (Record read.)

15 A. May I ask you to restate the question,
16 please, ma'am.

17 Q. In the text of the second supplemental
18 stipulation and recommendation, is there anything
19 that indicates that the pricing for this program will
20 be based on a summer midday price and then have
21 another category of all other hours price?

22 A. Yes.

23 Q. Can you point me to that spot, please.

24 A. Page 2, five --

1 Q. Okay. I'm there.

2 A. Five lines down it says "An illustration
3 of the Commercial High Load Factor Experimental
4 Time-of-Use Rates, based on the 2015/2016 Delivery
5 Year competitive bid process average clearing price,
6 is contained on Attachment 1 to this Second
7 Supplemental Stipulation and Recommendation."

8 Q. Is there any other spot that you see?

9 A. The attachment itself.

10 Q. Is the illustration itself the actual --
11 well, let me -- let me understand better what this
12 illustration amounts to. Can you explain for me why
13 it's called an illustration?

14 A. It is called an illustration because it
15 illustrates the experimental time-of-use rate design.

16 Q. Okay. It doesn't contain any of the
17 actual tariff terms or rates, correct?

18 A. May I ask you to restate the question,
19 please.

20 Q. The illustration doesn't contain any
21 proposed tariff terms or rates, correct?

22 A. Would you explain what you mean by
23 "tariff terms"?

24 Q. Has the companies in their stipulation

1 provided a proposed tariff for this high load factor
2 experimental time-of-use program?

3 A. A tariff sheet was not provided.

4 Q. So what parts of the illustration are
5 going to be in the actual tariff? Do you know?

6 A. The actual tariff will contain a summer
7 midday rate and an all -- all others rate.

8 Q. Would there be any other provisions?

9 A. I would expect the applicability
10 provisions that are enumerated in the stipulation
11 would be included in the tariff.

12 Q. Why was an illustration -- illustrative
13 tariff not included with the stipulation?

14 A. Typically once the rate is approved, we
15 would make a compliance filing that would include the
16 tariff sheet.

17 Q. Did FirstEnergy propose tariff provisions
18 for, oh, rider RRS and the governmental directives
19 rider in submitting its proposal in this matter? Do
20 you know?

21 A. Yes.

22 Q. Yes, the proposed tariff was included for
23 each of those two; is that correct?

24 A. Yes, I know.

1 Q. Okay. And was it?

2 A. Yes.

3 Q. Thank you. Did the FirstEnergy utilities
4 have existing time-of-use offerings currently?

5 A. Yes.

6 Q. Are those going away at the end of the
7 current ESP period?

8 MR. KUTIK: Just to be clear, we are
9 talking about ESP III?

10 MS. PETRUCCI: Yes, thank you.

11 A. It would be rider GEN time-of-day rate is
12 proposed to continue after May 31 of 2016. The
13 companies were recently directed to continue to offer
14 a residential critical peak pricing rider.

15 Q. Are there any others?

16 A. May I ask you to restate the question,
17 please.

18 Q. Are there any other time-of-use riders
19 that you believe are going to continue into the ESP
20 IV period?

21 A. No.

22 Q. Is it correct that the critical peak
23 pricing rider that's available to customers under the
24 GS and GP rate schedules is going to end with the ESP

1 III?

2 A. Critical peak pricing rider, I believe,
3 has broader applicability than rider GS and GP, but
4 it is not proposed for continuation beyond May 31 of
5 2016.

6 Q. And for rider real time pricing, rider
7 RTP, is that also an existing time-of-use offering
8 available to the GS and GP customers that will be
9 going away at the end of the ESP III period?

10 MR. KUTIK: Just to be clear, you are
11 talking about the rider going away, not the customers
12 going away.

13 MS. PETRUCCI: Yes, thank you.

14 A. The real time pricing rider has broader
15 eligibility than rate GS and GP, and it is not
16 proposed for continuation beyond May 31 of 2016.

17 Q. So does that mean if we put this all
18 together that with the start of the ESP IV period,
19 the only time-of-use offers available to the GS or GP
20 customers would be under rider GEN and under this
21 high load factor experimental time-of-use program
22 that's being proposed?

23 A. Those would be the only rates offered by
24 the companies effective June 1 of 2016 for

1 nonresidential customers.

2 Q. How successful were the rider RTP and the
3 rider CPP?

4 MR. KUTIK: Objection.

5 Q. And by that maybe you can give me an idea
6 how many customers had signed up for those riders.

7 A. May I ask you to restate the question,
8 please, ma'am.

9 Q. Can you give me an idea of how many
10 customers have taken rider RTP and rider CPP?

11 A. I'm not aware of any customers electing
12 to take service under rider RTP or rider CPP.

13 Q. Of the companies' GS and GP customers, do
14 all of them have refrigeration as a major portion of
15 their load?

16 A. No.

17 Q. Do you know what percentage does?

18 A. No.

19 Q. How many GS customers are there?

20 A. I don't remember.

21 Q. Do you know how many GP customers there
22 are?

23 A. I don't remember.

24 Q. And do you know if the existing

1 time-of-use riders that we talked about, RTP and CPP,
2 have as many eligibility requirements as are
3 contained in the proposed high load factor
4 time-of-use program?

5 MR. KUTIK: Objection.

6 THE WITNESS: May I ask you to reread the
7 question, please, ma'am.

8 (Record read.)

9 A. They do not.

10 Q. And if I understood what you told me
11 earlier, there are no current customers under either
12 of those existing riders, correct?

13 A. Yes.

14 Q. And you don't know if any of the current
15 customers in this service territory would be even
16 eligible for the high load factor time-of-use
17 program, correct?

18 MR. KUTIK: Objection, asked and
19 answered.

20 A. No.

21 Q. Do you know of any other tariff offerings
22 by FirstEnergy that have as many eligibility
23 requirements as the high load factor time-of-use
24 program?

1 MR. KUTIK: Objection.

2 A. I know that our rider ELR has a number of
3 applicability criteria.

4 Q. Are there any others that you might think
5 of?

6 A. The residential critical peak pricing
7 rider has specific applicability criteria as well.

8 Q. Do you recall if either of those require
9 that the customer be headquartered in Ohio?

10 A. Well, all of the residential customers,
11 depending upon how you are using the word
12 headquartered but, certainly would be headquartered
13 in Ohio.

14 Q. Do you know if any of them have a
15 requirement of at least 30 facilities in Ohio in the
16 three service territories of FirstEnergy?

17 A. They do not.

18 Q. Now, the proposed high load factor
19 time-of-use program as illustrated in the attachment
20 to the stipulation, the second supplemental
21 stipulation, has one price and then a second price --

22 MR. KUTIK: Objection.

23 Q. -- but -- I am trying to get it out. I'm
24 sorry.

1 MR. KUTIK: I'm sorry. I thought you
2 were done.

3 MS. PETRUCCI: Well, for good reason. I
4 wasn't coming out well.

5 Q. Can you explain for me what differential
6 there will be under the high load factor time-of-use
7 program that have to be recovered through rider GCR?

8 A. I don't know that there will be a
9 differential that needs to be recovered through rider
10 GCR.

11 Q. Well, if there is, what are those costs
12 going to be composed of? Can you tell me?

13 A. Can I ask you to restate the question,
14 please.

15 Q. If there are costs that have to be
16 included and recovered through rider GCR that are
17 related to the high load factor time-of-use program,
18 what costs would they be?

19 A. They would be the costs incurred by the
20 companies to provide generation service to the pilot
21 participants in the event that the cost to provide
22 the generation service was greater than the revenues
23 collected from the customers. Conversely, to the
24 extent that the revenues collected are greater than

1 the cost, that would be a credit to the customers
2 through rider GCR.

3 Q. So if the generation cost is greater and
4 there has to be a charge that is collected through
5 rider GCR, what customers will see that through rider
6 GCR? Let me ask this again because I didn't think
7 that was very good.

8 Is rider GCR bypassable?

9 A. Under certain conditions, yes.

10 Q. Is it currently bypassable?

11 A. Yes.

12 Q. When it applies, which customers does it
13 apply to?

14 MR. KUTIK: Objection.

15 A. May I ask you to restate the question,
16 please.

17 Q. When rider GCR is imposed, what customers
18 is it imposed upon?

19 MR. KUTIK: Objection.

20 A. Under certain circumstances rider GCR is
21 assessed to nonshopping customers, and in other
22 potential circumstances it could be assessed to all
23 customers.

24 Q. So that means residential and commercial

1 customers, correct?

2 A. May I ask you to restate the question,
3 please, ma'am.

4 Q. Rider GCR is applicable to residential
5 and commercial customers of the company?

6 A. Currently rider GCR is nonbypassable, and
7 it is assessed to all nonshopping customers across
8 all rate schedules.

9 MR. KUTIK: Can I have the answer read,
10 please.

11 (Record read.)

12 A. I should have said, so thank you for the
13 correction, currently the rate is bypassable, and it
14 is as a result assessed to all nonshopping customers
15 across all rate schedules.

16 THE WITNESS: Thank you.

17 Q. So let's make an assumption here for a
18 moment. If the high load factor time-of-use program
19 was put into effect and if we also assumed that the
20 generation costs associated with it exceed the
21 revenues collected under the high load factor
22 time-of-use rate, based on what you explained to me
23 earlier, there would be a cost that is carried over
24 to rider GCR, correct?

1 A. Differences, if any, would be included --
2 recovered and included in GCR.

3 Q. Isn't it also then correct those costs
4 associated with the high load factor time-of-use
5 program would be collected from residential and
6 commercial customers if collected through rider GCR?

7 A. No.

8 Q. Will noncommercial customers be charged
9 for costs of providing the high load time-of-use
10 factor -- time-of-use program?

11 A. Again, recovery of the differences, if
12 any, of revenue collected to provide the generation
13 service and the costs associated with providing the
14 service would be recovered in rider GCR. Conversely,
15 to the extent that the revenue collected exceeds the
16 costs, those -- the extra revenue dollars would be
17 returned to the customers through rider GCR.

18 Q. Okay. My question was different though.
19 If there is going to be some sort of collection
20 through rider GCR, it's going to be collected from
21 all the customers to which rider GCR applies,
22 correct?

23 A. Yes.

24 Q. And some of those customers are not

1 commercial customers, correct?

2 A. Correct, yes.

3 MR. KUTIK: Let's go off the record for a
4 minute.

5 (Discussion off the record.)

6 (Recess taken.)

7 Q. (By Ms. Petrucci) I want to switch gears
8 at this point, Ms. Mikkelsen, and talk with you about
9 the NMB pilot program that's contained within the
10 supplemental stipulation and recommendation. That
11 stipulation refers to it as a small scale pilot.
12 What does small scale mean?

13 A. Limited participation.

14 Q. And then as far as it being a pilot,
15 what -- what does the use of the term "pilot" mean?

16 A. Program being offered to explore certain
17 ratemaking concepts.

18 Q. When is this pilot expected to start?

19 A. The pilot will start for all service
20 rendered on or after the date of the next effective
21 rider NMB rate after notification.

22 Q. So the earliest that it could start --
23 let's just -- let's just assume for purposes of this
24 question that this proposed pilot program is approved

1 in 2015. When would the earliest start date be for
2 the pilot if a customer notifies the company?

3 A. The next effective rider NMB date.

4 Q. And how often is rider NMB revised?

5 A. It is an annual rate by design.

6 Q. So when would the -- when would the next
7 rate be after -- okay. Let -- has it been updated in
8 2015 already, rider NMB?

9 A. Yes.

10 Q. Okay. So when would the next --
11 effective date for rider NMB be?

12 A. 75 days -- no later than 75 days after
13 our next rider NMB filing.

14 Q. Is rider NMB scheduled to become
15 effective on July 1 of each year?

16 A. Historically the rate changed on July 1.

17 Q. Is that -- is there any proposal to
18 change that schedule for rider NMB in the ESP
19 proposal?

20 MR. KUTIK: Objection.

21 A. No.

22 Q. So can we -- for the next couple of
23 questions are you willing to accept that if the pilot
24 program was to become effective in 2015, that any

1 customer that notified the company couldn't begin
2 under that pilot until July 1 of 2016?

3 A. May I ask you to restate the question,
4 please.

5 MS. PETRUCCI: Can I have it reread,
6 please.

7 (Record read.)

8 Q. Are you still thinking, Ms. Mikkelsen?

9 A. No.

10 Q. Okay. Well, that was my question. Are
11 you -- can you accept if the program is effective and
12 if it were approved in 2015 in the way that the rider
13 NMB is reviewed annually, is the earliest the pilot
14 program could become effective for a notifying
15 company would be July 1, 2016?

16 A. No.

17 Q. Okay. Tell me what part of that is
18 wrong.

19 A. I don't expect rider NMB to change in
20 July of 2016.

21 Q. When are you expecting it -- the rider to
22 change?

23 A. I expect the next rider NMB rate to be
24 effective 75 days -- no later than 75 days after our

1 next rider NMB filing.

2 Q. Okay. Because we are on the phone this
3 makes it a little trickier. I can't show you the
4 existing rider NMB language. Perhaps you are willing
5 to accept, subject to check, that it actually says
6 the company will file with the PUCO a request for
7 approval of the rider NMB charges on or before May 1
8 of each year, which shall become effective on a
9 service rendered basis on July 1 through June 30 of
10 the subsequent year unless otherwise ordered by the
11 Commission. Are you willing to accept that, subject
12 to check?

13 A. Yes.

14 Q. Okay. If you are willing to accept that,
15 then do you agree with me that the earliest the pilot
16 program could come -- take effect for a notifying
17 customer would be July of 2016 if the pilot program
18 was approved in 2015?

