

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of the :
Application Seeking :
Approval of Ohio Power :
Company's Proposal to : Case No. 14-1693-EL-RDR
Enter into an Affiliate :
Power Purchase Agreement :
for Inclusion in the Power:
Purchase Agreement Rider. :

In the Matter of the :
Application of Ohio Power :
Company for Approval of : Case No. 14-1694-EL-AAM
Certain Accounting :
Authority. :

- - -

PROCEEDINGS

before Ms. Greta See and Ms. Sarah Parrot, Attorney
Examiners, at the Public Utilities Commission of
Ohio, 180 East Broad Street, Room 11-D, Columbus,
Ohio, called at 9:00 a.m. on Friday, October 2, 2015.

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VOLUME V

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On behalf of the Staff of the PUCO.

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1 Friday Morning Session,

2 October 2, 2015.

3 - - -

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

5 Let's take brief appearances by the parties, name and
6 who you represent.

7 Start with the company and go around the
8 room.

9 MR. NOURSE: Thank you, your Honor. On
10 behalf of Ohio Power Company, Steven T. Nourse,
11 Matthew J. Satterwhite, Matthew S. McKenzie, Daniel
12 R. Conway, Christopher L. Miller.

13 MR. K. BOEHM: Good morning, your Honor.
14 Kurt Boehm appearing on behalf of the Ohio Energy
15 Group.

16 MR. YURICK: Good morning, your Honors.
17 Mark Yurick on behalf of the Kroger Company.

18 MR. PETRICOFF: Good morning, your
19 Honors. On behalf of the Electric Power Supply
20 Association, the Retail Power Supply Association, PJM
21 Power Providers, Exelon Generation LLC and
22 Constellation NewEnergy, the firm of Vorys, Sater,
23 Seymour & Pease, Howard Petricoff, Gretchen Petrucci,
24 Michael Settineri, and Steve Howard.

25 MR. DARR: On behalf of IEU-Ohio, Matt

1 Pritchard and Frank Darr.

2 MR. OLIKER: Good morning, your Honors.
3 On behalf of IGS Energy, Joe Olikar.

4 MR. BEELER: On behalf of the staff of
5 the Public Utilities Commission of Ohio, Steven
6 Beeler and Werner Margard.

7 MS. BAIR: On behalf of the Ohio Office
8 of Consumers' Counsel, Jodi Bair, William Michael,
9 and Dane Stinson.

10 MS. GHILONI: Good morning. On behalf of
11 the Ohio Manufacturers' Association Energy Group,
12 Danielle Ghiloni and Kim Bojko.

13 MR. MENDOZA: Good morning, your Honors.
14 On behalf of Sierra Club, Tony Mendoza, Kristin Henry
15 and Christopher Bzdok.

16 MR. DOUGHERTY: On behalf of the
17 Environment Defense Council and the Environmental
18 Defense Fund, Trent Dougherty.

19 MS. FLEISHER: Good morning, your Honors.
20 Madeline Fleisher and Justin Vickers on behalf of the
21 Environmental Law & Policy Center.

22 MR. AUSTIN: On behalf of Buckeye Power,
23 Michael Austin.

24 EXAMINER SEE: Thank you.

25 Mr. Thomas, I'll remind you that you

1 continue to be under oath.

2 THE WITNESS: Yes, your Honor.

3 EXAMINER SEE: And I believe we agreed to
4 start with IEU. Mr. Darr.

5 MR. DARR: Thank you, ma'am.

6 - - -

7 TOBY L. THOMAS

8 being previously sworn, as prescribed by law, was
9 examined and testified further as follows:

10 CROSS-EXAMINATION

11 By Mr. Darr:

12 Q. Mr. Thomas, yesterday you were
13 voluntarily removed from the hearing room for a
14 portion of the hearing; is that correct?

15 A. That is correct.

16 Q. And the reason why you were required to
17 leave the room is because of corporate separation
18 requirements; is that correct?

19 A. Yes. I am not allowed to know regulated
20 affiliate information that could be construed as
21 market-related information so I chose to leave to not
22 disrupt the flow of the confidential session.

23 Q. And those corporate separation
24 requirements, they're more commonly known as code of
25 conduct requirements; is that correct?

1 A. That's correct.

2 Q. Those code of conduct requirements arise
3 because of rules implemented by the Federal Energy
4 Regulatory Commission; is that correct? Is that your
5 understanding?

6 A. That is correct. Yes, that's my
7 understanding.

8 Q. And those rules also applied to you as a
9 result of Ohio corporate separation rules as well, if
10 you know?

11 A. Yes, they do. And when we separated the
12 generation business from the wires business in Ohio,
13 then that same code of conduct applies with any
14 regulated affiliate company.

15 Q. And yesterday I believe the concern was
16 with regard to information concerning the Ohio Valley
17 Electric Corporation; is that correct?

18 A. That's correct.

19 Q. Those same rules, however, would also
20 apply to information with regard to the operations of
21 the Ohio Power Company or, as it's referred to in
22 this case, AEP Ohio, correct?

23 A. Generally, yes, I think that's right.

24 Q. And with regard to AEP Ohio or any of the
25 regulated utilities, you do not typically provide

1 services to those regulated utilities, correct?

2 A. Not typically, but under the FERC
3 construct, there is a way to get a waiver from the
4 FERC code of conduct, and you have to put a plan out
5 and FERC will approve those plans or those waivers.
6 We can do some services between the regulated and
7 nonregulated companies, but they're subject to the
8 asymmetric pricing rules that FERC has.

9 For example, as a competitive unregulated
10 affiliate, if I provide a service to a regulated
11 affiliate, it has to be at the lower of my cost of
12 market, however that market price is determined, and
13 the inverse is also true if I get a service from the
14 regulated side. But generally we try to keep that
15 separated just for clarity.

16 Q. Right. And that's with regard to the
17 pricing of services. With regard to the exchange of
18 information, you are similarly bound, as we saw
19 yesterday, to not have access to certain what would
20 be considered confidential or proprietary
21 information; is that correct?

22 A. That is correct.

23 Q. And that applies to all affiliates
24 including AEP Ohio, correct?

25 A. I believe it applies to all the -- the

1 FERC rules I believe apply to any unregulated
2 affiliate to any regulated affiliate.

3 Q. Good clarification. Thank you. And so
4 that would include both AEP Ohio and, as we saw
5 yesterday, Ohio Valley Electric Corporation.

6 A. I guess, yes, I believe the code of
7 conduct rules would apply. Again, both those
8 companies are regulated affiliates of AEP Generation
9 Resources so, yes, the FERC code of conduct would
10 apply excluding a waiver that could be granted by
11 FERC.

12 Q. Very good. Thank you.

13 This may be a little out of your
14 wheelhouse and more in Mr. Mitchell's wheelhouse, so
15 let me know if that's the case. Are you familiar
16 with the concept of an accounting impairment?

17 A. At a very high level.

18 Q. Could you share with us what your
19 understanding of that is?

20 A. Yes. My understanding is simply if you
21 have an asset that has a value on your books based on
22 accounting rules or accounting principles, if somehow
23 there's something that happens that required -- or
24 that value could, I don't know what the rules are,
25 but deemed to differ than by accounting rules, you

1 have to go reconcile those two and either increase
2 the value or decrease the value. But that's the
3 extent of my understanding.

4 Q. Fair enough.

5 Do you know whether or not AEPGR,
6 Generation Resources, has conducted an impairment
7 analysis of any of the PPA units?

8 A. I don't remember. There could have been
9 something done at corporate separation, but I don't
10 recall if one was completed, no.

11 Q. Are you aware of whether or not any
12 impairments have been taken in the past three to five
13 years of the PPA units?

14 A. I'm not aware of any. But -- I don't
15 know for sure, but I don't recall.

16 Q. And, again, this may be in Mr. Mitchell's
17 wheelhouse more than yours, but let me just present
18 it to you. The accounting and the reporting of that
19 accounting to federal regulatory agencies for the
20 generating and marketing affiliates of AEP is done on
21 a segment basis. Are you aware of that?

22 A. I --

23 Q. I can tell from the look in your eye.

24 A. That's a foreign concept to me. I'm
25 sorry, I'm not aware of that.

1 Q. Okay. We'll hold that for Mr. Mitchell,
2 then.

3 A. Thank you.

4 Q. Do you know what the reported income for
5 2014 of AEPGR is?

6 A. I don't off the top of my head.

7 Q. What about the first or second quarters
8 of 2015?

9 A. No. I'd have to go review the public
10 statements to see. I don't know the number.

11 Q. And would you rely on -- what are you
12 referring to as the "public statements"?

13 A. Our quarterly earnings statements that
14 American Electric Power would put out to Wall Street
15 or to our investors.