19 A. No.

20 Q. Okay. Tell me why I am wrong again.

21 A. The tariff reads unless otherwise ordered
22 by the Commission.

23 Q. Okay. So if it was otherwise ordered by
24 the Commission, an earlier start date could, in fact,

1 be before July of 2016?

2 A. Correct.

3 Q. Okay. When is the end date for this
4 pilot?

5 A. I am not aware of an end date.

6 Q. So there is nothing proposed in the
7 supplemental stipulation and recommendation that
8 identifies when the pilot would end; is that correct?

9 A. This stipulation addresses if a customer
10 elects to discontinue their election, then they would
11 revert to rider NMB and be ineligible prospectively
12 from participating in the pilot.

13 Q. So it's up to the customer to end the
14 pilot; is that what you are stating?

15 A. No. You said the stipulation doesn't
16 have an end date in it but was pointing out if a
17 customer does elect to return to NMB, they would no
18 longer be able to participate in the pilot.

19 Q. Okay. And then looking at the third page
20 of the supplemental stipulation and recommendation,
21 right in the middle of the paragraph there is a
22 reference to the administrative burden to the
23 companies associated with this pilot program. Do you
24 see that there?

1 A. I see the words "administrative burden,"
2 yes.

3 Q. Okay. What is the administrative burden
4 on the companies that is -- that is expected? Can
5 you describe it for me?

6 A. I think, as it states in the stipulation,
7 the purpose of the pilot is to explore, you know, the
8 administrative burden to the companies from
9 implementing this program.

10 Q. Okay. I am asking you to describe what
11 administrative -- what would be in -- considered an
12 administrative burden for the companies. Do you
13 know?

14 A. Well, I think that that's part of what
15 the pilot is trying to identify is what the
16 administrative burden would be on the companies
17 arising from im -- implementing this program.

18 Q. Would the companies incur costs
19 associated with providing information about those
20 customers that elected to participate in the pilot
21 to, for example, PJM?

22 A. Perhaps.

23 Q. If a customer notified FirstEnergy that
24 it wants to participate in this pilot program, will

1 FirstEnergy then have to notify PJM that this
2 customer is no longer going to -- at some point in
3 time no longer going to be receiving those services,
4 those ancillary and transmission services, from
5 FirstEnergy?

6 MR. KUTIK: Objection.

7 A. May I ask you to restate the question,
8 please, ma'am.

9 Q. If a customer elects this pilot program,
10 does FirstEnergy have to notify PJM that the customer
11 is going to be in this pilot and will, therefore, not
12 be receiving those transmission and ancillary
13 services any longer from FirstEnergy?

14 MR. KUTIK: Objection.

15 THE WITNESS: May I ask you to restate
16 the question, please.

17 MS. PETRUCCI: Can I have it reread,
18 please.

19 (Record read.)

20 Q. Ms. Mikkelsen, can you answer that
21 question?

22 A. No, ma'am. I asked you to restate it,
23 please.

24 Q. And I asked the court reporter to restate

1 it, so can you answer that question, please?

2 MR. KUTIK: You asked the court reporter
3 to basically read it, but she is asking you -- she is
4 obviously having a problem with the question but go
5 ahead.

6 Q. Well, why don't you explain how this
7 pilot program is actually going to work for me then,
8 Ms. Mikkelsen.

9 MR. KUTIK: And the question -- and the
10 question is what? Counsel, what's your question?

11 MS. PETRUCCI: My question is I would
12 like her to explain how this pilot program is going
13 to work. What is FirstEnergy going to do if a
14 customer notifies it that it wants to participate in
15 the pilot?

16 MR. KUTIK: Note my objection.

17 A. After notification, the companies would
18 no longer provide nonmarket-based services to the
19 notifying customer.

20 Q. Do the companies have to notify PJM they
21 are no longer providing those nonmarket-based
22 services?

23 A. No.

24 Q. Does FirstEnergy obtain or continue to

1 obtain usage information that is needed for charging
2 any of those nonmarket-based services?

3 MR. KUTIK: Objection.

4 A. May I ask you to restate the question,
5 please.

6 Q. Does FirstEnergy have to provide any
7 usage information regarding any of those electing
8 pilot participants for purposes of those
9 nonmarket-based services being charged ultimately to
10 the customer?

11 MR. KUTIK: Objection.

12 A. May I ask you to restate the question,
13 please?

14 Q. What is it you are not understanding?

15 A. Who we would provide the usage
16 information to.

17 Q. Well, let's just stick with the PJM
18 pieces under the rider NMB. So is there usage
19 associated with or information, either one, usage or
20 information associated with those PJM-related charges
21 that would still need to be provided by the company
22 if a customer elects this pilot program?

23 MR. KUTIK: Objection.

24 A. May I ask you to restate the question,

1 please.

2 Q. Will FirstEnergy gather information about
3 the participating customers that is associated with
4 any of those PJM items?

5 MR. KUTIK: Objection.

6 A. May I ask you to restate the question,
7 please, ma'am.

8 Q. Okay. Let's start it all over again. If
9 the companies will no longer provide the
10 nonmarket-based services to the customer, what role
11 will the companies have, if any, in those
12 nonmarket-based services being charged to the
13 customer?

14 A. If a customer elects to participate in
15 the rider NMB pilot program, the company will no
16 longer charge those participating customers for
17 nonmarket-based services during the term of their
18 participation in the pilot.

19 Q. Besides charging them and no longer
20 charging them, do the companies have to do anything
21 else so that the customer ultimately does get charged
22 for them?

23 A. The companies would need to have
24 appropriate notification that demonstrates that the

1 customer is going to be taking nonmarket-based
2 service through their CRES provider or directly as a
3 CRES provider.

4 Q. Will the companies have to report any
5 usage to PJM after a customer elects this pilot?

6 MR. KUTIK: Objection.

7 A. May I ask you to restate the question,
8 please, ma'am.

9 Q. Will the FirstEnergy companies have to
10 inform PJM of any of the customers', the
11 participating customers', usage?

12 A. No.

13 Q. Will the FirstEnergy companies have to
14 inform the CRES provider of any usage of the
15 participating customer?

16 MR. KUTIK: Objection.

17 A. May I ask you to clarify what you mean
18 with respect to "usage"?

19 Q. The customers' usage. Will the
20 FirstEnergy companies have to inform the CRES
21 provider of the customer's usage in order for the --
22 well, let me go back. Let me start that again.

23 You just indicated that the FirstEnergy
24 companies don't need to inform PJM of the customers'

1 usage for any customer that would be participating in
2 this pilot. Will FirstEnergy have to inform the CRES
3 provider of the customers' usage so that these
4 nonmarket-based services can be charged?

5 MR. KUTIK: Objection.

6 A. The companies would provide a CRES
7 provider in any circumstance the demand and energy
8 characteristics of a customer that the CRES was
9 providing service to.

10 Q. Currently with rider NMB in place, how is
11 it that PJM knows to send information to FirstEnergy?

12 MR. KUTIK: Objection.

13 A. PJM has been notified by the companies
14 and the CRES suppliers that the company is
15 responsible for nonmarket-based services.

16 Q. And after this pilot goes into place, who
17 provides the notification to PJM that there is a
18 change?

19 A. The supplier.

20 Q. Now, currently what information is --
21 other than that notification that is given to PJM so
22 that PJM -- well, actually currently is information
23 about the customers' demand, energy, or usage
24 provided to PJM for the nonmarket-based services?

1 MR. KUTIK: Objection.

2 A. Currently the companies are responsible
3 for all the nonmarket-based services for all of its
4 customers.

5 Q. So currently what information do the
6 companies provide to PJM for purposes of these
7 nonmarket-based services other than the notification
8 that the company is the one that's charging the
9 customer for them?

10 A. I think what I said earlier was the
11 companies and the suppliers communicate to PJM that
12 the companies are responsible for all of the
13 nonmarket-based charges.

14 Q. Okay. Now, I am asking what other
15 information the companies give to PJM with respect to
16 these nonmarket-based services.

17 A. The companies' network service peak load
18 contribution and energy consumed.

19 Q. And by "energy consumed" are you saying
20 usage?

21 MR. KUTIK: Objection.

22 A. I am saying energy consumed.

23 Q. And if this pilot is approved, what
24 information is going to be provided to the customer

1 so that the customer can determine whether to take
2 advantage of the pilot?

3 A. I am not aware of any commitment to
4 provide any information to the customers as part of
5 the pilot program.

6 Q. Okay. Then after -- let's assume that a
7 customer decides to join the pilot. How will their
8 NSPL contribution and energy consumed be reported to
9 PJM?

10 A. By their supplier.

11 Q. Is that information that a supplier has
12 available to them readily?

13 A. It is information that the supplier would
14 have, yes.

15 Q. Does the supplier have to get those two
16 pieces, the NSPL contribution and energy consumed,
17 from FirstEnergy?

18 A. Yes.

19 Q. And for customers that are -- that are
20 not able to participate in this program or elect not
21 to participate in this pilot, are they able to get
22 their NSPL and energy consumed information from
23 FirstEnergy?

24 MR. KUTIK: Objection.

1 A. All customers are able to get their NSPL
2 and energy consumption data from the companies.

3 MS. PETRUCCI: One moment, please.

4 Q. As I understood what you just said, all
5 customers are able to obtain their NSPL contribution
6 and their energy consumed. Then please explain why
7 the pilot program is limited to only certain
8 customers --

9 MR. KUTIK: Objection.

10 Q. -- as proposed.

11 MR. KUTIK: Objection, assumes facts,
12 argumentative. Go ahead.

13 A. The purpose of the pilot program is to
14 explore whether certain customers could benefit from
15 opting out of the companies' rider NMB and obtaining
16 directly or indirectly through a CRES provider all
17 transmission and ancillary services through the open
18 access tariff and other PJM-governing documents and
19 also to test the administrative burden to the
20 companies, the cost and risks to the customers to
21 determine whether this option is practical.

22 Q. In answering that question did you just
23 read part of the stipulation itself to me?

24 A. Yes.

1 Q. My question was why is it that the -- the
2 pilot program is limited to only certain customers --

3 MR. KUTIK: Objection, asked and
4 answered.

5 Q. -- and the information is available to
6 any customer?

7 MR. KUTIK: Objection, asked and
8 answered, also assumes facts.

9 A. There is limited participation because it
10 is a pilot program for the reasons we just discussed.

11 Q. Why those certain customers as listed in
12 the stipulation?

13 A. These customers expressed an interest in
14 participating in the pilot.

15 Q. Was that discussed with all potential
16 customers that it could be of interest -- have this
17 of interest to them?

18 A. May I ask you to restate the question,
19 please, ma'am.

20 Q. Was this pilot program discussed with
21 other customers that potentially could participate?

22 THE WITNESS: Can I ask you to reread
23 that question for me, ma'am, please.

24 (Record read.)

1 A. Yes.

2 Q. But you're saying only that those that
3 are listed on page 3 of the supplemental stipulation
4 and recommendation expressed an interest in this
5 pilot; is that accurate?

6 MR. KUTIK: Objection, asked and
7 answered.

8 A. The parties listed on page 3 were the
9 parties that expressed an interest in participating
10 in the pilot program during the pilot program
11 discussions.

12 Q. In limiting participation was the concern
13 to limit the number of participants for this pilot?

14 MR. KUTIK: Objection.

15 A. One of the things we were trying to do
16 was limit the number of participants in the pilot,
17 yes.

18 Q. What's the number -- what's the lim --
19 the number that you wanted to limit it to?

20 MR. KUTIK: Objection, assumes facts.

21 A. We didn't have a specific number.

22 Q. As proposed, what the limited -- what is
23 the maximum amount of participation that could take
24 place under the proposed pilot meaning number of

1 customers?

2 A. Participation in the pilot program is
3 limited to IEU member customers, OEG member
4 customers, Nucor, and Material Sciences Corporation.

5 Q. But what's the maximum number of -- that
6 that added up to is my question?

7 A. I don't know.

8 Q. So how do you know this is going to be a
9 small scale pilot?

10 MR. KUTIK: Objection, argumentative.

11 A. It will be a small scale pilot because
12 participation is limited to the eligible participants
13 that I just described.

14 Q. Since you indicated that all customers
15 are able to obtain their NSPL contribution and energy
16 consumed, can a customer look at that information and
17 compare what they've paid under rider NMB to
18 determine if they would benefit from the pilot
19 program?

20 A. I don't know what types of analyses a
21 customer is able to conduct.

22 Q. Is FirstEnergy going to help any of these
23 customers that are eligible who are considering the
24 pilot program to determine whether to participate in

1 the pilot program?

2 MR. KUTIK: Objection.

3 A. May I ask you it restate the question,
4 please.

5 Q. Is FirstEnergy going to work with any of
6 these eligible customers to help them decide whether
7 they want to participate in the program?

8 MR. KUTIK: Objection.

9 A. I do not expect at that time companies
10 would help the customers decide whether or not to
11 participate in the program.

12 Q. And can you tell me why?

13 A. I don't see that as the role for the
14 companies.

15 Q. I'm going to go backwards for a second
16 here. When rider NMB was established, is that when
17 FirstEnergy provided notice to PJM that it would be
18 providing the NMB services, the nonmarket-based
19 services?

20 MR. KUTIK: Objection.

21 A. As I said, the company -- companies and
22 the suppliers notified PJM that the companies would
23 be responsible for all the nonmarket-based services
24 at the time rider NMB was established.

1 Q. And in providing that notice, was there
2 something else that was done by FirstEnergy when it
3 did its piece?

4 MR. KUTIK: Objection.

5 A. I don't understand the question, ma'am.

6 Q. Was the -- what I am trying to understand
7 is was there -- when you say that they notified --
8 the companies notified PJM, was there something else
9 in addition to that notice that took place in
10 order -- besides the CRES providers, I understand
11 that, but I am asking on the part of FirstEnergy,
12 there was something else that FirstEnergy had to do
13 in order for FirstEnergy to begin to provide the
14 nonmarket-based services --

15 MR. KUTIK: Objection.

16 Q. -- to the customers?

17 A. Well, we would have had to create the
18 billing algorithm to support the billing of those
19 nonmarket-based charges to our customers.

20 Q. Did PJM set up some sort of process with
21 FirstEnergy so that it relays information to
22 FirstEnergy needed to charge ultimate -- for
23 ultimately FirstEnergy to charge the customers?

24 MR. KUTIK: Objection.

1 A. PJM bills the companies for
2 nonmarket-based services.

3 Q. Is -- does PJM separately bill for each
4 of those nonmarket-based services?

5 MR. KUTIK: Objection.

6 A. May I ask you to restate the question,
7 please.

8 Q. Does PJM separately bill FirstEnergy for
9 those nonmarket-based services?

10 MR. KUTIK: Objection.

11 A. May I ask you to restate the question as
12 it relates to "separately."

13 Q. Are they separate line items? Are they
14 separate bills? I don't know. I am asking you.

15 A. PJM provides the companies individual
16 company bills as well as a consolidated bill, and the
17 charges on those bills are separate line items.

18 Q. Is there any distinction among those
19 nonmarket-based services for customer classes as
20 well?

21 THE WITNESS: May I ask you to reread
22 that question for me, please, ma'am.

23 (Record read.)

24 MR. KUTIK: Objection.

1 A. May I ask you to restate the question,
2 please.

3 Q. What don't you understand?

4 A. The whole question.

5 Q. Okay. You indicated that each of the
6 EDUs receives a bill from PJM and each of those bills
7 includes separate line items for the nonmarket-based
8 services. Is it further delineated by customer class
9 those charges that PJM imposes upon FirstEnergy for
10 those nonmarket-based services?

11 A. No.

12 Q. And does that also mean that there isn't
13 anything that's a customer specific line item for an
14 especially large customer, for example?

15 A. The PJM bills do not include
16 customer-specific information.

17 Q. And are those PJM bills monthly bills?

18 A. Yes.

19 Q. Can you describe what type of action
20 FirstEnergy is going to need to take to implement
21 this pilot other than what we discussed a little
22 earlier about PJM -- I'm sorry, FirstEnergy no longer
23 having to notify PJM that it is providing the
24 nonmarket-based services?

1 MR. KUTIK: Objection, mischaracterizes
2 her testimony.

3 A. Yeah. I don't think I said that.

4 Q. Okay. Then tell me what it is
5 FirstEnergy will need to do before the pilot takes
6 effect.

7 MR. KUTIK: Objection, asked and
8 answered. Go ahead. Tell her again.

9 A. In addition to anything we may have
10 already discussed, the companies would have to adjust
11 their billing system to recognize that certain
12 customers may no longer be taking nonmarket-based
13 service from the companies.

14 Q. Is there anything else you can think of?

15 A. At a high level, not beyond those items
16 we have already discussed.

17 Q. And then the converse is true, if a
18 customer elects to no longer be part of the pilot,
19 then the companies will then have to again adjust the
20 billing to recognize that the customer is back into
21 rider NMB, correct?

22 A. The company billing of the customers for
23 the services rendered would have to be adjusted, yes.

24 Q. Is there anything during the time that

1 the customer is participating in the pilot that the
2 companies will have to do?

3 A. I think that's part of what we are trying
4 to explore as the element of the administrative
5 burden during the pilot program.

6 Q. At this point there isn't anything
7 anticipated or are you not sure?

8 MR. KUTIK: Objection.

9 A. Well, we have discussed we will have to
10 practice who is participating in the pilot and who
11 isn't and the corresponding effective dates or
12 return-to-service dates. And we will have to modify
13 our billing system to accommodate that. We've
14 discussed those things that I am aware of that
15 perhaps could create an administrative burden for the
16 company.

17 Q. Are the companies anticipating any sort
18 of evaluative process to see how -- what the results
19 are for the individual customers who are
20 participating?

21 A. I think the -- pardon me, the companies
22 will evaluate the pilot program to the extent that
23 they have the information available to do so.

24 Q. When FirstEnergy makes its annual rider

1 NMB filing, does the information that's provided
2 include the amounts that it pays to PJM for the
3 nonmarket-based services?

4 MR. KUTIK: Objection.

5 A. May I ask you to restate the question,
6 please.

7 Q. When FirstEnergy makes its filing each
8 year with the PUCO for rider NMB, does the
9 information that's included in that filing include
10 the amounts FirstEnergy has paid to PJM for the
11 nonmarket-based services?

12 MR. KUTIK: Objection.

13 A. FirstEnergy does not make an NMB filing.

14 Q. Okay. Well, when -- when -- we discussed
15 a little earlier there was a rider adjustment that's
16 done on an annual basis, correct? Do you recall
17 that?

18 A. Yes.

19 Q. Okay. If a -- in that filing, that type
20 of filing, does that filing include information about
21 the amounts paid to PJM for the nonmarket-based
22 services?

23 A. The companies' rider NMB filing includes
24 information about payments made for nonmarket-based

1 services billed by PJM.

2 Q. So for this year did FirstEnergy adjust
3 rider NMB?

4 MR. KUTIK: Objection.

5 A. May I ask you to restate the question,
6 please, ma'am.

7 Q. Did FirstEnergy adjust its rider NMB this
8 year yet?

9 MR. KUTIK: Objection.

10 A. FirstEnergy -- may I ask you to restate
11 the question as it relates to "FirstEnergy."

12 Q. Sure. Did the utility companies, the
13 electric distribution utilities, file a proposal with
14 the PUCO in 2015 to adjust rider NMB?

15 A. To date in 2015, the companies have made
16 two applications to adjust the rider NMB rate.

17 Q. And were you the person that handled
18 those, getting those items filed?

19 A. I'm sorry. You broke up. May I ask you
20 to repeat the question.

21 Q. I was asking if you were the person that
22 handled those -- getting those items filed with the
23 Public Utilities Commission.

24 MR. KUTIK: Objection.

1 A. May I ask you to restate the question,
2 please.

3 Q. Did you personally handle those filings
4 at the PUCO?

5 MR. KUTIK: Objection.

6 A. May I ask you to restate the question,
7 please.

8 Q. Who filed the rider NMB adjustments at
9 the PUCO? Do you know?

10 A. The filing would have been docketed by a
11 member of my staff.

12 Q. So it was under your direction?

13 A. Yes.

14 Q. Okay. So for those two filings that you
15 referenced this year, did those documents include
16 information on the amounts that FirstEnergy paid to
17 PJM for the nonmarket-based services?

18 MR. KUTIK: Objection.

19 A. Yes.

20 Q. Is the information publicly available?

21 A. The filings are on the PUCO docket.

22 Q. My question wasn't very good. Is the
23 amount that FirstEnergy pays to PJM for the
24 nonmarket-based services publicly available within

1 the filing?

2 A. Rider NMB is a forward-looking rate. So
3 the filings would reflect a judgment about what those
4 charges would be on a going-forward basis as well as
5 a reconciliation of actual charges with forecasted
6 charges in prior periods.

7 Q. And does the actual amount that was
8 charged, is that amount publicly available within the
9 two rider NMB filings that you mentioned earlier?

10 A. It is included in the filing. As I sit
11 here today, I don't recall whether it's confidential
12 or publicly available.

13 Q. Do you recall if it's presented --

14 MR. KUTIK: You have to say it again.
15 You broke up.

16 Q. Do you recall, Ms. Mikkelsen, if that
17 information is on the amount that FirstEnergy paid to
18 PJM for the nonmarket-based services is presented in
19 a monthly -- on a monthly basis?

20 A. Yes.

21 Q. Yes, you recall or, yes, it is provided
22 monthly?

23 A. Yes, I recall and, yes, it is provided
24 monthly.

1 Q. Thank you. Now, when FirstEnergy creates
2 its nonmarket-based rider rate, are those based on
3 the average cost for each nonmarket-based service?

4 MR. KUTIK: Objection.

5 THE WITNESS: May I ask you to reread
6 that question for me, please, ma'am.

7 (Record read.)

8 Q. Let me correct that. I think what I was
9 trying to ask is it based on the average for each
10 rate schedule?

11 MR. KUTIK: Objection.

12 A. May I ask you to restate the question. I
13 don't understand the question.

14 Q. There are -- let me start from backwards
15 a little bit here. Rider NMB includes multiple
16 different charges depending on the rate schedule,
17 correct?

18 A. No.

19 Q. Okay. There is an NMB charge for
20 residential service versus an NMB charge for GS or
21 GP, correct?

22 A. There are separate NMB charges by rate
23 schedule, yes.

24 Q. Are those separate charges each based on

1 the average cost of providing service to that
2 schedule?

3 MR. KUTIK: Objection.

4 A. May I ask you to explain what you mean by
5 "average cost of providing service to that schedule"?

6 Q. Why don't you explain to me how the --
7 let's pick one of them, the residential, the RS rate
8 is developed. Is it based on averaging?

9 MR. KUTIK: Objection.

10 A. The rider, the residential rider, NMB
11 rate is an energy-based rate, so the revenue
12 requirement for the residential class is recovered
13 from the customers on an energy basis.

14 Q. And to determine the residential class's
15 energy, are you -- are you using some sort of class
16 average?

17 MR. KUTIK: Objection.

18 A. No. I would be using a forecast of the
19 energy the residential class was expected to use over
20 the forecast period.

21 Q. And within that class some customers may
22 have used it less and some would have more; am I
23 right?

24 MR. KUTIK: Objection.

1 A. I don't understand the question, ma'am.

2 Q. For the residential class, some of them
3 would have energy below or above the amount that's
4 used in the projection; is that correct?

5 MR. KUTIK: Objection, mischaracterizes
6 her testimony.

7 A. Can I ask you to restate the question,
8 please.

9 Q. How do you know how much energy -- well,
10 let me start again.

11 The projection that's used or developed,
12 I should say, is based on characteristics of the
13 residential class, correct?

14 A. May I ask you to restate the question,
15 please.

16 Q. How is the projection for the residential
17 class for developing the RNB -- or NMB charge
18 developed?

19 A. Could you be more clear with respect to
20 what forecast you are talking about, ma'am.

21 Q. You indicated that the residential
22 service, the RS NMB charge, is a projection. How is
23 that projection developed?

24 MR. KUTIK: Objection, mischaracterizes

1 her testimony.

2 A. Yeah, I don't think I did testify to
3 that.

4 Q. Okay. Well, tell me again how is it that
5 the RS -- the NMB for the RS schedule is developed.

6 MR. KUTIK: Objection, asked and
7 answered. Tell her again.

8 A. The revenue requirements forecasted to be
9 incurred for the residential class are divided by the
10 forecasted kilowatt-hours for the residential class
11 to derive a rate that would be charged to each
12 residential customers -- customer based on the number
13 of kilowatt-hours they use during a month.

14 Q. Is the kilowatt-hour usage an average?

15 MR. KUTIK: Objection.

16 A. May I ask you to restate the question,
17 please, ma'am.

18 Q. Is the kilowatt-hour usage portion of the
19 calculation an average for the residential service?

20 MR. KUTIK: Objection.

21 A. Kilowatt-hours forecasted that are used
22 is the billing determinants in the calculation
23 recommended forecast of the total kilowatt-hours
24 expected to be consumed by the residential class

1 during the forecast period.

2 MS. PETRUCCI: Just a moment here. I am
3 almost done.

4 Q. Is it correct that because rider NMB is
5 adjusted annually that any difference in the forecast
6 would only -- any adjustment for the forecast, any
7 reconciliation that needs to take place, is only
8 going to be done annually, correct?

9 MR. KUTIK: Objection.

10 A. May I ask you to restate that question,
11 please, ma'am.

12 Q. Reconciliations for rider NMB only take
13 place on an annual basis, correct?

14 A. To the extent that we file only one rider
15 NMB update filing in a year, then the reconciliation
16 would occur annually. As I testified earlier, we
17 filed two NMB filings in 2015. Both of those filings
18 included a reconciliation component.

19 Q. Do you know how -- well, how -- why --
20 what triggers a reconciliation filing?

21 A. They are not reconciliation filings.
22 They are filings to update the forward-looking rider
23 NMB, and they include a reconciliation component.

24 Q. Okay. What triggers that type of filing?

1 A. The annual filing would occur pursuant to
2 the tariff schedule. Any interim filing, to the
3 extent that there is one, would be driven by a
4 determination that the rate that is in effect for the
5 forward period is out of alignment with the
6 expectation of the costs that would be incurred
7 during that period.

8 Q. Is there a certain percentage that would
9 trigger an adjustment filing?

10 A. May I ask you to restate the question,
11 please, ma'am.

12 Q. Is there some sort of percentage above
13 which the -- you just described that the current rate
14 is different enough from what the projected, that the
15 company would likely file an adjustment. Is there
16 some level, some trigger, or percentage that the
17 company uses to decide that it needs to make that
18 adjustment sooner than an annual?

19 MR. KUTIK: Objection.

20 A. There is no specific percentage.

21 Q. What is it that -- the difference -- do
22 you know what the difference was for the one that was
23 made earlier this year that wasn't the annual filing?

24 A. May I ask you to restate the question,

1 please, ma'am.

2 Q. Why did FirstEnergy decide that they
3 needed to make the one filing earlier this year that
4 wasn't an annual filing?