16 Q. Would that include such things as, for
17 example, the Form 10-Q and the Form 10-K that's filed
18 with the SEC?

19 A. That would be my understanding.

20 Q. I think you indicated yesterday that
21 you're on the operating committee -- or, let me
22 rephrase that.

23 You're on the operating committee for
24 each of the co-owned facilities, correct?

25 A. Yes, I am.

1 Q. You are not on the operating committee
2 for OVEC; is that correct?

3 A. Yeah, I'm not allowed to have any
4 interaction with OVEC. We no longer have any
5 ownership interest. That's all AEP Ohio.

6 Q. Do you know the age of the OVEC units,
7 when they were brought in service?

8 A. I don't specifically.

9 Q. Now, with regard to the facilities that
10 you participate on the operating committees, each one
11 of those, as we found out yesterday, is subject to an
12 operating agreement; is that correct?

13 A. That is correct.

14 Q. And each of those operating agreements
15 contains a cost-sharing arrangement, correct?

16 A. To the best of my recollection, yes.

17 Q. And under the cost-sharing arrangement
18 each of the co-owned units shares in the costs and
19 benefits of those units on an ownership share; is
20 that correct?

21 A. I believe that is correct, yes.

22 Q. On the cost side of this transaction the
23 agreements, as I understand it, provide for the
24 recovery of the costs of those units without a
25 provision for an equity component; is that correct?

1 A. I don't know that detail to that level.
2 The way -- what I do know is the ownership structure,
3 the equity that is in that business is already our
4 equity. So it's not -- it's not the operator's
5 equity. It's already our equity so any return
6 would -- I don't know that there would be any
7 component for that because, again, it's our
8 investment that's in the unit based on our ownership
9 share. But I don't -- I can't say either way whether
10 or not the agreement has anything related to that,
11 but I don't believe it does.

12 Q. I'm sorry?

13 A. I don't believe the operating agreements
14 have equity-related items in them.

15 Q. To the extent that there are earnings
16 associated with these co-owned plants, those earnings
17 for AEP Ohio -- or, excuse me, for AEPGR would be the
18 result of the sale of the power attributes into the
19 various markets or by bilateral contract; is that
20 correct?

21 A. Can you help me? Are you talking about
22 as we stand today or under the proposal?

23 Q. Correct, as you stand today.

24 A. Yes, my understanding is we would sell
25 our capacity and energy and any ancillary services

1 into the market and get associated revenue. We'd net
2 out the costs to run the business, there would
3 ultimately be some result that would wind up in a
4 profit or a loss.

5 Q. So any return on the ownership interest
6 is based on the prices that you're able to realize
7 in, for example, the PJM market, correct?

8 A. Are we still talking about the co-owned
9 units? Are we talking about any PPA units?

10 Q. I'm talking about the co-owned units.

11 THE WITNESS: I'm sorry. Can you repeat
12 that question.

13 (Record read.)

14 A. Yes, I believe that's correct. It's all
15 based on ownership shares. We have our ownership
16 share of the cost, and we get our ownership share of
17 any output, whether it be capacity, energy, or
18 ancillary services.

19 Q. And then you sell that into the PJM
20 markets, those capacity, energy, and possibly
21 ancillary services.

22 A. Correct.

23 Q. And the revenues realized on that are
24 offset by the costs, and any earnings or losses are
25 recognized on that basis.

1 A. Yeah, for the co-owned units, yeah, all
2 on an ownership-share basis.

3 Q. With regard to the Cardinal unit, that is
4 subject to what's called the Cardinal Operating
5 Agreement, correct?

6 A. That's one of the agreements it's subject
7 to. That's the main operating agreement.

8 Q. And under that agreement, AEP GenCo is
9 the owner of or AEP Generation Resources, as we
10 referred to it, is the owner of Cardinal Unit 1,
11 correct?

12 A. That's correct.

13 Q. And units 2 and 3 are owned by Buckeye,
14 correct?

15 A. That is correct.

16 Q. And there is an obligation running from
17 GenCo, or Generation Resources, to furnish backup
18 energy to the full extent that it backs up the firm
19 contract demands of its own customers during such
20 periods of time during any calendar year when the
21 capability of Buckeye unit 1 and Buckeye unit 2 is
22 curtailed; is that correct?

23 A. Well, that's just a piece of the
24 relationship. There is a broader relationship where
25 in return for providing some backup power, we get the

1 excess generation generally off the units. So I
2 guess in my experience it's a balanced relationship.
3 It's not just backup power. There's a benefit on the
4 other side.

5 Q. Fair enough. But in response to my
6 question, Cardinal 1 is a backup facility for
7 Cardinals 2 and 3 as provided by the station
8 agreement, correct?

9 A. The arrangement that you're speaking of
10 that has where we get the excess or provide backup, I
11 believe is broader than just Cardinal, meaning that
12 the AEP Generation Resources can provide that, get
13 the benefit if there's an excess amount of generation
14 on the Cardinal 2 and 3 that's greater than Buckeye's
15 load, and then if there's a backup power need, we can
16 provide it off of Cardinal 1 or any of the other
17 assets, or the market, whatever the case may be.

18 Q. So the responsibility is that of AEP
19 Generation Resources generally; it's not specific to
20 the Cardinal unit. Is that correct?

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

22 MR. DARR: I'd like to have marked as IEU
23 Exhibit -- I'll need a little help here. IEU 9,
24 please.

25 For the record, I've handed, actually

1 Mr. Pritchard's handed out a copy of the document
2 that we've had marked as IEU Exhibit 9 which is the
3 full station agreement and I've also provided a copy
4 of it to Mr. Nourse.

5 But what I want to point the parties to,
6 and what I've handed out more generally, is page 35
7 of the agreement, and I just wanted to make sure that
8 if there were any questions that Mr. Thomas had with
9 regard to the agreement, that he have the full
10 agreement in front of him.

11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 Q. Mr. Thomas, do you have in front of you
13 what's been marked as IEU Exhibit 9?

14 A. I do.

15 Q. And could you identify for us what that
16 is.

17 A. It appears to be "Amendment No. 12 to
18 Station Agreement dated as of January 1st, 2014, by
19 and between AEP Generation Resources, Inc., Buckeye
20 Power, Inc., and Cardinal Operating Company."

21 Q. And is this one of the station agreements
22 that you were referring to previously in your
23 testimony this morning?

24 A. I believe it is, yes.

25 Q. And turning to page 35 of this document,

1 do you see "Article Nine - Backup of Buckeye Power
2 Requirements"?

3 A. I do.

4 Q. And so the record's clear, is the
5 provision that we were talking about concerning the
6 responsibility of AEP Generation Resources set out in
7 paragraph 9.2, subparagraph (a)?

8 A. I'm going to need to take a little time
9 to read this section.

10 Q. Take whatever you need, sir.

11 A. Thank you.

12 EXAMINER SEE: Mr. Darr.

13 MR. DARR: Yes, ma'am.

14 EXAMINER SEE: Do you have another copy
15 of the entire agreement for the Bench?

16 MR. DARR: I do, your Honor.

17 THE WITNESS: Okay. Could you reread the
18 question, please.

19 (Record read.)

20 A. Yes, I believe it is. But, again, this
21 is only part of the arrangement that deals with the
22 backup. There's another piece in the agreement that
23 deals with the excess energy benefits that flow to
24 AEP Generation Resources. And as you look at this,
25 the obligation's capped based on so many

1 megawatt-hours.

2 Q. Now, Buckeye Power is a cooperative
3 that's owned by 25 cooperative distribution
4 cooperatives including one in Michigan, correct?

5 A. That sounds right. I'm not familiar at
6 that level of detail with Buckeye's operation, but
7 that generally sounds correct.

8 Q. And the members are rural electric
9 cooperatives that provide retail electric service to
10 their cooperative members, correct?

11 A. Again, I believe so. I'm not that
12 familiar with Buckeye's specific operations.

13 Q. The term of the agreement that you have
14 in front of you I believe is through December 31st,
15 2026; is that correct? For confirmation I'd point
16 you to page 46.

17 A. Yes. In section 14.1 it appears to state
18 that the end of this term is December 31st, 2026.

19 Q. And are you aware of whether Buckeye is
20 also a partial owner of the OVEC generation
21 facilities with an entitlement to Kyger Creek and
22 Clifty Creek?

23 A. I don't know. They could be, but I don't
24 know. I know there's many owners as part of that
25 relationship. Buckeye could be one of them.

1 Q. And to determine that we'd have to turn
2 to the ICPA; is that correct?

3 A. What is the ICPA?

4 Q. Fair enough. The agreement among the
5 members of OVEC. Does that help?

6 A. I'm not familiar with OVEC so I don't
7 know.

8 Q. Under current operations AEP Generation
9 Resources offers its energy into the PJM market, and
10 then PJM dispatches all generators across its
11 footprint, meaning PJM, to meet the demand
12 requirements of PJM, including Ohio load, correct?