5 MR. KUTIK: Objection.

6 A. To more closely align the costs that are
7 being recovered in rider NMB with the charges being
8 assessed by PJM.

9 Q. And what was the difference between them?
10 Do you know?

11 MR. KUTIK: Objection.

12 A. May I ask you to restate the question,
13 please.

14 Q. What was the differential between what
15 was being charged versus what was in this -- the then
16 current rider NMB rate?

17 MR. KUTIK: Objection.

18 A. I don't remember the specific nominal
19 changes in the various rate schedules.

20 Q. Can you give me a ballpark differential?

21 A. No.

22 Q. Was there an increase in the amount that
23 PJM was charging FirstEnergy for those
24 nonmarket-based services?

1 A. Yes.

2 Q. Is -- do you know if that increase was a
3 temporary increase, or was it anticipated to remain
4 at a higher level?

5 MR. KUTIK: Objection.

6 A. The increase was expected to remain
7 through the end of 2015.

8 MS. PETRUCCI: One moment. I think I
9 might be done.

10 Q. Ms. Mikkelsen, do you know if FirstEnergy
11 allocates its nonmarket-based services to its
12 customers differently than how PJM imposes charges on
13 FirstEnergy for those services?

14 MR. KUTIK: Objection.

15 A. May I ask you to restate the question,
16 please.

17 Q. Does FirstEnergy allocate its charges for
18 the nonmarket-based services differently than how PJM
19 imposes on FirstEnergy?

20 MR. KUTIK: Objection.

21 A. FirstEnergy doesn't allocate the charges.

22 Q. Does FirstEnergy just pass through the
23 charges it receives, PJM charges?

24 MR. KUTIK: Objection.

1 Q. Let me start that again. Does
2 FirstEnergy just pass through the amounts it's
3 charged by PJM for its nonmarket-based services?

4 MR. KUTIK: Objection.

5 A. FirstEnergy does not receive charges from
6 PJM.

7 Q. You told me earlier PJM imposes charges
8 on FirstEnergy for the nonmarket-based services.

9 MR. KUTIK: Objection. It
10 mischaracterizes her testimony.

11 A. I don't think I did. What I stated was
12 at the start of the deposition the Cleveland Electric
13 Illuminating Company and The Toledo Edison Company
14 are invoiced by PJM.

15 Q. Okay. And those amounts, are they just
16 passed through to FirstEnergy's customers through
17 rider NMB, or is something else done?

18 MR. KUTIK: Objection.

19 A. May I ask you to restate your question,
20 please, ma'am.

21 Q. The amount that PJM charges FirstEnergy
22 for the nonmarket-based services, are those amounts
23 then passed through to customers?

24 A. May I ask you to restate the question,

1 please.

2 Q. What is it that you are not
3 understanding?

4 A. A number of things, not the least of
5 which is the reference to FirstEnergy.

6 Q. For the FirstEnergy EDUs, when they
7 receive those bills from PJM, do they pass through
8 those charges to their customers?

9 MR. KUTIK: Objection.

10 A. Charges that the companies are billed by
11 PJM for nonmarket-based services are recovered from
12 the companies' customers.

13 Q. Is it a passthrough, or is there another
14 mechanism used to charge the customers?

15 MR. KUTIK: Objection, assumes it is
16 either. Go ahead.

17 A. May I ask you to restate the question as
18 it relates to passthrough.

19 Q. Do the companies simply pass those
20 charges on to the customers?

21 A. I think I've already testified that the
22 charges that the companies incur from PJM for
23 nonmarket-based services are recovered from the
24 companies' customers.

1 Q. Would you agree with me it's not a
2 passthrough because the companies used a projection
3 instead to develop its rider NMB rate?

4 A. Again, I am not entirely clear as I've
5 said with what you mean by passthrough. But, again,
6 the companies recover dollar for dollar charges that
7 they are assessed by PJM through their rider NMB.
8 The rider is a forecasted rider but actual charges
9 versus revenues collected are reconciled such that
10 the customers pay dollar for dollar the costs that
11 are incurred by the company for nonmarket-based
12 services.

13 Q. Does rider NMB include amounts above what
14 is charged by PJM for the nonmarket-based services?

15 MR. KUTIK: Objection.

16 A. No.

17 MS. PETRUCCI: I have no further
18 questions. Thank you very much, Ms. Mikkelsen.

19 MR. KUTIK: Let's go off the record.

20 (Discussion off the record.)

21 (Thereupon, at 1:13 p.m., a lunch recess
22 was taken.)

23 - - -

24

1 Wednesday Afternoon Session,

2 August 19, 2015.

3 - - -

4 EILEEN M. MIKKELSEN

5 being by me previously duly sworn, as hereinafter
6 certified, deposes and says further as follows:

7 CROSS-EXAMINATION

8 By Mr. Sauer:

9 Q. Good afternoon, Ms. Mikkelsen.

10 A. Good afternoon.

11 Q. A lot of my questions have been asked,
12 and I appreciate your time today, but I have a few
13 questions for you.

14 If you recall earlier this morning,
15 Mr. Fisk was asking you some questions -- I think he
16 had directed you to page 4, lines around 13 to 16.
17 He was asking you some questions about testimony that
18 you were referring to for Mr. Moul.

19 MR. KUTIK: This is the second
20 supplemental testimony?

21 MR. SAUER: This is the second
22 supplemental testimony, correct.

23 MR. KUTIK: I'm sorry, what was the page
24 again?

1 MR. SAUER: Page 4 and lines 13 to 16.

2 Q. And I thought I heard in an answer you
3 had given him you thought it was important to have
4 dispatchable versus intermittent resources. Do you
5 remember that discussion?

6 A. I do.

7 Q. What are dispatchable resources?

8 A. Resources that can be dispatched.

9 Q. And that would be baseload generation?

10 A. I would consider baseload generation
11 dispatchable, yes.

12 Q. Renewable resources, do you consider
13 those dispatchable?

14 A. In terms of solar and wind, no.

15 Q. Okay. Would those fall into what you
16 were considering intermittent resources?

17 A. Yes.

18 Q. Again, still staying with your second
19 supplemental testimony, pages 7 and 8, you are
20 discussing the impact of plant closure on electric
21 prices. And there was some discussion about some of
22 the transmission investment that might be necessary
23 if Sammis and Davis-Besse are closed. There was some
24 discussion or questions earlier this morning about

1 the difference between the 436.5 number that appears
2 on line 15, page 7, and the \$1.7 billion number that
3 appears on page 8, line 4. And if I understood your
4 answer, the difference between those two numbers was
5 Mr. Phillips' assumption that rather than the
6 transmission lines being reconductored, that there
7 was going to be a need for those lines to be rebuilt
8 or replaced; is that correct?

9 A. No.

10 Q. That is not correct?

11 A. No, it is not correct.

12 Q. Do you know what resulted in the increase
13 in necessary transmission investment should Davis and
14 Sammis -- the Davis-Besse or Sammis plants be closed
15 would increase that investment portfolio from 436.5
16 million to 1.7 billion?

17 A. The 1.7 billion that you are referring
18 to, I believe, on page 8 of line 4 --

19 Q. Uh-huh.

20 A. -- is the increase in the revenue
21 requirements associated with the \$436.5 million
22 investment.

23 Q. Okay. And do you know if Mr. Phillips in
24 his assumptions assumed that all the lines would be

1 rebuilt or re -- replaced as opposed to being
2 reconductored?

3 MR. KUTIK: Objection.

4 A. Mr. Phillips provided two estimates of
5 costs associated with transmission investment. One
6 assumed the overloaded facilities was remedied by
7 reconductoring. The second assumes that the lines
8 would need to be rebuilt or perhaps replaced.

9 Q. Okay. Thank you for that clarification.

10 On page 8, lines 10 to --

11 MR. KUTIK: I'm sorry. You broke up,
12 Larry.

13 Q. Oh, I'm sorry. On page 8, lines 10 to
14 11, you -- there is a sentence in there under that
15 set of assumptions Mr. Phillips estimates the
16 transmission investment could be nearly 1.1 billion.
17 The assumptions you're talking about, was that the
18 82 percent allocation assumption? Is that the
19 assumption?

20 A. No.

21 Q. Is it the rebuilding versus
22 reconductoring assumption?

23 A. The \$1.1 billion estimate of transmission
24 investment relates to the assumption that the lines

1 would need to be rebuilt or replaced.

2 Q. Okay. And then on the same page 8,
3 there's a -- on line 14, this is a \$4.1 billion
4 number. That's the revenue requirement for the --
5 for the rebuild/replace scenario; is that what that
6 number is?

7 A. Yeah. That is the estimated nominal
8 increase in revenue requirements associated with the
9 rebuild or replace scenario.

10 Q. Okay. On page 9, you discuss other
11 effects on electric prices if plants were to close.
12 And that's on page 9 between lines 1 and 7. Do you
13 see that?

14 A. Yes.

15 Q. And you are talking about there would be
16 an increase of \$2.018 billion and that's because the
17 the companies' power purchase or rider RRS proposal
18 would not be going forward? Is that the case?

19 MR. KUTIK: Objection.

20 A. May I ask you to restate the question,
21 please.

22 Q. Yes. Your -- on that page 9, lines 1 to
23 7, you are talking about other effects from electric
24 prices should the plants close. And if Davis-Besse

1 and Sammis were to close because they are part of the
2 companies' power purchase agreement proposal, that
3 \$2.018 billion number wouldn't flow to customers as
4 proposed under the companies' plan, correct?

5 MR. KUTIK: Objection.

6 A. If Davis-Besse and Sammis were to close,
7 the customers would be deprived of the benefit of the
8 retail rate stability credits which are estimated to
9 total over \$2 billion, yes.

10 Q. And is that the same estimate that was
11 provided when the companies filed this action in
12 August of 2014?

13 A. As I recall, those numbers were updated
14 once subsequent to filing, and the numbers here
15 represent the updated numbers of the revised numbers
16 to the August filing.

17 Q. Do you recall when those numbers were
18 updated?

19 MR. KUTIK: Well, I will just note the
20 objection. I mean, the filings are what they are,
21 and they are found in the docket but go ahead.

22 A. Not the specific date, no.

23 Q. As part of that update, did Mr. Rose
24 update his energy forecast?

1 A. No, I don't think so.

2 Q. Moving to your third supplemental
3 testimony, there was quite a bit of questioning for
4 Ms. Petrucci regarding the rider NMB. You had
5 indicated that part of the pilot was to enable the
6 companies to determine if there was any
7 administrative burden in offering that pilot program.
8 Did that misstate your testimony?

9 A. I think what the testimony was was to
10 determine -- I think there will be some level of
11 administrative burden. I think the question is
12 whether the administrative -- pardon me, the
13 administrative burden would render the option
14 impractical.

15 Q. Okay. And you -- I think you mentioned a
16 couple of things that might be considered an
17 administrative burden. You would have to track who
18 was in the pilot, when they were in, when they were
19 out kind of a thing, and modifying the billing
20 system; is that correct?

21 A. Those are examples of administrative
22 activities that would rise as a result of the pilot.

23 Q. Have you identified if there are any
24 costs associated with administrative activities such

1 as those?

2 A. Certainly there would be costs associated
3 with implementing a change to the billing system.

4 Q. Has that cost been quantified?

5 A. No.

6 Q. Would that -- to the extent there is a
7 cost associated with modifying the billing system,
8 would that cost be charged to the customers
9 participating in the pilot program?

10 A. No.

11 Q. Would the company be proposing to charge
12 those costs to other customers?

13 A. No, that is not part of the proposal.

14 Q. By allowing customers to participate in
15 the pilot program, is there a possibility that other
16 customers could be charged additional NMB services --
17 service costs related to those customers on the
18 pilot?

19 MR. KUTIK: Objection.

20 A. Customers participating in the NMB pilot,
21 there -- the charges for their nonmarket-based
22 services will be billed to their CRES supplier.

23 Q. Is that on a dollar-for-dollar basis?

24 A. Can I ask you to restate the question,

1 please.

2 Q. The NMB service charges you were just
3 speaking of they would be incurring that would be
4 charged to their CRES supplier, is that on a
5 dollar-for-dollar basis?

6 A. The nonmarket-based service charges would
7 be assessed to the CRES supplier on the same basis
8 that they would be assessed to the companies.

9 Q. And the customers you've identified in
10 the stipulation that would be eligible for this pilot
11 program are all large industrial or commercial
12 customers, correct?

13 A. They are certainly industrial customers.
14 I don't know if any of these member customers are
15 commercial customers.

16 Q. And the fact that these customers
17 would -- would elect to participate in the pilot
18 should have no adverse effect on the charges
19 residential customers would receive as a result of
20 charges they received for nonmarket-based services?

21 MR. KUTIK: Objection.

22 A. May I ask you to restate the question,
23 please.

24 Q. To the extent that large industrial

1 customers, for example, would elect to participate in
2 the rider NMB pilot program, that participation would
3 have -- would that participation have any adverse
4 impact on rider NMB charges to residential customers?

5 THE WITNESS: May I ask you to reread the
6 question, please, ma'am.

7 (Record read.)

8 A. The manner in which the costs are
9 allocated and billed to residential customers is --
10 is not altered by the NMB pilot.

11 MR. SAUER: Could I have that answer
12 reread, please.

13 (Record read.)

14 Q. I understand what you are saying, that
15 the manner of the allocation isn't affected. Could
16 the costs that are being allocated be some --
17 increased to residential customers because of the
18 participation in the pilot NMB program by industrial
19 customers?

20 THE WITNESS: May I have that question
21 reread, please, ma'am.

22 (Record read.)

23 A. The costs associated with the NMB pilot
24 participants would no longer be charged to the cus --

1 pardon me, to the companies. Those charges would be
2 assessed to the CRES providers, so the overall
3 revenue requirement to the companies will go down as
4 a result of customers participating in the pilot if
5 customers, in fact, do elect to participate in the
6 pilot.

7 Q. What do you see as the benefit to a
8 customer who elects to participate in the pilot
9 program?

10 A. I think -- I'm sorry.

11 Q. Go ahead. That was the question.

12 A. The purpose of the pilot is to explore
13 whether customers could benefit from opting out of
14 rider NMB.

15 Q. It sounds like there may not be a
16 cost/benefit for these customers, correct?

17 A. There may or may not be.

18 Q. Can you think of any other benefits that
19 might be there for those industrial customers that
20 would choose to be on the pilot program?

21 MR. KUTIK: Well, when you say "other
22 benefits," are you talking other than cost benefits?

23 MR. SAUER: Other than cost, correct.

24 A. I mean, determining as to what would

1 benefit a pilot participant is really at the judgment
2 of the pilot participant.

3 MR. SAUER: Ms. Mikkelsen, that's all I
4 had. I thank you.

5 THE WITNESS: Thank you.

6 MR. KUTIK: Let's go off the record.

7 (Discussion off the record.)

8 MR. KUTIK: Let's go back on the record.

9 MS. BOJKO: Thank you.

10 - - -

11 CROSS-EXAMINATION

12 By Ms. Bojko:

13 Q. Good afternoon, Ms. Mikkelsen. This is
14 Kim Bojko representing OMAEG in this case. How are
15 you?

16 A. Fine, thank you.

17 Q. Ms. Mikkelsen, you were just talking to
18 Mr. Sauer about the NMB rider and the pilot program.
19 I would like to continue with the NMB discussion and
20 pilot program. You've stated that the companies
21 would no longer be assessed from PJM any
22 nonmarket-based charges associated with the pilot
23 program members because they would -- those costs
24 would be charged to the suppliers; is that right?

1 A. Yes.

2 Q. So theoretically the PJM charges assessed
3 to the companies should decrease by the exact amount
4 that the costs will be charged through to the
5 suppliers; is that correct?

6 A. All else being equal, yes.

7 Q. Okay. But practically that is not what
8 happens because of the allocation method that the
9 companies -- strike that.

10 Okay. So let's talk about the allocation
11 now. Rider NMB is allocated between customer classes
12 based on a customer class average; is that right?

13 MR. KUTIK: Objection.

14 A. No.

15 Q. How is rider NMB allocated to the
16 customers?

17 A. May I ask you to restate the question,
18 please.

19 Q. Oh, I'm sorry. Is -- are the non --
20 nonmarket-based service charges assessed to the
21 companies from PJM allocated between customer classes
22 based on customer class averages?

23 MR. KUTIK: Objection, asked and
24 answered.

1 A. No.

2 Q. Are the NMB charges from PJM allocated
3 between customers based on the customer class
4 average?

5 MR. KUTIK: Objection.

6 A. No.

7 Q. How are the NMB service charges assessed
8 to the companies from PJM allocated to the companies'
9 customers?

10 A. They are allocated by rate class based on
11 the four CP methodology and then collected from the
12 customers either on an energy or demand basis
13 depending on the rate schedule.

14 Q. Thank you for that clarification. So I
15 used the word "customer class." Thank you for
16 clarifying. So each rate class is based upon the
17 average of the coincident peak; is that correct?

18 A. No.

19 Q. Why is that not correct?

20 A. It is the average of the four coincident
21 peaks from June through September.

22 Q. Thank you for that clarification. So
23 will that four CP allocation methodology -- average,
24 excuse me. Let me try again.

1 Will that four CP average change if
2 customers opt out of rider NMB?

3 A. It may.

4 Q. And that's because the demand allocators
5 used to calculate rider NMB for some customer rate --
6 for some rate schedules will change if the pilot
7 participants' coincident peak demands are no longer
8 included in the calculation; is that right?

9 MR. KUTIK: May I have the question read,
10 please.

11 (Record read.)

12 MR. KUTIK: Objection.

13 A. They may.

14 Q. And when you provide the network service
15 peak load contribution value to PJM, is that done on
16 the same four CP average that we just discussed?

17 A. Those are two different calculations.

18 Q. Okay. How is the network service peak
19 load distribution calculated that you provide to PJM?

20 MR. KUTIK: Objection. Go ahead.

21 A. May I ask you to restate the question,
22 please.

23 Q. How is the network service peak load
24 contribution calculated that you provide to PJM?

1 MR. KUTIK: Objection.

2 A. The NSPLs are based on the ATSI zone
3 transmission peak hour. Individual customers' NSPLs
4 are based on an average of five peak hours in the
5 ATSI zone scaled to the ATSI zonal peak.

6 Q. Earlier today you were talking about the
7 companies' rider NMB filing process and the timing of
8 that filing. I believe you said that historically
9 that filing is conducted in May; is that correct?

10 A. Yes.

11 Q. And does the company plan to change the
12 practice of filing the application to revise rider
13 NMB in May?

14 A. Yes.

15 Q. When do you plan to file your next rider
16 NMB filing?

17 A. January of 2016.

18 Q. In your application do you propose an
19 effective date of rider NMB that will be prior to
20 July 1 which has historically been proposed?

21 MR. KUTIK: Objection.

22 A. May I ask you to restate the question,
23 please.

24 Q. Sure. In your January filing for a

1 revised rider NMB rate, do you -- do you propose to
2 request an effective date that is prior to July 1,
3 2016?

4 A. Yes.

5 Q. When is the proposed effective date?

6 A. No later than 75 days after the filing of
7 the rider NMB application.

8 Q. But there will not be a specific
9 effective date listed as there is in the current
10 rider NMB tariff?

11 MR. KUTIK: Objection.

12 A. I guess that's subject to Commission
13 determination.

14 Q. Well, if the Commission approves the
15 rider NMB application within 30 days, is it the
16 companies' intent to implement the rider immediately
17 thereafter?

18 A. Yes, subject to Commission approval.

19 Q. On page 3 of the supplemental
20 stipulation, are you there, Ms. Mikkelsen?

21 A. Yes.

22 Q. In the middle of provision 2 it talks
23 about the pilot program will be limited to certain
24 association members. Do you see that?

1 A. I mean, it is not strictly limited to
2 association members.

3 Q. I'm sorry. The first two entities listed
4 are association members; is that correct?

5 A. Correct.

6 Q. Okay. Are -- is the pilot program
7 limited to current members of those associations?

8 A. In order to participate in the pilot the
9 customers need to either be a current member of IEU
10 or OEG or be Nucor Steel or MSC.

11 Q. And in your response you said current
12 member. Do you mean current member as of when the
13 stipulation was filed or current member as of when
14 the pilot program is initiated?

15 MR. KUTIK: Objection.

16 A. They need to be a member for the first
17 two -- you know, of either IEU or OEG during the term
18 of the pilot.

19 Q. Do pilot participants have to agree to
20 participate in the pilot at the inception of the
21 pilot?

22 A. Pilot participants have to provide
23 written notification to the company within 30 days of
24 the approval of the ESP IV or by December 31, 2015,

1 whichever is later. And then the stipulation
2 provides for opening of a replacement account or an
3 account transfer participating in the NMB pilot as
4 well.

5 Q. Okay. But no additional customers will
6 be able to join the pilot after the notification
7 period has elapsed; is that correct?

8 A. No. New and expanded accounts of
9 existing pilot participants shall also have the right
10 to make the election whether the accounts are known
11 or in existence by the election deadline.

12 Q. Let's turn your attention to -- I am
13 going to switch gears to the time-of-use rate, and if
14 I just refer to it as the TOU or time-of-use rate,
15 will you understand that I am discussing the
16 experimental time-of-use rate proposal for commercial
17 high load factors in the second supplemental
18 stipulation?

19 A. I would prefer that we refer to it as the
20 experimental high load factor time-of-use rate
21 because the company does have other time-of-use rates
22 to avoid confusion.

23 Q. Fair enough. Thank you. The -- may I
24 refer to it as the HLFTOU for abbreviation purposes?

1 A. The experimental HLFTOU, sure.

2 Q. Okay. Referring to the experimental
3 HLFTOU, does this experimental program only apply to
4 nonshopping customers, or can only nonshopping
5 customers take service pursuant to the experimental
6 HLFTOU?

7 A. Yes.

8 Q. You stated earlier that you are not aware
9 of any customers that currently qualify, but do you
10 know whether the company has done any analysis of how
11 many customers would qualify for the experimental
12 HLFTOU?

13 A. The company is not currently aware of any
14 customers that qualify for the experimental high load
15 factor time-of-use rate. Companies, I should say
16 plural. Pardon me.

17 Q. Do you know whether any current customers
18 have expressed interest in participating in the
19 experimental HLFTOU?

20 A. No customer has notified the company of
21 its intent to participate in the experimental high
22 load factor time-of-use rate at this time.

23 Q. Is the experimental HLFTOU available to
24 any customer that meets the requirements or only

1 signatory parties to the stipulation that meets the
2 requirements?

3 A. The rate is available to any customer
4 that meets the applicability requirements.

5 Q. Do you or does the -- do the companies
6 know whether any customer, in fact, would qualify
7 pursuant to the applicability requirements?

8 MR. KUTIK: Objection, asked and
9 answered.

10 A. The companies are not currently aware of
11 any customer that meets the applicability
12 requirements.

13 Q. So before proposing the experimental
14 HLFTOU, the companies did not know whether it would
15 even be an operable experimental program?

16 MR. KUTIK: Objection.

17 A. It is an operable experimental rate
18 design. The companies don't know if any customers
19 will in the future meet the applicability
20 characteristics or whether they will elect to
21 participate in the rider.

22 Q. Well, if no customers qualify for the
23 program, how does it provide an opportunity to
24 determine whether time-of-use rates could reduce

1 their -- the energy bills of customers?

2 MR. KUTIK: Objection, argumentative.

3 A. May I ask you to restate the question,
4 please.

5 Q. You stated earlier today that the purpose
6 of the experimental HLFTOU proposal is to give
7 commercial customers an opportunity to determine
8 whether the time-of-use rates can reduce their energy
9 bills; is that right?

10 A. Yes.

11 Q. And I am asking how it would provide that
12 opportunity if no customers could qualify for the
13 program.

14 MR. KUTIK: Objection, misstates her
15 testimony, also argumentative.

16 A. The commercial customers have the
17 opportunity to participate in the program to the
18 extent that they meet the applicability requirements.
19 It is within their control whether or not they meet
20 those applicability requirements.

21 Q. Under their control to meet the
22 applicability requirements, I am assuming you are
23 suggesting that they have the ability to either
24 locate headquarters in Ohio or not. Is that one of

1 those requirements you are referencing?

2 A. Yes.

3 Q. And there they could have a 70 percent
4 load factor; is that another requirement you are
5 referencing?

6 A. Yes.

7 Q. How are the factors of the time-of-use --
8 the experimental HLFTOU -- excuse me. Let me
9 rephrase.

10 How are the applicability requirements of
11 the experimental HLFTOU created?

12 A. The result of negotiation.

13 Q. Well, who proposed the applicability
14 requirements?

15 MR. KUTIK: Well, at this point I'll
16 object. That's subject to settlement confidentiality
17 so I will instruct the witness not to answer that
18 question.

19 Q. So is your response that the
20 applicability requirements were negotiated in the
21 settlement by certain parties? Is that your
22 testimony?

23 A. My testimony is the applicability
24 criteria were negotiated as part of the settlement

1 process.

2 Q. You mentioned earlier that no customers
3 have notified the company of their intent to
4 participate in the program. Under the settlement
5 provision and the experimental HLFTOU program, are
6 customers required to notify the companies of their
7 participation?

8 A. I think as a practical matter they would
9 have to notify the companies so that the companies
10 could provide service pursuant to this tariff to
11 those customers.

12 Q. Is there any deadline for such
13 notification?

14 MR. KUTIK: Objection, asked and
15 answered.

16 A. No.

17 Q. Is there any deadline for active
18 participation in this program?

19 A. May I ask you to restate the question,
20 please.

21 Q. Do -- does a customer have to elect and
22 participate in the program prior to a date certain?

23 THE WITNESS: May I have that question
24 reread, please, ma'am.

1 (Record read.)

2 A. No.

3 Q. Okay. Forgive me if you answered this
4 before, I couldn't hear the response, is this a --
5 will this program, experimental HLFTOU, appear as a
6 tariff provision that customers may elect to take
7 service pursuant to?

8 A. Yes.

9 Q. Let's talk specifically about the
10 attachment to your fourth supplemental testimony.
11 It's Attachment 1 Experimental HLFTOU Rate Design
12 Illustration.

13 A. There is no such attachment to my fourth
14 supplemental testimony.

15 Q. I'm sorry, you attached it to the
16 stipulation; is that right?

17 MR. KUTIK: As we noted earlier, yes.

18 Q. My apologies. Are you -- do you have it
19 in front of you, Ms. Mikkelsen?

20 A. Yes.

21 Q. Is it true that some of the values in the
22 illustrative example of Attachment 1 will be constant
23 while some of the values will be variable?

24 MR. KUTIK: Objection.

1 A. May I ask you to restate the question,
2 please.

3 Q. What are you having trouble with?

4 A. What is meant by "available."

5 Q. Available. Well, some of the values
6 contained in the illustrative example remain static
7 or constant while other values will fluctuate based
8 on either a particular customer or an event in time.

9 A. May I ask you to restate the question,
10 please.

11 Q. How about we just go through it item by
12 item and it might be helpful. If you look at line 3,
13 the capacity value constant for ESP IV term, and this
14 is the capacity value megawatt-day, dollars-per-
15 megawatt-day, the \$150 number, that is a negotiated
16 number? Is that a negotiated number?