13 A. I would say generally, yes. I'm not -- I
14 don't think all of Ohio is within the PJM footprint.
15 I just don't know for sure.

16 Q. To the extent that Ohio is within the PJM
17 footprint, PJM would be dispatching that load,
18 correct?

19 A. They would be dispatching the generation.

20 Q. Good point. I'm sorry, I misspoke.
21 Dispatching generation to meet that load within its
22 service region, correct?

23 A. Yes, I believe so.

24 Q. Now, that service region for PJM includes
25 more than the state of Ohio, correct?

1 A. Yes, it's fairly large.

2 Q. It runs all the way from the East Coast
3 in New Jersey to Illinois, correct?

4 A. Yeah. I think that's generally correct.
5 I don't know the exact parts of PJM's footprint, but
6 it's relatively large.

7 Q. Are you aware that AEP, I'm speaking now
8 of corporate, also has facilities in the state of
9 Michigan?

10 A. Yes, I'm aware we have our nuclear
11 facility owned by Indiana-Michigan Power in that
12 state. I think there are also some hydro facilities
13 that could be in Michigan as well.

14 Q. And it also has a distribution utility
15 that operates on the border of Indiana and Michigan
16 and in both states, correct?

17 A. Again, I believe Indiana-Michigan Power
18 has service territory in Michigan and then some in
19 northeastern Indiana.

20 Q. And are you aware of whether or not those
21 facilities are considered as part of the PJM
22 footprint?

23 A. I believe they are, given that when
24 American Electric Power entered PJM, my recollection
25 is all their generation and all their load went into

1 PJM.

2 Q. So given that all of the load went into
3 PJM, that would include also the states of Kentucky,
4 West Virginia, and Virginia where AEP Ohio -- where
5 AEP has affiliate distribution companies, correct?

6 A. Yes. I believe that's true. Again,
7 where AEP owns and operates those particular wires
8 companies or generation, yes.

9 Q. Turning to your testimony at page 12
10 starting at line 1 and then going down to line 10,
11 you indicate that there would be a change or a
12 potential change in the investment decision with
13 regard to PPA units if the rider was approved,
14 correct?

15 A. What page were you on again, please?

16 Q. Page 12 of your testimony.

17 A. And what lines, please?

18 Q. Beginning at line 1 and going through
19 line 10.

20 A. Yes, on page 12 of my testimony on lines
21 1 through 10 I discuss about the difference in the
22 investment that I would see if the PPA were approved.

23 Q. And am I correct that it would change in
24 that AEP Generation Resources would be able to take a
25 longer view because it would have a FERC-regulated

1 agreement at that point?

2 A. Yes, I would agree, simply in the fact
3 that we would have a long-term agreement, in this
4 case with AEP Ohio, and then the ultimate investments
5 that would get made under the PPA would be ultimately
6 determined by the proposed operating committee.

7 Q. And the horizon that you're -- or, you
8 refer to this, or have referred to this, as a change
9 in the investment horizon; is that correct?

10 A. Can you point me to the specific line,
11 please?

12 Q. I'm referring to your deposition, page
13 104, if that would help refresh your recollection.

14 A. Page 104?

15 Q. Yes, sir.

16 A. I'm sorry. What line were you
17 referencing on page 104?

18 Q. The question starts at line 5 and the
19 discussion ends at line 13.

20 A. Yes, I still agree that it would change
21 the investment horizon if we had the power purchase
22 agreement.

23 Q. And you view the current investment
24 horizon as approximately three years, correct?

25 A. Yes.

1 Q. And so the investment horizon would run
2 out to, say, ten years; is that correct?

3 A. Are you talking about the investment
4 horizon if the proposed PPA were approved?

5 Q. Yes, sir.

6 A. Ten years, maybe longer, but it would
7 certainly be longer than three years.

8 Q. And you would agree with me that if the
9 Commission approved the PPA, this information about
10 the availability of the rider would be generally
11 available to other parties including merchant
12 generators, correct?

13 A. I'm sorry, I don't understand the
14 question.

15 Q. Sure.

16 A. What information are we talking about?

17 Q. If the Commission were to approve the PPA
18 rider proposal, which includes the underlying
19 agreement, that would be done through a public order
20 of the Commission, correct?

21 A. Are you talking about the rider itself,
22 in view of the rider costs?

23 Q. The rider and the underlying proposal
24 that AEP has asked for in this case, which is
25 approval of the prudence of entering into the PPA

1 agreement. That would be generally available to the
2 public through the Commission's orders, correct?

3 A. Yes, I believe so since it's a -- it
4 would be a public document approved by the
5 Commission. I don't know that and any prudence
6 review of the PPA rider values, I would believe they
7 would be public, but I'm not sure if the Commission
8 does all those reviews on a public basis or whether
9 there's some confidential. I'm just not experienced
10 with that.

11 Q. But the fact that the Commission had
12 signed off on the prudence of the underlying contract
13 and allowing the collection or credit of the rider
14 would be public information, correct?

15 A. Yes, I believe so.

16 Q. So that information would be available to
17 merchant generators that were looking at the state of
18 Ohio as a place to invest, would it not?

19 A. I guess along with any other information
20 they could find publicly, yes.

21 Q. One last concern, Mr. Thomas, and then
22 I'll wrap up. Would you agree with the following,
23 that the fact that the PPA riders may not cover their
24 costs during a specific period of time does not mean
25 that the units are uneconomic?

1 A. I need help. I don't understand the
2 question.

3 Q. Well, let's go at it from the other
4 direction. Is the fact that the units may be
5 uneconomical compared to other generation assets
6 bidding into the PJM market -- let me rephrase.

7 Do you consider the PPA units
8 uneconomical relative to other generation units if
9 the rider results in a charge to customers, or would
10 result in a charge to customers?

11 A. Well, from our perspective the PPA is
12 simply an approach or a construct by which we can
13 have a long-term agreement with a counterparty. How
14 those units, you know, if there's going to be years
15 where it's higher or lower -- but I guess I still
16 don't understand your question, so I apologize. I
17 don't know how to answer it.

18 Q. Does the fact that the rider units may
19 not cover their costs during a specific period of
20 time mean that they're uneconomic?

21 A. I would -- again, the PPA construct
22 allows us to look over a long-term period so you
23 can't pick out any one period and make a -- or I
24 can't pick out any one period and make a blanket
25 statement whether it's economic or uneconomic.

1 Q. Fair enough.

2 MR. DARR: Thank you. That's all I have.

3 EXAMINER SEE: Mr. Petricoff.

4 MR. PETRICOFF: Thank you.

5 - - -

6 CROSS-EXAMINATION

7 By Mr. Petricoff:

8 Q. Good morning, Mr. Thomas.

9 A. Good morning.

10 Q. I'm Howard Petricoff, and I'm here for a
11 number of suppliers.

12 You're the vice president of AEP
13 Generation Resources?

14 A. I am a vice president of Competitive
15 Generation, yes, at AEP Generation Resources.

16 Q. And your responsibility consists of
17 managing and operating a competitive fleet of
18 generators?

19 A. That is correct.

20 Q. I'm going to go through a series of
21 questions with you now because I want to establish
22 what the electric generation market looks like. So
23 this is -- I'm not asking about maybe individually
24 how AEPGR, when I say "AEPGR" I'm referring to AEP
25 Generation Resources, how they operate, but the

1 market in general. Okay?

2 So with that in mind, is there a
3 multiregional market for power?

4 A. Clarify what part of the country we are
5 talking about? What region are we talking?

6 Q. In this case I'm going to revoke my last
7 instruction to you and talk to you about AEPGR.
8 AEPGR has generating units that are tied into the PJM
9 regional transmission organization.

10 A. Yes, we do.

11 Q. In fact, does AEPGR have units that are
12 tied into another regional transmission organization
13 other than PJM?

14 A. Not to my knowledge, no.

15 Q. And you'll agree with me that PJM covers
16 roughly an 11-state area including Ohio?

17 A. I would agree it covers parts of those
18 states and parts of Ohio.

19 Q. Okay. And since AEPGR's generation is
20 tied into PJM, it can sell to any wholesale or retail
21 user of power in the PJM footprint absent some areas
22 in which there is congestion?

23 A. I don't know how to make a blanket
24 statement that anybody across PJM. I mean, certainly
25 there are buyers and sellers in PJM. Some states are

1 deregulated so you can sell to the end-users on a
2 retail basis. Some are not.

3 Q. AEPGR is a merchant generator, correct?

4 A. Correct.

5 Q. Okay. And as a merchant generator you
6 are free to sell to any wholesale or retail customer
7 that you contract with.

8 A. I guess I would agree, if I contract with
9 them, I can sell to them.

10 Q. Right. In contrast, if we were talking
11 about owning generation in a cost-of-service,
12 noncompetitive state, you basically would be selling
13 power to your service territory.

14 A. Well, I'd say that's partially true, but
15 I also know utilities sell what they call off-system
16 sales, so they'll sell excess generation to other
17 providers. So I can't -- again, as a blanket, any
18 counterparty can sell to any other counterparty
19 whether you're regulated or not, so I'm not -- maybe
20 I'm not understanding your question.

21 Q. No, I think you are let me just try to
22 funnel it down, then. The distinction between a
23 merchant generator and a utility selling into a
24 service territory is that a merchant generator
25 basically can contract with anyone they wish at an

1 unregulated price, whereas a regulated utility would
2 be selling at a regulated price as its primary and if
3 there was any surplus, then they may be able to sell
4 the surplus in the market.

5 MR. NOURSE: I'm sorry. Is that a
6 question?

7 MR. PETRICOFF: That's a question.

8 THE WITNESS: Can you repeat the
9 question.

10 MR. PETRICOFF: I'll rephrase.

11 THE WITNESS: Okay.

12 MR. PETRICOFF: I'll rephrase it.

13 Q. You've agreed with me already that as a
14 merchant generator you are free to sell to any
15 counterparty in the PJM area that you can contract
16 with, correct?

17 A. Again, I don't know. I don't know all
18 the criteria, what customers. I mean, it wouldn't be
19 limited to just PJM, necessarily. If you had
20 transmission rights, I guess you could take it
21 somewhere else.

22 Q. Okay. Fair enough. As a merchant
23 generator you are free to sell your generation to the
24 best contracts that you can arrange, correct?

25 A. Generally I would agree with you.

1 Q. Okay. And, further, there are no
2 government-regulated prices at which you can sell
3 your capacity and your energy.

4 A. Again, to whom? Who is the counterparty
5 we're talking about?

6 Q. Anyone who you can contract with.

7 A. That's not my area of expertise. I
8 honestly don't know.

9 Q. Okay.

10 A. I don't go out and sell power every day.
11 I deal with the operations of these plants inside
12 PJM. You're outside my area of expertise.

13 Q. Fair enough. Fair enough.

14 But it's inside your area of expertise to
15 say that basically by having your units connected
16 into PJM, the retail and wholesale arms of AEPGR can
17 look for counterparties to sell capacity and energy
18 to anywhere, at least in the PJM area, and at a price
19 that the market dictates.

20 A. Generally I would agree but, again,
21 you're talking about parts of the business that I'm
22 not responsible for and I have very little input
23 into, so you're way outside my area of expertise.

24 Q. Okay. Well, let me ask one more question
25 to see if this is inside your area of expertise. Do

1 you follow the power market, prices on the power
2 market?

3 A. Which power market?

4 Q. The PJM power market.

5 A. There are different prices that settle
6 across nodes across PJM every five minutes. I
7 don't -- we have people inside our organization that
8 do that. Do I look at those prices? With the
9 exception of what my units see on their busbar for
10 their day-ahead prices, their realtime prices, those
11 are generally the ones I concentrate on.

12 Q. Okay. Let's take a step back and look at
13 this at a very high level. You'll agree with me that
14 electricity is a realtime product. It can't be
15 economically stored at the moment.

16 A. I would agree with that.

17 Q. Okay. And because electricity is a
18 realtime product, the demand for the power is very
19 sensitive to both the time of day and the season of
20 the year.

21 A. That's generally true.

22 Q. And you'll agree with me that PJM runs
23 markets in which any PJM-connected generator can sell
24 power, either realtime on an hourly basis or for
25 power to be delivered a day ahead.

1 A. I agree PJM has a day-ahead and a
2 realtime market for energy.

3 EXAMINER SEE: Mr. Thomas, I'm going to
4 need you to speak up a little throughout your entire
5 answer.

6 THE WITNESS: Okay. Thank you.

7 Q. And when you spoke before about the --
8 you said you looked on the, I think you said, the
9 screen to see what prices were in the day-ahead
10 market for my unit, you were talking about that PJM
11 market that has prices that any generator can offer
12 their power into the PJM day-ahead market. Actually,
13 let me withdraw that.

14 When you were looking at the PJM market,
15 are there pricing nodes?

16 A. Based on my experience, every generator
17 has its own node and its busbar.

18 Q. Okay. And are there also -- when you're
19 selling into the market, are there also prices for
20 every delivery area?

21 A. I believe there may be, but that's,
22 again, that's back to what our trading group does and
23 our wholesale group.

24 Q. Let's approach it this way. Could you
25 turn to page 9 of your testimony.

1 A. Okay. I'm there.

2 Q. On page 9, line 16, you talk about
3 "uncertainty of market-based revenue from the PJM
4 capacity and energy markets." Do you see where I'm
5 referring you to?

6 A. I do see those words on my testimony at
7 page 9, looks like lines 16 and 17.

8 Q. That's correct. And you expressed the
9 concern that they may not -- they may not support a
10 sufficient economic return. I want to hone in with
11 you, because I'm trying to identify the PJM capacity
12 and energy market, so now I'm talking -- let's start
13 with the energy market.

14 How do you understand the organization of
15 the PJM energy market?

16 A. My understanding of the PJM energy market
17 from a generator's perspective is there's a day-ahead
18 market and there's a realtime market and there's some
19 amount of ancillary services.

20 Q. And the price that is set in that energy
21 market is set at basically an open auction by all
22 suppliers who can deliver in that market who care to
23 do so versus demand for power in the PJM energy
24 market.

25 A. My understanding is with respect to

1 energy, we place bids in; I'm assuming all generators
2 do. PJM takes whatever the load forecast is, and
3 then they clear units hour by hour to be able to meet
4 those requirements. That's my understanding.

5 Q. And when you say they clear it, they
6 start with the lowest price and award it to those
7 generators until they have enough power to meet the
8 demand.

9 A. I don't know the details of how PJM
10 works.

11 Q. But for purposes of your testimony when
12 you're concerned about the economic returns, you're
13 looking for the revenues that are coming out for
14 making sales into this PJM market, correct?

15 A. The purpose of my testimony is to talk
16 about as I look at the longer-term investments, that
17 there are short-term signals related to the PJM
18 market, and they fluctuate up and down significantly,
19 and it makes it very difficult to make long-term
20 investments in any unit, from my perspective.

21 Q. Well, I understand that. I'm trying to
22 take you down one gradation, and, you know, if you
23 don't understand -- I'm sorry, I want to take you
24 down one gradation to try to understand the revenue
25 scheme that you had in your mind when you said that

1 you were worried that the revenue wouldn't be
2 sufficient.

3 Is your concern that because this is a
4 day-ahead or possibly even an hourly competitive
5 market and you don't know what that price is going to
6 be, that is why you're concerned that some of these
7 units may not produce a sufficient economic return to
8 stay in operation?

9 A. What I'm saying here in my testimony is
10 based on what we believe the -- what we see in the
11 short term for energy and capacity revenues and how
12 they fluctuate, because they're all short term, that,
13 yeah, we're concerned there will not be enough
14 revenue to make sufficient investments to keep the
15 units safely and reliably operating into the future.

16 Q. And so what the PPA does, and just for
17 the energy market, is that it will transfer the risk
18 of that hourly or day-ahead price fluctuations to the
19 customers in exchange for receiving all of its
20 operation and maintenance costs plus a fixed return.

21 A. Is there a question in there?

22 Q. Yes. Is that how --

23 A. Can you repeat the question?

24 Q. -- the PPA is going to work? Actually,
25 let me rephrase the question.

1 You agree with me that the energy market
2 changes its prices at least daily and maybe hourly in
3 the PJM energy market.

4 A. It does both.

5 Q. It does both, all right.

6 And the risk of those changes are ones
7 for the marginal units that you consider to be too
8 great for AEPGR.

9 A. No. I would disagree. We're just saying
10 these are marginal and at more risk. If the markets
11 go up, there may be enough revenue to make these
12 investments. If the markets go down, there may not
13 be.

14 As part of us looking at the business
15 strategy, we're trying to get a more predictable
16 revenue stream because that's what our investors, as
17 part of American Electric Power, desire, and that's
18 what we're going after from our perspective as part
19 of this proposed power purchase agreement.

20 Q. So the proposal is to take the risky
21 units in terms of their revenue and transfer that
22 risk to the ratepayers?

23 A. Well, I'll go back to Witness Pearce's
24 testimony. We can look over the long term, we
25 believe it's going to be a benefit to customers. We

1 are willing to give up the upside to get the
2 predictable revenue stream based on the desire of our
3 shareholders. I think it's -- from my experience and
4 my view, I think it's a win for the customers over
5 the long term, and it helps provide stability,
6 basically jobs in this part of Ohio, as well as
7 allows us to make longer-term investments to ensure
8 the units are there such that there's adequate supply
9 and demand, fuel diversity.