17 A. Yes.

18 Q. Okay. And that number will remain
19 constant; is that correct?

20 A. As it says on Attachment 1, that value
21 will remain constant for the ESP IV term.

22 Q. Okay. Thank you. Now, if we go to line
23 4 which is the load factor and you had a little bit
24 of discussion earlier today that that load factor

1 percentage was based upon the rider GEN calculation;
2 is that correct?

3 MR. KUTIK: Objection.

4 A. I think what I said earlier was it was
5 taken from our rider GEN filing for the '15-16
6 delivery year.

7 Q. Thank you. Because that's the -- that
8 represents the load factor on the retail system; is
9 that correct?

10 A. Correct.

11 Q. Okay. So line 5, the annual capacity
12 calculation, the \$12.08, will that remain constant in
13 the experimental program?

14 A. It may or may not remain the same.

15 Q. Why would it not remain the same?

16 A. If the load factor changes from the 52
17 percent shown here.

18 Q. So will the tariff that is filed change
19 annually with the rider GEN filing?

20 A. The rates contained in the tariff will
21 change annually coincident with the changes in the
22 rider GEN filing.

23 Q. And will the -- the tariff will be an
24 established tariff that may change annually, but it

1 will not -- there will not be a calculation of the
2 total TOU charged on an individual customer basis,
3 will there be?

4 MR. KUTIK: Objection.

5 A. May I ask you to restate the question,
6 please.

7 Q. I apologize. The companies do not intend
8 to do a TOU charge for a particular customer. It
9 will be a set tariffed rate; is that correct?

10 A. Correct.

11 Q. The loss factors that are listed on lines
12 11 and 12, those also will be revised to correspond
13 with the rider GEN filing; is that correct?

14 A. Only to the extent that the loss factors
15 in the rider GEN filing are revised.

16 Q. Now, if we go down to the energy charge
17 calculation, the auction price is the auction price
18 from the companies' standard service offer
19 competitive bid auction; is that correct?

20 A. It is the total clearing price resulting
21 from a number of competitive bid processes for a
22 given delivery year.

23 Q. Thank you for that clarification. So the
24 \$65.10 number on line 16 is the 2015-16 rider GEN

1 auction -- cumulative auction prices; is that
2 correct?

3 MR. KUTIK: Objection.

4 A. The \$65.10 is the result of the
5 competitive bid processes for the SSO load for the
6 '15-16 delivery year.

7 Q. And the -- if you look down to lines 22
8 and 23, the auction costs listed on those lines for
9 rate GS and GP, those are as a result of the 2015-16
10 clearing prices as well?

11 A. No.

12 Q. What is the auction cost listed in 22 to
13 23?

14 A. The costs that need to be recovered for
15 conducting the auctions for the '15-16 delivery year.

16 Q. So as I understand your testimony, the
17 last box or the total TOU charge dollars per kWh will
18 be revised through the tariff on an annual basis
19 concurrent with the rider GEN; is that right?

20 A. Yes.

21 Q. You talked a little bit earlier about the
22 experimental HLFTOU recovery of differences in your
23 testimony. It is the fourth supplemental testimony
24 on page 2.

1 A. I'm there.

2 Q. Is the difference that you were
3 referencing the difference between the revenues
4 collected from a customer operating under the
5 experimental HLFTOU pilot program and the revenues
6 collected if the customer were taking service under
7 rider GEN?

8 MR. KUTIK: Objection.

9 A. No.

10 Q. So the cost that you reference on line
11 15, what is the cost?

12 A. The cost is the cost per megawatt-hour
13 paid to the suppliers who are supplying the SSO load
14 during the time period.

15 Q. And that cost per megawatt-hour that's
16 paid to the supplier would equal the rider GEN rate;
17 is that right?

18 A. No.

19 Q. Okay. What would the cost per
20 megawatt-hour to the suppliers supplying SSO load
21 equal?

22 MR. KUTIK: Objection.

23 THE WITNESS: I'm sorry, could I have
24 that question reread, please.

1 (Record read.)

2 A. The auction clearing -- the average
3 clearing auction price for the delivery year.

4 Q. And that average auction clearing price
5 that would be paid to the suppliers supplying the SSO
6 load would equal -- in your example, Attachment 1,
7 would equal line 16; is that correct?

8 A. Yes.

9 Q. And the recovery of differences that you
10 reference so the difference between the revenues
11 collected from the customer taking service pursuant
12 to the experimental HLF time-of-use rate and the
13 average auction clearing price would be collected
14 from all customers through rider GCR; is that
15 correct?

16 MR. KUTIK: Objection, asked and
17 answered. Go ahead.

18 A. The cost or credit arising from the
19 difference would be recovered or returned to the
20 customers in rider GCR.

21 Q. Is a customer taking service pursuant to
22 the experimental HLFTOU subject to rider GCR?

23 A. Yes.

24 Q. I'm sorry, just didn't hear you.

1 A. Yes.

2 Q. Are there administrative costs associated
3 with the implementation of the experimental HLFTOU
4 program?

5 A. Yes.

6 Q. And would those costs also be passed
7 through -- or would those costs be included in the
8 calculation of recovery of differences?

9 A. Again, recovery or return of differences
10 but, no, they would not be included in that
11 calculation.

12 Q. Where would the administrative costs --
13 well, let me ask will the administrative costs be
14 collected from customers?

15 A. That is not part of our proposal.

16 MR. KUTIK: Let's go off the record for a
17 minute.

18 (Recess taken.)

19 Q. (By Ms. Bojko) Okay. I would like to
20 switch gears to the rider ELR that's proposed as
21 revised in the supplemental stipulation.

22 Ms. Mikkelsen, what is the total number of customers
23 that have notified FirstEnergy of their intent to
24 participate in the ELR program?

1 A. Five customers who are not currently
2 taking service under rider ELR have notified the
3 company of their intent to participate in rider ELR.

4 Q. How many customers currently participate
5 in rider ELR?

6 A. 27.

7 Q. What is the total amount of curtailable
8 load associated with all of those customers that
9 intend to participate in the ELR going forward under
10 the ESP IV plan?

11 MR. KUTIK: May I have the question read,
12 please.

13 (Record read.)

14 A. The curtailable load cap associated with
15 the five customers who have notified the company that
16 they intend to participate during ESP IV is 136,250
17 kW. Customers currently taking service under rider
18 ELR haven't provided notification or signed contract
19 addendums indicating their intent to continue to
20 participate, so I don't know with certainty how many
21 of those customers would continue to take service
22 during ESP IV.

23 Q. The existing ELR customers were not
24 required in the stipulation to provide the notice by

1 on or before the May 31, 2015, date?

2 A. Correct.

3 Q. And when you said that the five new
4 customers the curtailable load cap is 136,250 kW
5 listed in the stipulation, my question was do you
6 know the load of the curtailable -- do you know the
7 curtailable load of the customers that have notified
8 you of their intent to participate?

9 MR. KUTIK: Objection, asked and
10 answered.

11 A. The 136,250 kW is the summation of the
12 individual customers' curtailable load caps.

13 Q. Is the summation of the five new
14 customers' curtailable load cap?

15 A. Correct.

16 Q. So the stipulation did not envision any
17 customer -- any new customers other than the five
18 customers that you used to create the 136,250 kW load
19 cap would notify the companies of their intent to
20 participate?

21 MR. KUTIK: Objection.

22 A. I'm sorry. May I ask you to restate that
23 question, please.

24 Q. The stipulation was drafted to only

1 permit the five new customers that totaled the total
2 curtailable load cap of 136,250 kW customers; is that
3 right?

4 MR. KUTIK: Objection, assumes facts.

5 A. No.

6 Q. But no new customers could participate
7 because the load -- total curtailable load cap was
8 already met when you filed the stipulation; isn't
9 that true?

10 A. No.

11 Q. If the five new customers have already
12 meet the total allowable curtailable load cap, how
13 could any new customers participate in the program?

14 MR. KUTIK: Objection, assumes facts.

15 A. May I ask you to restate the question,
16 please.

17 Q. What do you have a problem with my
18 question? Which part of my question is problematic?

19 A. The underlying assumptions in the
20 question.

21 Q. I thought you told me that 136,250
22 curtailable load cap contained in the stipulation was
23 derived from the five new customers' individual load
24 caps.

1 A. No.

2 Q. Am I right?

3 A. No.

4 Q. I misunderstood you then. So how was the
5 136,250 kW derived?

6 A. It was a negotiated value.

7 Q. And that negotiated value equals the
8 summation of the five new customers' load caps?

9 A. It does but only because the load caps --
10 the curtailable load caps of some of the new
11 customers were prorated in order to not exceed the
12 136,250 kW.

13 Q. And given that response it's fair to say
14 that the customers that were required to notify you
15 had to tell you the amount of their load and the
16 accounts that they wanted or intended to participate
17 in the ELR program; is that right?

18 A. No.

19 Q. So do the new customers -- when they
20 notified you of their intent to participate, did they
21 tell you which accounts and which load they intended
22 to include in the ELR program?

23 A. The customers that provided notification
24 to the companies pursuant to the stipulation were

1 customers who -- and accounts that have historically
2 been eligible for ELR, so it wasn't necessary for
3 them to tell us what account. We knew if they were
4 an eligible customer what the account was.

5 Q. Thank you for that clarification. And
6 then so under the assumption that the customer would
7 continue to have the load and the accounts associated
8 with the ELR program that they could historically be
9 able to participate, that they would, in fact, choose
10 to participate that level and that number of
11 accounts?

12 A. May I ask you to restate that question,
13 please.

14 Q. Is the companies' assumption that those
15 new customers would participate in the ELR program at
16 the same level both with regard to load and number of
17 accounts that they are historically eligible to
18 participate in?

19 MR. KUTIK: Objection.

20 A. The only accounts that could participate
21 and provide notification of their intent to
22 participate if they weren't already taking service
23 under ELR are accounts that had historically been
24 eligible for ELR, and each of those accounts had with

1 it a historical curtailable load cap.

2 Q. But have those customers actually
3 notified you that they will, in fact, participate
4 that same level of curtailable load that they have
5 historically been eligible to participate?

6 MR. KUTIK: Objection.

7 A. They have not provided or executed
8 contract addendums identifying what their firm
9 service level will be, but in no instance will they
10 be able to be compensated for curtailable load in
11 excess of their historical curtailable load cap.

12 Q. And because the current 27 customers have
13 not confirmed or verified their intent to participate
14 in the ELR, the companies do not know the total
15 curtailable load that will participate in the ELR at
16 this time?

17 A. Correct.

18 Q. When do current customers have to notify
19 you of their intent to participate?

20 A. Upon approval of rider ELR by the Public
21 Utilities Commission of Ohio, we would ask those
22 customers to execute a contract addendum for service
23 during the ESP IV period.

24 Q. And just to be clear those current

1 customers that could participate in rider ELR do not
2 have to be signatory parties to the stipulation.

3 MR. KUTIK: Objection.

4 THE WITNESS: May I ask you to reread
5 that question, please, ma'am.

6 (Record read.)

7 A. Correct.

8 Q. I am turning to the -- your Attachment
9 EMM-3 attached to your third supplemental testimony.
10 Page 1 is a redline of the ELR program from the first
11 stipulation to the supplemental stipulation; is that
12 accurate?

13 A. It is --

14 MR. KUTIK: Could you read the question,
15 please.

16 (Record read.)

17 A. It is a redline of the stipulation and
18 recommendation section Roman VA1 related to ELR.

19 Q. Oh, I'm sorry. Were you finished?

20 MS. BOJKO: I'm sorry. Did she say
21 related to ELR?

22 MR. KUTIK: Yes.

23 A. Through item 6, VA1i 1 through 6.

24 Q. Thank you. I apologize. I just did not

1 hear you. I thought you were finished. And it is a
2 redline of the stipulation Section 5A1 as you just
3 stated to reflect the supplemental stipulation; is
4 that correct?

5 A. To reflect changes agreed to by the
6 signatory parties in the second supplemental
7 stipulation.

8 Q. Thank you. In the second supplemental
9 stipulation or in the supplemental stipulation?

10 A. I'm sorry, pardon me, the supplemental
11 stipulation.

12 Q. Thank you. And as you explained to me
13 previously, each customer participating in the ELR,
14 each new customer, has a curtailable load cap; is
15 that correct?

16 A. Yes.

17 MR. KUTIK: Objection.

18 Q. And that curtailable load cap is based
19 upon what was historically eligible to participate in
20 an ELR program except for customers that have been
21 prorated; is that accurate?

22 A. Yes.

23 Q. And what -- why would a customer be
24 prorated?

1 A. To the extent that customers provided
2 notice that they wanted to participate in rider ELR
3 and the summation of their curtailable -- historical
4 curtailable load caps exceeded 136,250 kW, then their
5 historical curtailable load caps needed to be reduced
6 on a pro rata basis to ensure that they would not in
7 total exceed the cap, the new curtailable load cap,
8 established in the stipulation.

9 Q. And was that done on a first come first
10 serve basis?

11 MR. KUTIK: Objection.

12 A. May I ask you to restate the question,
13 please.

14 Q. Sure. The determination of whether a
15 customer would be able to include the total historic
16 eligibility versus whether a customer would be
17 prorated would be based upon when the customers
18 notified the company of their intent to participate
19 in the program?

20 A. Yes.

21 Q. So are there more than one customer that
22 is prorated?

23 A. Yes.

24 Q. How would the proration be determined?

1 A. Customers that provided notice on or
2 about May 1 were approved for participation at their
3 historical curtailable load caps, customers who
4 provided notification after May 1 but before May 31
5 were prorated so that the aggregate total curtailable
6 load of all such new ELR customers did not exceed
7 136,250 kW per month.