10 MR. PETRICOFF: Move to strike. I asked
11 about the risk, transferring the risk of the hourly
12 and day-ahead market to the customers. That is the
13 goal of the -- I'm sorry, let me stop because I've
14 asked to strike.

15 EXAMINER SEE: Response?

16 MR. NOURSE: Your Honor, obviously
17 Mr. Petricoff is, you know, arguing with the witness
18 about this pejorative statement about the intent of
19 the PPA being to transfer risk. I think Mr. Thomas
20 is just explaining, you know, rejecting that
21 argument, saying it's a balanced proposal and there
22 are trade-offs, but you can't just look at one aspect
23 and conclude that there's subversive intent behind
24 the PPA. So it's obviously not an innocent question.
25 He's trying to defend his position.

1 EXAMINER SEE: And the answer as it was
2 given stands. The motion to strike it is denied.

3 Q. (By Mr. Petricoff) Earlier in answers
4 that you gave to counsel for IEU, you indicated that
5 the, I think you called it -- well, I'll paraphrase
6 it -- that the focal point, the horizon for your
7 economic review was three years, is that correct, for
8 these units?

9 A. Approximately three years is what I've
10 put in my testimony here.

11 Q. And is the basis for having a three-year
12 horizon the fact that PJM in the capacity market --
13 I'll move now from the energy market to the capacity
14 market -- that the capacity market is basically
15 always three years out?

16 A. That's the general focus, yes. That's
17 the only revenue that we know we're going to be able
18 to make is the capacity payments -- or capacity
19 revenues, I'm sorry, three years out.

20 Q. And so when you are trying to decide what
21 is a marginal unit, you look at what the capacity
22 revenues are going to be out for three years and then
23 your projection of what the day-ahead and hourly
24 revenues will be for selling into the PJM energy
25 market.

1 A. Well, there's three potential revenue
2 streams: One is a capacity payment, one is an energy
3 payment based on operating within PJM, and the other
4 one is whatever ancillary services would come from
5 operating those units for regulation service or
6 voltage service. Those would be the revenue streams.
7 Then we have our cost forecast.

8 Q. And, relatively speaking, how much of the
9 revenue stream comes from the ancillary services?

10 A. I don't know.

11 EXAMINER SEE: Mr. Thomas, I'm going to
12 need you to speak up.

13 THE WITNESS: Yes, your Honor.

14 Q. And so when we're deciding whether a unit
15 is marginal or not, you -- when I say "you," you
16 AEPGR -- sum up all of these three revenue streams,
17 what you get from ancillary services, what you get in
18 the energy market, what you get in the capacity
19 market, and then you would compare those revenues for
20 each unit against what the cost is to run that unit;
21 is that a fair statement?

22 A. Well, partially. What I did here in this
23 testimony is the way we look at it, we have to
24 estimate those revenues for those streams, capacity,
25 energy, ancillary services, and then we need to be

1 able to meet our costs plus a reasonable return over
2 a period of time. That is the market.

3 Q. But the mechanics then is you're
4 balancing your forecasted revenues from those three
5 income streams against your forecasted costs for each
6 of these units on a unit-by-unit basis.

7 A. Generally, yes.

8 Q. All right. And when we're looking at, on
9 page 9 of your testimony, you cite in there several
10 times, one would be line 5 for example, marginal
11 units. Marginal units are one in which the projected
12 revenue may not be sufficient to cover the projected
13 costs.

14 A. Partially, plus a return.

15 Q. Okay. We can agree when we say the
16 costs, that includes you -- the costs includes a
17 return on your investment.

18 A. Well, if that's your definition, then
19 yes, I would agree.

20 Q. In fact, let's take a moment or two and
21 talk about costs. So the costs would be for an
22 individual power plant, you'd have what I would call
23 your variable costs, the items or expenses that are
24 tied directly to generation, like fuel; is that
25 correct?

1 A. Among other things, fuel is one.

2 Q. Is that a term that you use, "variable
3 costs"?

4 A. Generally, yes.

5 Q. And besides fuel, what else would you put
6 into the variable-cost bucket?

7 A. We would put other consumables, limestone
8 costs, urea costs, various other items, chemical
9 costs that, again, go up and down throughout the
10 production you have on a given unit.

11 Q. And then you would agree with me that you
12 have another set of costs which are -- they're annual
13 and they're unavoidable in the short term, which are
14 not tied to generation such as, oh, labor that's
15 covered under labor contracts and other foreseeable
16 operation and maintenance activities.

17 A. Generally, yes.

18 Q. And then we have a third category of
19 costs, and those would be any loans or outstanding
20 debt that's required to be paid on the generator
21 investment.

22 A. Yes, I'd agree that's another category.

23 Q. And you would agree that a fourth
24 category would be a return on the dollars that are
25 invested in the generating facility.

1 A. Yes, I believe that would be another
2 category.

3 Q. Now, before when we said we were talking
4 about balancing the costs and the revenues, besides
5 these four, if you will, buckets of costs that we've
6 just reviewed, are there any other costs that have to
7 be covered?

8 A. I'm not sure. I don't have all the
9 information in front of me to be able to answer that
10 question.

11 Q. But, in general, at a high level have we
12 touched upon almost -- have we touched upon the major
13 categories of costs that an operator of a power plant
14 would consider?

15 A. Well, again, I don't have the information
16 in front of me so I can't say we've hit all the major
17 ones or not. I'm not prepared to go through each
18 one.

19 Q. Okay. At this point I think I want to
20 move on to a different topic.

21 MR. PETRICOFF: Your Honor, I'd like to
22 have an exhibit marked P3 No. 1. May I approach?

23 EXAMINER SEE: Yes.

24 (EXHIBIT MARKED FOR IDENTIFICATION.)

25 Q. Mr. Thomas, did you have an opportunity

1 to read the testimony of Mr. Pearce, which has
2 already been admitted into evidence here?

3 A. I've been through some of it. I don't
4 know that I've read the entire testimony.

5 Q. Okay. I have attached to the back of
6 what has been marked as PJM Exhibit No. 1 the item
7 that was Attachment A of his testimony. Have you
8 ever seen that chart before?

9 A. Just for clarification, the one that says
10 Exhibit KDP-1 at the upper right-hand side of the
11 page?

12 Q. That's correct.

13 A. I don't recall looking at this specific
14 table.

15 Q. In that case let's turn to the first page
16 which says "Non-OVEC PPA Units."

17 A. Okay.

18 Q. Take a look at that first column. Are
19 these all of the plants that you have identified in
20 your testimony as marginal plants, save for the OVEC
21 units?

22 A. Yes, that's correct.

23 Q. And then what I have done is I have
24 basically taken the information that you provide on
25 pages 3 and 4 of your testimony, and I have footnoted

1 those at the base, to put in the size of the PPA
2 entitlement that is owned by AEPGR and the total
3 size. And if you would, take a minute and see if I
4 have correctly transposed those from your testimony
5 onto the chart.

6 A. They appear to be correct. Some of the
7 AEP ownership percentages go out to the tenth decimal
8 place so this is rounded, but, I mean, generally they
9 look correct.

10 Q. This is the lawyer's version. We round.

11 A. Okay.

12 Q. Let's start with the first plant, and
13 that's the Cardinal plant. Now, this is the plant,
14 the unit No. 1, over which earlier today you
15 discussed the operating agreement with Mr. Darr?

16 A. The Cardinal Operating Company agreement?

17 Q. Yes.

18 A. Yes.

19 Q. And so the Cardinal plant is owned by
20 AEPGR, and it's also subject to that operating
21 agreement; is that correct?

22 A. Yes, I believe that's correct.

23 Q. Okay. And could AEPGR close the Cardinal
24 plant during the term of the Cardinal operating
25 agreement?

1 A. The entire plant?

2 Q. No. The unit. I'm sorry. Could they
3 close unit 1. Could AEPGR close unit 1 during the
4 time -- during the term of the Cardinal operating
5 agreement? If you know.

6 A. I believe we can, but I'd have to go back
7 to the specific agreements to double-check that. But
8 I believe we have unilateral rights to what happens
9 with Cardinal unit 1.

10 Q. Okay. So, basically, it is your
11 understanding that the Cardinal plant is one in which
12 AEPGR could close the plant if they found it to be
13 uneconomic.

14 A. I believe so, yes, subject to checking
15 the actual operating agreements to verify.

16 Q. And if AEPGR was going to close the
17 Cardinal plant, if you know, would it write those,
18 the value of that plant, off its books? It would
19 just terminate the operation of the plant?

20 A. Are you talking about the Cardinal plant
21 or Cardinal unit 1?

22 Q. I'm sorry. Thank you for keeping it
23 specific. Just unit 1.

24 A. Again, I would look to accounting to
25 decide whatever those accounting rules were. I don't

1 know specifically.

2 Q. Okay. Fair enough.

3 And do we have the in-service date
4 correct for the Cardinal plant, it came in in 1967?

5 A. That is correct, yes.

6 Q. Let's move on to Conesville. I'm going
7 to skip this and talk about Conesville 5 and 6. Are
8 those baseload units or are those intermediate units?

9 A. The definition we have, we call those
10 more of an intermediate unit because they're
11 subcritical.

12 Q. And what does "subcritical" mean?

13 A. Subcritical has to do with the way the
14 boiler operates and the steam temperatures and
15 pressures. A subcritical unit has a steam drum. A
16 supercritical unit does not, and it's based on the
17 thermodynamics and the physics that go on with the
18 steam.

19 Q. Would you expect the Conesville 5 and 6
20 units to be run an equal number of clock hours with a
21 baseload -- as a baseload plant like Cardinal?

22 A. I'm not sure. That would depend on a
23 number of factors, what's going on in the market.
24 But, generally, given that it's a more intermediate
25 unit, I would say generally I wouldn't expect it to

1 run as much. But, again, market prices would
2 increase. It has the capability to do that,
3 certainly, or may have the capability to do that.

4 Q. Is it easier to turn an intermediate
5 plant on and off than a baseload plant?

6 A. For coal units it's somewhat easier. I
7 wouldn't say it's easy to turn off an intermediate
8 coal plant, but it's easier than turning off a
9 cycling baseload supercritical plant.

10 Q. Okay. And is it true that AEPGR owns a
11 hundred percent of the Conesville 5 and 6 units?

12 A. That is true.

13 Q. Now, yesterday you were questioned a bit
14 about, I think it's Sierra Club No. 7, Exhibit No. 7,
15 that showed investments that would have to be made in
16 power plants to meet both O&M needs, operation and
17 maintenance needs, as well as environmental. Do you
18 recall that cross-examination?

19 A. I do. The specific exhibit that I
20 believe you're referencing is related to the major
21 environmental capital projects that we discussed.
22 Now, there are other O&M and smaller costs that were
23 provided to Witness Pearce as part of the analysis,
24 but my recollection is that table you're referencing
25 is major environmental capital projects.

1 Q. And basically it would be AEPGR that
2 would be advancing the capital for those investments
3 for any environmental or O&M investments in the
4 Conesville 5 and 6, correct?

5 A. That's correct. Given we own the units,
6 it would be our capital investment that would go into
7 those units.

8 Q. And for the Conesville 5 and 6, I have
9 correctly put in the in-service dates for them, for
10 those units?

11 A. Those are correct.

12 Q. Now let's compare that with the
13 Conesville unit No. 4. Who owns the Conesville unit
14 No. 4?

15 A. There are three owners of Conesville unit
16 No. 4: AEP Generation Resources owns 43-1/2 percent,
17 Dayton Power and Light owns a certain percentage, I
18 don't remember that exactly, and then Dynegy now owns
19 the balance.

20 Q. And in order to close the Conesville unit
21 No. 4, would you have to have agreement from all
22 three partners?

23 A. I believe under those operating
24 agreements for a retirement decision you have to have
25 a unanimous vote.

1 Q. And for long-term investments, additional
2 capital that has to be invested in the unit No. 4 to
3 meet operation and maintenance needs and
4 environmental needs, would you need the approval of
5 both partners?

6 A. My recollection of those agreements,
7 those type of investments are governed by majority
8 vote between the three owners.

9 Q. So two of the partners would have to
10 agreed to make the capital investments.

11 A. That's my recollection of that decision.
12 Again, those agreements have different criteria
13 depending on the subject of the decision, but that is
14 my recollection, yes.

15 Q. Have you discussed -- have those partners
16 discussed the type of environmental and operation and
17 maintenance investments that will have to be made in
18 the Conesville No. 4 unit in order to continue it out
19 for its full economic life?

20 Actually, let me take that back. Let me
21 do it this way: You turned in a schedule of capital
22 improvements that you believe are necessary for all
23 of the PPA units to Dr. Pearce; is that correct?

24 A. That is correct.

25 Q. And did some of the projects that were on

1 that list include capital improvements to Conesville
2 unit No. 4?

3 A. Yes, they did.

4 Q. And have the partners, DP&L and Dynegy,
5 agree to those investments?

6 A. Well, as we look out farther, the process
7 we follow, we exchange budgets once a year, and then
8 the committee gets together and approves the
9 following year's budget, and the rest is just a
10 forecast. So to say "approved," no, the parties have
11 not approved those, nor have we as one of the owners
12 approved anything at Stuart and Zimmer yet. That
13 process comes as those projects get closer.

14 And then there is an official approval
15 process where a large investment will ultimately have
16 to be approved by all three owners in writing before
17 the owners -- or, the operator of that specific unit
18 can proceed.

19 Q. And for the projects that were given to
20 Dr. Pearce and were incorporated in the forecast, at
21 this time there is not approval from the partners to
22 make those investments, correct?

23 A. No, there's not, but nor would there be.
24 That's not part of our ownership agreement for those
25 units. It's not the way we operate that arrangement

1 so I wouldn't expect there to be an approval for our
2 forecast.

3 Q. Are you anticipating that the partners
4 will approve those investments?

5 A. I can't speak for the partners. We give
6 them, just like they give us as the operator, they
7 give us the operating plan, and each owner does their
8 own evaluation as to whether or not they agree with
9 the project or not. Then we get together and discuss
10 it and ultimately vote.

11 Q. And does responsibility for the capital
12 investment basically mirror the ownership percentage?

13 A. Yes, it does. Any expense or investment
14 in those plants and any benefit that comes out is all
15 done off of ownership share.

16 Q. And will these partners be participating
17 in the PPA ratepayer guarantees, or will that only go
18 to the AEP portion of the Conesville No. 4 unit?

19 MR. NOURSE: Your Honor, I just object to
20 the "ratepayers guarantees" phrase. I'm not sure
21 what that really refers to, but I think it's
22 inaccurate.

23 MR. PETRICOFF: Let me rephrase, your
24 Honor.

25 EXAMINER SEE: Okay.

1 Q. Under the PPA as presented in the
2 application, you would agree with me that the
3 ratepayers will assure the payment of all reasonable
4 operation and maintenance expenses plus a return on
5 the investment somewhere in the range of 8.9 to
6 15.9 percent on equity.

7 A. The power purchase agreement is a
8 relationship that's proposed between AEP Generation
9 Resources and AEP Ohio. Everything that's done under
10 that power purchase agreement is subject to prudent
11 utility practice, which is standard across, you know,
12 our industry and well known.

13 As far as the customers and what risks
14 they take, the amount that ultimately would go onto a
15 rider is going to be subject to prudence reviews, so
16 I can't say it's pushed to customers, given that the
17 Commission will have prudence review over those
18 costs.

19 MR. PETRICOFF: Your Honor, I move to
20 strike. That's not responsive.

21 MR. NOURSE: Well, again, Mr. Petricoff
22 has -- in his prior question he asked about a
23 guarantee, which he rephrased to being that the
24 ratepayers will assure payment. So I think he's
25 entitled to explain, you know, the difference between

1 the wholesale contract and actually getting through
2 to customers on the retail side, which is the thrust
3 of the question.

4 EXAMINER SEE: I'll allow the answer to
5 stand.

6 Q. When AEPGR makes its decisions on the
7 capital improvements going forward in the Conesville
8 No. 4 unit, if the Commission approves the
9 application in this case, won't they be looking at a
10 different set of risks than the other two partners
11 for the No. 4 unit?

12 A. I'm not sure. Each owner does whatever
13 each owner wants to do today, so that owner's risks
14 and benefits -- we are through antitrust laws I
15 believe. Each owner does its own thing already today
16 so I'm not sure I know how to answer that question.

17 Q. The way you understand the application in
18 this case, neither Dynegy nor DP&L will be receiving
19 the PPA obligations and rewards that AEPGR -- I'm
20 sorry -- that AEPGR will be receiving under the PPA
21 agreement.

22 A. I would agree that under this PPA we are
23 offering AEP Generation Resources' share of those
24 units to AEP Ohio. The other co-owners have their
25 ownership share. They can do with that whatever they

1 so choose, like they do today. But, no, those
2 co-owners are not a counterparty to this power
3 purchase agreement.

4 Q. And you are anticipating that those
5 partners will approve the kinds of capital projects
6 that you sent to Dr. Pearce, even though they are not
7 going to have anything similar to the PPA agreement
8 that you've asked the Commission to approve for AEPGR
9 or to find prudent, which includes AEPGR.

10 A. I haven't made that assumption. What I
11 have said here in the PPA and what we've offered is
12 we will take our recommendations to AEP Ohio, and
13 ultimately we will take AEP Ohio's vote to our
14 operating committee as the buyer, and then, you know,
15 the three parties will decide whether we move forward
16 or not with any given project.