8 Q. But was the proration done on an equal
9 percentage basis among those customers that notified
10 you between May 1 and May 31?

11 A. Yes.

12 Q. And the difference between May 1 and
13 May 31 that we have been discussing, that is that the
14 notice extension deadline was extended; is that
15 correct?

16 A. May I ask you to restate the question,
17 please.

18 Q. Yes. My apologies. So in the original
19 stipulation notice of intent to participate was May 1
20 and that was extended in a supplemental stipulation
21 to May 31; is that correct?

22 A. Yes.

23 Q. And how was that revised notice date
24 selected?

1 A. In negotiation.

2 Q. And how many customers provided
3 FirstEnergy with the requisite notice between May 1
4 and May 31?

5 A. Two.

6 Q. And so as I understand it, prior to May
7 1, 2015, three new customers had elected to take
8 pursuant to rider ELR and -- is that right?

9 A. I'm not sure I caught that question. May
10 I ask you to repeat it, please.

11 Q. Sure. Before or as of May 1, 2015,
12 before the extension of the supplemental stipulation,
13 it's my understanding that there were three customers
14 that were new customers under the rider ELR
15 provision; is that right?

16 A. Three customers provided notice of intent
17 to participate prior to May 1, 2015.

18 Q. Okay. And those three customers would
19 have a combined curtailable load cap of 70,532 kW?

20 A. Yes.

21 Q. And then the differential between the
22 70,532 and 136,250 kW would be the pro rata share of
23 each of the two other new customers that now have
24 notified the company of their intent to participate;

1 is that right?

2 A. No.

3 Q. Why not?

4 A. The total share of curtailable load for
5 the two additional customers.

6 Q. But the difference between 70,532 and
7 136,250 is what the shareable curtailable load --
8 shareable curtailable load for the two remaining new
9 customers that have noticed you of their intent to
10 participate in the ELR; is that right?

11 A. I'm not sure what you mean by "shareable
12 curtailable load."

13 Q. I'm sorry. I thought that was your
14 terminology. The difference between those two
15 numbers is the amount of load available to the two
16 new customers that notified you of their intent to
17 participate after May 1, 2015; is that right?

18 MR. KUTIK: Objection.

19 A. It is the amount of curtailable load for
20 the two customers that provided their notice of
21 intent to between May 1 and May 31.

22 Q. Okay. And you stated that those two
23 customers have prorated load caps with regard to that
24 leftover curtailable load; is that right?

1 A. I think what I said is that their
2 historical load caps exceeded the difference between
3 the 136,250 and the 70 point -- I can't remember the
4 exact decimal number but the difference between those
5 numbers.

6 Q. Okay. And because the 136,250 kW --
7 strike that.

8 Have the companies denied any new
9 customers' requests to participate in rider ELR
10 during the ESP term?

11 MR. KUTIK: Objection.

12 A. Can you restate the question as it
13 relates to "new customers" because we have been using
14 that term in the context of this stipulation
15 provision.

16 Q. Well, let's back up. Does -- does the
17 new customer taking service pursuant to the rider ELR
18 provision, does that customer have to have been a
19 signatory party to the stipulation?

20 A. No.

21 Q. Okay. So have the companies -- have the
22 companies denied a request by a customer that would
23 like to participate under the new customer provision
24 contained in the supplemental stipulation regarding

1 ELR?

2 A. The companies were approached by a
3 customer who was not historically eligible for rider
4 ELR asking if they could participate in rider ELR,
5 and the company responded no.

6 Q. Because of the eligibility requirement?
7 Because they failed to meet the eligibility
8 requirement?

9 A. Correct, requirements, correct.

10 Q. Almost done. The last area I would like
11 to do -- address is your supplemental -- your
12 supplemental testimony. I'm sorry, it's the second
13 supplemental testimony regarding the AEP factors.

14 A. I have it.

15 Q. Have you? Okay. Earlier in response to
16 Mr. Sauer, you talked about dispatchable resources.
17 Do you recall that?

18 A. Yes.

19 Q. Who -- who dispatches -- in your
20 reference who is the entity that dispatches the
21 resources?

22 A. The operators of the generating station
23 physically are responsible for dispatching the units.
24 The direction to dispatch may come from a

1 transmission operator or PJM.

2 Q. And you -- in your testimony as well as
3 your testimony at the deposition, you've referred to
4 the delivery system, the companies' delivery system.
5 What do you mean by "delivery system"?

6 A. The companies' delivery system is the
7 companies' distribution system.

8 Q. On page 4 of your supplemental -- second
9 supplemental testimony you talk about Strah's
10 testimony. And I believe you stated that you also
11 believe that continued operation of the plant
12 promotes stability and certainty; is that correct?

13 A. Yes.

14 Q. Do you believe that that promotion of
15 stability and certainty exists regardless of who owns
16 the generating plants and OVEC?

17 A. Not necessarily.

18 Q. So if FirstEnergy Solutions no longer
19 owns the plant but the plants continue to operate,
20 there is no promotion of stability and certainty for
21 the distribution system?

22 MR. KUTIK: Objection, assumes facts.

23 A. May I ask you to restate the question,
24 please.

1 Q. Sure. If somebody other than FirstEnergy
2 Solutions owns the plants and the OVEC share that you
3 are referencing on line 15 of your testimony on page
4 4, if somebody else owns those plants but they still
5 continue to operate, do you believe that that
6 operation will promote the stability and certainty
7 for the companies' distribution system?

8 A. I think that would depend on the manner
9 in which the plants are maintained and operated by
10 whoever the owner might be.

11 Q. Do you believe that the continued
12 operation of the plants and OVEC is necessary for
13 stability and certainty for the companies'
14 distribution system?

15 A. May I ask you to restate the question as
16 it relates to "necessary."

17 Q. I am asking do you believe, as
18 Mr. Strah's testimony states, that the continued
19 operation of the plants and OVEC is needed to promote
20 stability and certainty for the companies' delivery
21 system. Do you believe that it is needed or
22 necessary?

23 MR. KUTIK: Objection, asked and
24 answered.

1 A. Yes.

2 Q. Turn to page 6 of your testimony, please,
3 second supplemental. You talk about economic
4 development. Do you see that?

5 A. Yes.

6 Q. Did you conduct an analysis regarding the
7 economic impact on customers from an increase in
8 energy costs for those customers?

9 MR. KUTIK: Objection, assumes facts.

10 A. May I ask you to restate the question,
11 please.

12 Q. What part of my question do you not
13 understand?

14 A. The underlying assumptions in the
15 question.

16 Q. Well, did you conduct any analysis
17 regarding any economic impact that might exist or
18 occur to customers if there is an increase in
19 economic costs for those customers?

20 MR. KUTIK: Objection.

21 A. The application includes an analysis of
22 the benefit to customers under the rider RRS proposal
23 associated with the \$2 billion in rate stabilization
24 credits that would accrue to the benefit of the

1 customers.

2 Q. But my question is did you conduct any
3 analysis regarding any economic impact on customers
4 from an increase in energy costs?

5 MR. KUTIK: Objection, asked and
6 answered, assumes facts.

7 A. I don't understand the context of the
8 question.

9 Q. Well, as energy rates increase, has there
10 been any study performed to show the impact on
11 customers from those rate increases to customers?

12 MR. KUTIK: Same objection.

13 A. The application includes an analysis of
14 the rate stabilization credits that will accrue to
15 the customers in a raising -- a scenario of raising
16 energy and capacity prices.

17 Q. I am asking if you did an economic impact
18 study not with regard to the rate stabilization
19 program. I am asking if you did an economic impact
20 study on what is the effect on customers from
21 increases in costs that are passed on to those
22 customers.

23 MR. KUTIK: Objection, asked and
24 answered.

1 A. I don't have anything more to add to my
2 answer.

3 Q. So but for the rider RRS analysis that
4 was provided with the application, did you not do any
5 kind of study regarding an impact on customers with
6 regard to an increase in our energy costs?

7 MR. KUTIK: Objection, asked and
8 answered.

9 A. I don't have anything more to add to my
10 answer.

11 Q. You didn't perform a specific study
12 regarding increase in energy costs, did you?

13 MR. KUTIK: Objection. I will instruct
14 her not to answer. You have asked the question now
15 five times. She answered it. She has nothing to add
16 to her answer. Let's move on.

17 MS. BOJKO: She hasn't answered it. She
18 keeps changing the question.

19 MR. KUTIK: No, she has and my
20 instruction stands.

21 Q. Well, earlier today you mentioned a level
22 of rate with regard to customers and have you -- have
23 you conducted any analysis on the economic impact on
24 customers for various levels of energy rates?

1 MR. KUTIK: May I have the question read,
2 please.

3 (Record read.)

4 A. May I ask you to restate the question,
5 please. I'm not able to picture the testimony you
6 are referring to in my mind.

7 Q. Okay. Is it fair to say you have not
8 conducted any analysis on what the economic impact to
9 customers would be at various levels of electric
10 rates?

11 A. Again, we have calculated what the value
12 is of the retail rate stability rider to customers
13 over the 15-year planning horizon by rate schedule.

14 Q. I am not talking about the impact of the
15 rider RRS. I am just talking about a general
16 analysis of -- of an impact associated with a
17 customer if you increase their energy costs.

18 MR. KUTIK: Well, now, you are arguing
19 with the witness. You know, the fact there was this
20 analysis done with respect to RRS is such an analysis
21 so we -- she's answered your question. She's
22 answered your question so go ahead.

23 Q. Have you conducted an analysis outside of
24 the retail rate stability analysis that looks at

1 electric rates and the impact of those electric rates
2 on various levels of customers?

3 MR. KUTIK: Objection.

4 A. I have quantified the impact of the
5 incremental transmission investment identified in
6 Mr. Phillips' testimony on the customers of the
7 companies.

8 Q. Hello. Are you still there?

9 MR. KUTIK: Yes.

10 A. Yes.

11 Q. The phone went blank so I don't know if I
12 heard the end of your sentence or answer.

13 MS. BOJKO: Could I have that reread,
14 please.

15 (Record read.)

16 Q. And have you looked at the financial
17 impact that you just referenced regarding an increase
18 in transmission rate on how that has an economic
19 development effect on customers in the state of Ohio?

20 MR. KUTIK: Objection, mischaracterizes
21 her testimony.

22 A. May I ask you to restate that question,
23 please.

24 Q. Have you looked at the increase in

1 transmission rate that you just referenced, the
2 increase in potential investment in the transmission,
3 have you looked at how that increase in energy costs
4 will impact customers from an economic development
5 standpoint?

6 MR. KUTIK: Same objection.

7 A. What I can say is that that investment in
8 the transmission system would serve to maintain the
9 existing reliability that the customers have today.
10 It would not improve or enhance the reliability, and
11 so from an economic development perspective, in that
12 respect I think it just returns from a reliability
13 perspective to the situation they would be in should
14 the plans continue to operate.

15 Q. Okay. I'm sorry. Did you say you don't
16 believe a transmission investment could improve the
17 reliability to the customers?

18 MR. KUTIK: Objection, mischaracterizes
19 her testimony.

20 MS. BOJKO: I am asking if she said that.
21 I didn't hear her.

22 A. I said that the transmission investment
23 described in Mr. Phillips' testimony would be
24 necessary to maintain the existing level of

1 reliability consistent with when the plants are
2 operating.

3 Q. And do you believe that that new
4 transmission investment could have an enhancement
5 just by virtue of the technology or the new
6 construction of the transmission facilities?

7 A. No. I believe the incremental investment
8 was predicated -- based on the assumption of
9 maintaining the reliability that exists today.

10 Q. Okay. On line --

11 MR. KUTIK: Kim, I don't believe the
12 witness finished her answer.

13 Q. Oh, I apologize.

14 MR. KUTIK: I may be wrong but go ahead.

15 A. Meeting the existing reliability
16 criteria. That's it.

17 Q. My apologies. It's hard when you pause.
18 Lines 8 and 9, you state that \$2 billion in rate
19 stabilization credits that customers would forego if
20 the plants and OVEC were to close. The \$2 billion in
21 rate stabilization credits that you reference here
22 are potential credits; is that correct?

23 MR. KUTIK: Objection.

24 A. Those are the credits that the companies

1 based on their analysis forecast the customers will
2 receive under the rate stabilization program.

3 Q. Right. It's a projected number. It's
4 not a guaranteed \$2 billion credit to customers; is
5 that right?

6 A. Correct.

7 Q. Okay. And the credits that you reference
8 in those lines, those are tied to rider RRS, correct?

9 A. The \$2 billion are rate stabilization
10 credits over the term of the economic stability
11 program.

12 Q. Okay. Over the 15-year term; is that
13 right?

14 A. Yes.

15 Q. Although those credits are only possible
16 if the market revenues from the output of the plants
17 exceed the costs delineated in the proposed
18 transaction; is that right?

19 A. Yes.

20 Q. Okay. If the plants close, do you know
21 whether the companies are still required to pay
22 certain costs under the proposed transaction?

23 MR. KUTIK: Objection, incomplete
24 hypothetical.

1 A. May I ask you to restate the question,
2 please.

3 Q. Sure. If the plants close as indicated
4 on line 9, if those plants close, are the companies
5 still responsible under the proposed transaction to
6 pay certain costs associated with those plants?

7 A. The -- there would be no proposed
8 transaction if the plants close.

9 Q. Well, what if the plants close after the
10 proposed transaction is approved?

11 A. The proposed transaction calls for the
12 plants to operate through May 31 of 2031.

13 Q. And doesn't the proposed transaction
14 require the companies to pay the costs of those
15 plants even if the plants aren't -- are not
16 operating?