17 Q. Okay. And AEPGR would not make up any of
18 the investment obligations of the other partners if
19 they elected not to approve one of the capital
20 projects on the list that you sent to Dr. Pearce.

21 A. I can't say. I don't know what our
22 rights are under the agreement if another owner
23 chooses to do something or not do something. I
24 haven't looked at that.

25 Q. Let's move on to talk about the Stuart

1 units 1 through 4. In those units is it true that
2 AEPGR owns roughly 26 percent of the units?

3 A. Yes, I believe that's true. We have a
4 26 percent undivided interest in the plant.

5 Q. And the Stuart plant is operated by DP&L?

6 A. That is correct.

7 Q. And the in-service dates are correct for
8 the Stuart plant?

9 A. Yes, I believe they are.

10 Q. And now we'll move on to Zimmer. Zimmer
11 also has DP&L and Dynegy as partners?

12 A. Yes.

13 Q. And the Zimmer plant is operated by
14 Dynegy?

15 A. Yes.

16 Q. And for both the Stuart plant and the
17 Zimmer plant, do we have the same type of structure
18 in which there is a committee made up of the three
19 partners and that all three partners have to approve
20 closing the plant and a majority of the partners have
21 to approve major capital investments?

22 A. I believe that's true, correct. Or, yes,
23 that's true.

24 Q. In order for all the projected
25 improvements that you sent to Dr. Pearce to be funded

1 and implemented, won't the partners have to agree to
2 put up their concomitant share of the investment?

3 A. Yes, I believe they would.

4 Q. And isn't it true that they will not be
5 doing it with a PPA agreement similar to what AEPGR
6 will have with Ohio Power?

7 A. I can say they won't be doing it with our
8 proposed agreement. I have no idea what Dynegy and
9 Dayton Power and Light or AES do with their assets
10 and their output. So no, they won't be part of this
11 power purchase agreement, but I can't speak to what
12 they -- they might have anywhere else.

13 Q. One last question. Do you anticipate
14 that the partners are going to turn down their
15 investments because market conditions won't allow
16 them to go forward with it?

17 MR. NOURSE: Mr. Petricoff, are you
18 asking about these environmental investments or in
19 general?

20 MR. PETRICOFF: No, the investments that
21 are on the sheet that he sent to Dr. Pearce.

22 A. Well, I don't know. I don't run the
23 business for Dynegy or Dayton Power and Light. So
24 they're sophisticated companies. They'll make
25 decisions as they see fit.

1 MR. PETRICOFF: I have no further
2 questions. Thank you very much, Mr. Thomas.

3 THE WITNESS: Thank you.

4 EXAMINER SEE: Ms. Fleisher, you have
5 questions for this witness, correct?

6 MS. FLEISHER: I do.

7 EXAMINER SEE: Can someone make room for
8 Ms. Fleisher.

9 MS. HENRY: I am.

10 EXAMINER SEE: Thank you.

11 - - -

12 CROSS-EXAMINATION

13 By Ms. Fleisher:

14 Q. Good morning, Mr. Thomas. My name is
15 Madeline Fleisher, and I represent the Environmental
16 Law and Policy Center.

17 A. Good morning.

18 Q. Thanks for being here one more day.

19 So first just a couple cleanup questions.
20 So you were talking to Mr. Darr about the different
21 units at the Cardinal plant, and I was just
22 wondering, does unit 1 have the same forced outage
23 rate as units 2 and 3?

24 A. I don't know. I'd have to look at the
25 data. It varies year to year.

1 Q. Okay. In terms of the projected outage
2 rates that the EFORD used for capacity auction
3 bidding, do you know whether they have the same
4 EFORD?

5 A. I don't know.

6 Q. And there are other -- outside of the PPA
7 units, AEPGR owns other coal plants -- coal units in
8 Ohio, correct?

9 A. That's correct.

10 Q. That includes, for example, the Gavin
11 plant, correct?

12 A. That is correct.

13 Q. How many megawatts, roughly, is the Gavin
14 plant?

15 A. Gavin is approximately -- Gavin has two
16 units, and it's approximately 2,600 megawatts total.

17 Q. And Gavin wasn't included in this
18 proposal because it's not, to use a rough term,
19 financially stressed, correct?

20 A. Well, I wasn't involved in what the
21 decision to include or for which units to include as
22 part of the PPA. So I wasn't in those discussions,
23 so I'm just here to talk about the ones that were
24 included.

25 Q. Based on your position with AEPGR, would

1 you say that the Gavin plant is as financially
2 stressed as the PPA units?

3 A. I would say it's at less risk.

4 Q. Is it still at risk?

5 A. I'd say some risk, yes.

6 Q. And one of the things you're testifying
7 to is that environmental compliance at the PPA units
8 is consistent with the factor identified by the
9 Commission, correct?

10 A. Yes. That's correct.

11 Q. And in preparing your testimony on that
12 point, did you view the environmental permits for the
13 PPA units?

14 A. I did not.

15 Q. Are you familiar with the permits for the
16 PPA units?

17 A. At a very high level. We have a great
18 number of permits. I have people within my
19 organization that know the details of each permit for
20 air, water, waste, and so forth, and they work very
21 closely with Mr. McManus's organization, but I do not
22 know the details of all those permits, no.

23 Q. Okay. You should have a couple documents
24 up there if we can resurrect a couple from yesterday.
25 There should be one that's the Stuart Clean Water Act

1 permit marked as Exhibit 7. Or, I guess --

2 A. I'm sorry, I don't have it with me right
3 here.

4 MR. NOURSE: I've got it. Do you have
5 extra copies if you want to talk to him about it?

6 MS. FLEISHER: Oh, you didn't save --

7 MR. NOURSE: I've got my copy.

8 EXAMINER SEE: Let's go off the record
9 for just a second.

10 (Discussion off the record.)

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

13 Q. Mr. Thomas, just take a second and look
14 through that document and let me know when you're
15 ready. I just want you to take a quick look at it.

16 A. Okay. This is ELPC Exhibit No. 7. It
17 appears to be the NPDES permit for Stuart Station,
18 yes.

19 Q. Have you ever seen that permit before?

20 A. Not to my recollection.

21 Q. Do you know whether Stuart is subject to
22 an enforceable compliance schedule for attaining
23 compliance with mercury discharge limits?

24 A. I don't directly recall any discussions.
25 It may have been discussed in one of our engineering

1 and operating committee, but we have a subcommittee
2 that's the environmental counsel that gets together,
3 or like a John McManus equivalent. I don't recall
4 hearing about that, no.

5 Q. And do you have Sierra Club Exhibit 7,
6 the version you were using with the different
7 versions beside you?

8 EXAMINER SEE: I'm sorry, what was the
9 last part of that?

10 MS. FLEISHER: I'm just specifying the
11 version he was using that excludes the OVEC
12 confidential information.

13 A. Yes, I have the table that was discussed
14 with Sierra Club counsel yesterday.

15 Q. Right. And looking at the entries on
16 that table for Stuart, do you see a mercury treatment
17 project listed?

18 A. I see a mercury effluent wastewater
19 treatment project.

20 Q. Okay. In that same row it says that's a
21 NPDES-related project, or that's how I would
22 interpret it; would you agree?

23 A. Yes, I would agree.

24 Q. And, for the record, NPDES refers to the
25 Clean Water Act permit under the National Pollutant

1 Discharge Elimination System.

2 A. I would agree.

3 Q. Do you know anything about the details of
4 that project?

5 A. I don't know the details of that project.
6 As I've discussed before, we have a process between
7 co-owners where the operator will look for solutions,
8 come up with plans, and then we discuss those plans
9 at a high level amongst the operating committee, and
10 then the operator of a specific unit will then
11 execute that plan. But I don't know the details of
12 this plan, of this project.

13 Q. And are you aware that Stuart also has an
14 adjacent landfill for disposal of gypsum?

15 A. I know Stuart has the Carter Hollow
16 landfill. I honestly don't know where it is in
17 relation to the plant.

18 Q. Okay. And do you know whether that
19 landfill has leachate discharge?

20 A. I don't specifically. I would expect it
21 to have leachate discharge, but I can't tell you for
22 certain.

23 Q. All right. A couple things to come back
24 on the confidential, but that's all for now.

25 And then if someone could also just

1 provide him with ELPC Exhibit 8 real quickly, I
2 imagine this will be speedy. Just take a quick look
3 at that one.

4 A. Yes, I see ELPC Exhibit No. 8, which
5 appears to be the NPDES permit for the Zimmer
6 station.

7 Q. And have you ever seen this permit
8 before?

9 A. Not to my recollection, no.

10 Q. Do you know whether the Zimmer plant is
11 subject to any enforceable compliance schedules for
12 achieving compliance with Clean Water Act discharge
13 limitations?