17 MR. KUTIK: Objection, assumes facts.

18 A. No.

19 Q. Turning to page 7 of your testimony, in
20 discussions earlier today you talked about the number
21 on line 15, the \$436.5 million, and I believe you
22 said that assumes 82 percent of the transmission
23 investments will be allocated to the companies; is
24 that correct?

1 THE WITNESS: May I ask you to reread the
2 question, please, ma'am.

3 (Record read.)

4 A. Yes.

5 Q. And under the companies' analysis who
6 will be allocated the remaining 18 percent?

7 A. May I ask you to restate the question,
8 please.

9 Q. If 82 percent is allocated to companies,
10 where is the remaining 18 percent allocated?

11 A. To other companies or municipalities.

12 Q. And when you say "other companies," do
13 you mean transmission owners?

14 MR. KUTIK: Could you say that again,
15 please.

16 Q. When you state "other companies," are you
17 referring to transmission owners?

18 A. No.

19 Q. Could those costs be allocated to other
20 transmission owners?

21 A. I think those costs are allocated to
22 other wholesale transmission customers.

23 Q. Okay. So when you use the word
24 "companies," you said "other companies," I am

1 assuming you don't mean the FirstEnergy companies as
2 we defined it today so what is meant by "other
3 companies"? The wholesale transmission customers?

4 A. Yes.

5 Q. Okay. And that could be either
6 transmission owners, distribution, other distribution
7 companies, or other commercial customers?

8 MR. KUTIK: Objection.

9 A. I think it is as I stated, other
10 wholesale transmission customers.

11 Q. Okay. Referring to the 82 percent that
12 you believe would be allocated to customers -- excuse
13 me, to the companies meaning the FirstEnergy
14 companies, would the companies propose to pass that
15 on to the companies' customers?

16 A. I think what we said is this was the
17 estimated amount that would be allocated to make the
18 distinction between what we believe may or may not
19 be. I think, as Mr. Phillips testified, you know,
20 it's difficult to estimate precisely how the dollars
21 will be allocated because that's dependent upon the
22 final transmission reliability solution that's chosen
23 so this is the companies' estimated allocation.

24 Q. Fair enough. Thank you for that

1 clarification. So with that clarification whatever
2 costs ultimately are allocated to the companies,
3 would those -- would the companies propose to pass
4 that on to its customers?

5 A. Yes.

6 Q. Okay. And what process would the
7 companies propose to do that?

8 MR. KUTIK: Objection.

9 A. The costs would be included in the
10 charges that the companies assess their customers
11 through rider NMB as the tariffs currently exist.

12 Q. So you don't believe a separate
13 Commission approval would be necessary because the --
14 there is already the existence of rider NMB?

15 A. I think the costs would be charged to the
16 companies through PJM and on their PJM invoice, and
17 those charges would then be recovered pursuant to
18 Commission order in our rider NMB.

19 Q. Okay. Thank you. Turning to page 9 of
20 your testimony, on line 5 -- well, on line 4, you are
21 again in this section talking about retail
22 stabilization credits. You say "As a result,
23 customers' future rates would increase." Do you see
24 that?

1 A. Yes.

2 Q. And, again, this is -- the potential for
3 a retail rate stabilization credit is not guaranteed;
4 is that right?

5 A. I think the potential is guaranteed
6 assuming approval of the retail rate stability rider.

7 MR. KUTIK: I'm sorry. Excuse me. May I
8 have the answer read because she was laughing or
9 something. I couldn't really hear so go ahead.

10 (Record read.)

11 Q. I'm sorry. I meant the benefit of the
12 credit, the benefit from receiving a retail rate
13 stability -- stability credit is not guaranteed as
14 receiving the credit is only a potential; is that
15 right?

16 A. I apologize. May I ask you to restate
17 the question. It was -- I just was unclear. There
18 was disturbance in the beginning of the question. It
19 was difficult to hear.

20 Q. The opportunity to -- strike that.

21 The retail rate stability credit is not
22 guaranteed, so the deprivation of receiving that
23 credit is only a potential to increase the costs to
24 customers; isn't that right?

1 MR. KUTIK: Objection, asked and
2 answered.

3 A. The companies project that the retail
4 rate stability rider will provide a benefit of over
5 \$2 billion to its customers over the term of the
6 economic stability program. To the extent that those
7 retail rate stability credits are not available to
8 customers, then the rates would be higher than they
9 would be with the presence of the retail rate
10 stability rider.

11 Q. Well, the retail rate could be lower than
12 what customers currently pay; isn't that true?

13 A. May I ask you to restate the question,
14 please.

15 Q. Well, you say customers' future rates
16 would increase. But without the retail rate
17 stability program, isn't it possible that customers'
18 current rates could decrease through the electric
19 market?

20 MR. KUTIK: Objection.

21 Q. The energy market?

22 MR. KUTIK: Objection.

23 A. I would not anticipate electric energy
24 rates, which I think was your question, being lower

1 over the 15-year term than they are today.

2 Q. But it is possible.

3 MR. KUTIK: Objection, asked and
4 answered.

5 A. I don't expect energy rates over the
6 15-year term to be lower than they are today.

7 Q. Okay. And your assumption as a result
8 the future rates would increase, your assumption is
9 over the 15-year period; is that right?

10 A. What my testimony here is is that to the
11 extent that the customers aren't able to receive \$2
12 billion in retail rate stability credits, then
13 whatever rates they are paying through that time
14 period would be \$2 billion higher than they would be
15 if they had these credits.

16 Q. Assuming that the \$2 billion number that
17 you reference comes to fruition.

18 A. Yes.

19 Q. Okay. Can you turn to page 10 of your
20 testimony. On line 4 you talk about Mr. Rose points
21 out retirements of units will also result in an
22 increase of capacity prices. Do you see that?

23 A. Yes.

24 Q. Do you know whether this statement takes

1 into consideration any new generating plants located
2 around the load center?

3 A. I think it does.

4 Q. Okay. Would new baseload generating
5 units constructed around the load address your
6 stability and reliability concerns that you have?

7 MR. KUTIK: Objection, assumes facts,
8 incomplete hypothetical. Go ahead.

9 THE WITNESS: May I have the question
10 reread, please, ma'am.

11 (Record read.)

12 A. I don't know.

13 Q. On line 19 why do you expect the demand
14 for energy and capacity to be reduced if the plant --
15 let's start with Sammis -- if the Sammis plant
16 closes?

17 A. I think, as Ms. Murley points out in her
18 study, to the extent that the plants close, there
19 will be a gradual loss of employment in the area as
20 people move out of the area and into other -- you
21 know, out of the state potentially or to other areas
22 to look for replacement employment.

23 Q. So the loss of individual residence load
24 associated with employees that lose their job as a

1 result of the plants closing is what you are
2 referencing.

3 MR. KUTIK: Objection, mischaracterizes
4 her testimony. Go ahead.

5 A. I think it goes beyond that. That is
6 certainly an element of it but there is also a loss
7 in commercial, secondary, and tertiary load that I
8 think we would expect to lose to the extent that the
9 plants close.

10 Q. And there's also an assumption that those
11 employees of the plant could not find work at other
12 locations, is that correct, in the service territory?

13 A. They may be able to find work in the
14 service territory, but to the extent that they find
15 work in the service territory, that would displace
16 someone else who might take that job if they were
17 employed at the plant.

18 Q. So you are assuming if the plants close,
19 no other businesses would increase the level of their
20 employment ever?

21 A. Well, I think Mrs. Murley's testimony --
22 or Ms. Murley's testimony very amply demonstrates
23 what the economic and employment impacts are from
24 closing the plants both from a direct, a secondary,

1 and an induced perspective.

2 Q. I thought this statement was your
3 statement that you would expect some so I am asking
4 your opinion. Have you done any analysis of whether
5 the plant closure affects the location of residents
6 in and around the plant?

7 A. Well, I have reviewed Ms. Murley's study,
8 and I agree with the conclusion that, for example, to
9 the extent Davis-Besse closes and those jobs are no
10 longer available, that people that had those very
11 specific skills would have to look for employment
12 potentially elsewhere outside of the service
13 territory or the state of Ohio.

14 Q. Okay. And that is based on Ms. Murley's
15 testimony you stated?

16 A. It is based, in part, on my review of
17 Ms. Murley's testimony. It is also based on my
18 experience working for a period of time at the
19 nuclear plant and understanding the nuclear skill
20 sets and how those skill sets tend to transfer from
21 one nuclear plant to another more directly than to a
22 different line of work.

23 Q. You talked a little earlier today on page
24 12 of your testimony about the prudence review

1 associated with the proposed rider RRS. Do you
2 recall that?

3 A. I recall talking about the two-step
4 review process that the company proposed in its
5 original application, yes.

6 Q. Okay. And to your knowledge are there
7 other first -- the company riders that have a true-up
8 mechanism that -- well, that have a true-up
9 mechanism?

10 A. May I ask you to restate the question,
11 please.

12 Q. Sure. Are there other FirstEnergy riders
13 that are in existence today that have true-up
14 mechanisms or are reconciled on an annual basis?

15 MR. KUTIK: Objection.

16 A. We have riders that are reconciled on a
17 periodic basis.

18 Q. Thank you. They could be reconciled on a
19 quarterly or annual basis or semiannually; is that
20 correct?

21 A. Yes.

22 Q. And do some of those reconciliations
23 consist of a prudence review by the Commission or
24 staff?

1 MR. KUTIK: Objection.

2 A. Reconciliation of our riders is a
3 standard part of our rider mechanism where we would
4 compare costs incurred to dollars collected and
5 either return dollars that were collected in
6 excessive costs or seek to recover dollars that
7 weren't collected to cover the costs.

8 Q. Do any of those reconciliations include a
9 prudence review?

10 MR. KUTIK: Objection.

11 A. I think that the reconciliation mechanism
12 is perhaps independent of a review of costs that are
13 included in our riders. Our rider DCR, among others,
14 has an annual audit conducted by or at the direction
15 of the PUCO staff.

16 Q. Okay. And do you believe that the
17 Commission has the ability to conduct a prudence
18 review of riders generally?

19 MR. KUTIK: Objection.

20 A. I think the Commission has the ability to
21 review all riders.

22 Q. And in that review do you believe the
23 Commission has the authority to disallow recovery of
24 costs due to prudence issues?

1 MR. KUTIK: Objection.

2 A. May I ask you to restate the question,
3 please.

4 Q. Sure. My apologies. Do you believe the
5 Commission has the ability to disallow costs that
6 they deem to be imprudent?

7 MR. KUTIK: Objection, incomplete
8 hypothetical.

9 A. I think the Commission has the ability to
10 exclude costs from recovery that they determine to be
11 unreasonable or imprudent.

12 MS. BOJKO: I think that is all if you
13 will give me one minute to flip through my tabs.

14 Yes, thank you so much for your time,
15 Ms. Mikkelsen.

16 THE WITNESS: Thank you.

17 MR. KUTIK: Are there other counsel on
18 the line that wish to question Ms. Mikkelsen?

19 Hearing none we will assume we are
20 concluded, and we will exercise our right to review
21 the transcript. Thank you very much and we are off
22 the record.

23 (Thereupon, the deposition was concluded
24 at 4:45 p.m.)

1 State of Ohio :
2 County of _____ : SS:

3 I, Eileen M. Mikkelsen, do hereby certify that
4 I have read the foregoing transcript of my deposition
5 given on Wednesday, August 19, 2015; that together
6 with the correction page attached hereto noting
7 changes in form or substance, if any, it is true and
8 correct.

9 _____
10 Eileen M. Mikkelsen

11 I do hereby certify that the foregoing
12 transcript of the deposition of Eileen M. Mikkelsen
13 was submitted to the witness for reading and signing;
14 that after she had stated to the undersigned Notary
15 Public that she had read and examined her deposition,
16 she signed the same in my presence on the _____
17 day of _____, 2015.

18 _____
19 Notary Public

20 My commission expires _____, _____.
21
22
23
24

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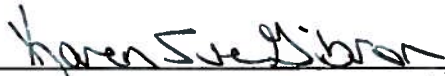
1 CERTIFICATE

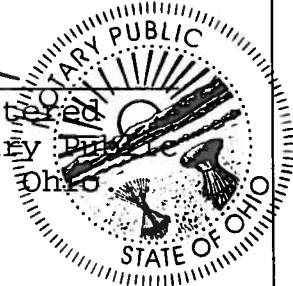
2 State of Ohio :
3 County of Franklin : SS:

4 I, Karen Sue Gibson, Notary Public in and for
5 the State of Ohio, duly commissioned and qualified,
6 certify that the within named Eileen M. Mikkelsen was
7 by me duly sworn to testify to the whole truth in the
8 cause aforesaid; that the testimony was taken down by
9 me in stenotypy in the presence of said witness,
afterwards transcribed upon a computer; that the
foregoing is a true and correct transcript of the
testimony given by said witness taken at the time and
place in the foregoing caption specified and
completed without adjournment.

10 I certify that I am not a relative, employee,
11 or attorney of any of the parties hereto, or of any
12 attorney or counsel employed by the parties, or
financially interested in the action.

13 IN WITNESS WHEREOF, I have hereunto set my
14 hand and affixed my seal of office at Columbus, Ohio,
on this 20th day of August, 2015.

15 
16 Karen Sue Gibson, Registered
17 Merit Reporter and Notary Public
in and for the State of Ohio



18 My commission expires August 14, 2020.

19 (KSG-6082)

20 - - -

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Summary: Deposition (Public) of Eileen M. Mikkelsen, Vol. III, electronically filed by Mr. Tony G. Mendoza on behalf of Sierra Club