14 A. Not that I'm aware of.

15 Q. Do you know whether Zimmer's mercury
16 wastewater discharge is currently within the water
17 quality standard for the Ohio River?

18 A. I do not know.

19 MS. FLEISHER: Let's do one more. Your
20 Honors, may we approach?

21 EXAMINER SEE: Yes.

22 MS. FLEISHER: If we can have this marked
23 as ELPC Exhibit 12. For the record, it's the Clean
24 Water Act permit for the Conesville Plant.

25 EXAMINER SEE: So marked.

1 (EXHIBIT MARKED FOR IDENTIFICATION.)

2 Q. Mr. Thomas, have you ever seen this
3 document before?

4 A. I probably have, but I don't recall if
5 I've seen this specific document. I have individuals
6 in my organization that manage our compliance day to
7 day at this site and at most of the large sites, but
8 I don't know that I've seen this specific document.

9 Q. Okay. Do you have any reason to believe
10 it's not an accurate copy of the Conesville Clean
11 Water Act permit?

12 A. It appears to be.

13 Q. And do you know whether the Conesville
14 Plant has a variance from the Ohio EPA allowing it to
15 discharge at levels above the applicable monthly
16 average mercury limit?

17 A. I don't remember specifically for
18 Conesville. I do recall at some plants we do have a
19 variance, but I can't tell you specifically for
20 Conesville. It sounds familiar but, again, I'd have
21 to go check to see.

22 Q. If you look on page 21 of the document
23 you have marked ELPC-12, would that maybe refresh
24 your memory?

25 A. Yes, on page 21 the agency has granted us

1 a variance.

2 Q. And do you know whether that variance
3 expires when the permit expires?

4 A. I don't know the specifics of when the
5 variance expires.

6 Q. Okay. And do you have any familiarity
7 with any steps the Conesville Plant might have to
8 take to maintain or renew that variance?

9 A. I'm not familiar with specific steps. I
10 know, as outlined in here, we have to put a credible
11 plan in front of the agency and demonstrate that
12 we're making improvements and so forth as outlined,
13 but as far as specifics of how we would extend the
14 variance if necessary, I don't know.

15 Q. And for purposes of preparing your
16 testimony and the list of projects in Sierra Club
17 Exhibit 7, did you analyze any costs that might be
18 related to maintaining or renewing this variance?

19 A. No, not this particular variance. My
20 recollection is that the other projects we've
21 identified as far as the conversion of other sources
22 to dry handling and closing or relining certain
23 ponds, my recollection is that that is a holistic
24 view that we believe will ultimately end up in
25 allowing us to meet this limit. I mean, that's my

1 recollection.

2 Because those projects change the water
3 balance within the plant, change -- because there's
4 filtration on the wastewater stream coming out of
5 certain units there, there are a lot of projects
6 here.

7 Again, my recollection is holistically
8 when these are done, the units should be capable of
9 meeting that, but that's just my recollection.

10 Q. So what's that understanding based on?

11 A. Well, the understanding is based on we
12 are taking certain units that handle ash wet, we're
13 converting it to dry. We are treating wastewater
14 streams that come out of Conesville unit 4 because
15 it's a different type of scrubber, so all those
16 affect the total water balance within the plant and
17 ultimately what gets to the outfall.

18 Again, my understanding is the collection
19 of those, I believe that will meet the 12 -- I don't
20 remember the unit -- nanogram-per-liter limit. But
21 that's just my recollection.

22 Q. That's for that Conesville Plant?

23 A. Yes.

24 Q. And my understanding for the Kyger Creek
25 plant is that you don't have any familiarity with

1 environmental compliance with that plant; is that
2 correct?

3 A. That is true.

4 MS. FLEISHER: Okay. Could we just get
5 one more exhibit marked. This will be ELPC Exhibit
6 13.

7 MS. HENRY: May we approach?

8 EXAMINER SEE: Yes.

9 MR. NOURSE: Can we go off the record for
10 a second?

11 EXAMINER SEE: Yes.

12 (Discussion off the record.)

13 EXAMINER SEE: Take five.

14 (Recess taken.)

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

17 Ms. Fleisher.

18 Q. (By Ms. Fleisher) Okay. So, Mr. Thomas,
19 you have a document marked as ELPC Exhibit 13; is
20 that correct?

21 A. Yes, that's correct.

22 Q. I just want to verify that you don't
23 recognize this document.

24 A. I do not. It appears to be the NPDES
25 permit for Ohio Valley Electric Corporation, so, no,

1 I have no knowledge of this document.

2 Q. And in preparing your testimony did you
3 review the current -- the then-current environmental
4 compliance status of each of the PPA units?

5 A. I did not. I rely on Mr. McManus's group
6 to look at the status of those types of things.

7 Q. Okay. And in the course of your regular
8 duties, are you aware of potential environmental
9 violations with respect to any of the PPA units?

10 A. Generally, when a potential issue comes
11 up, then I become aware of the issue.

12 Q. Okay. And so you don't --

13 MS. FLEISHER: Let's go off the record
14 one second. I need to retrieve exhibits.

15 EXAMINER SEE: Sure. Go off the record.

16 (Off the record.)

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

19 MS. FLEISHER: May we approach the
20 witness, your Honor?

21 EXAMINER SEE: Yes.

22 MS. FLEISHER: These documents were
23 previously marked yesterday as ELPC Exhibit 10 and
24 ELPC Exhibit 11, and I've provided the witness with
25 unmarked copies, but I'll just refer to them by that

1 context so you can keep them straight.

2 Q. Just let me know when you've had a chance
3 to look them over.

4 A. Okay, I've reviewed both documents.

5 Q. Let's start with the one dated December
6 24th, 2014, subject line: "Notice of violation,
7 Stuart Generating Station." Have you seen this
8 document before?

9 A. I may have seen this document before. I
10 was aware of an alleged opacity violation by the
11 agencies. We, I believe we discussed it. Usually
12 when this kind of thing goes, when we get a notice,
13 the parties will notify the other owners there has
14 been a notice of something like this. But generally
15 those notices will go to, either to Mr. McManus's
16 group or environmental counsel first.

17 I don't know if I've seen this specific
18 document, but I do recall an alleged opacity
19 violation at Stuart.

20 Q. Okay. And that's alleged by the U.S.
21 EPA, correct?

22 A. Yes, this is the U.S. EPA.

23 Q. And under the Clean Air Act, just so the
24 record is clear for those who aren't emersed in the
25 technicalities?

1 A. Under the Clean Air Act, yes.

2 Q. Okay. Great.

3 And can you turn to the other document
4 dated December 16th, 2014.

5 A. I'm there.

6 Q. And are you familiar with this document?

7 A. Like we just discussed, I was aware that
8 there was an alleged opacity violation at the Zimmer
9 plant as well. I don't know if I've seen this
10 specific document. I may have, but I don't recall.

11 Q. I imagine you see a fair number of
12 documents.

13 A. I see a lot of documents, yes.

14 Q. Okay. And were you aware of these
15 alleged opacity violations at the time you prepared
16 your testimony in this case?

17 A. I don't recall.

18 Q. Do you generally have some experience
19 dealing with alleged violations under environmental
20 statutes?

21 A. Yes, I am aware of generally what we do
22 at the agencies. These are two examples. We're not
23 perfect as an operator, nor is Dynegy nor Dayton
24 Power and Light. We do have a good track record
25 working with the agencies to work through these type

1 issues to make sure we understand what the reasons
2 were as far as their method 9 readings here, in this
3 case for opacity, and we work extensively with the
4 agencies to make sure that we correct whatever the
5 issue was, if there ends up being one, because we
6 take -- our environmental responsibilities are
7 paramount to us I mean, these are legal obligations,
8 you know, under the Clean Air Act.

9 So we do have an extensive, basically,
10 process that we use to work through environmental
11 counsel and our environmental expert group like
12 Mr. McManus runs, and his counterparts with the other
13 co-owners, to work through these types of issues with
14 the various agencies, and we've done that
15 successfully in the past.

16 Q. Can alleged environmental violations lead
17 to legal penalties?

18 A. I believe they can lead to legal
19 penalties. I think there's a fairly lengthy process,
20 to my recollection, working with the agency and how
21 they go through and decide what that penalty may or
22 may not be.

23 Q. And it's correct, isn't it, that per the
24 resolution of environmental violation, it would
25 require a plant to undertake additional environmental

1 control measures to address the violations?

2 A. It's possible. In the case of these two
3 instances that we're talking about here with opacity,
4 in my experience it's likely something with the
5 precipitators and so forth that may need to be
6 addressed. But I wouldn't expect significant
7 investments to be required for these examples.

8 Q. And you're familiar with the 2007 EPA
9 consent decree that AEP entered into with the EPA
10 regarding a number of its plants, correct?

11 A. At a high level.

12 Q. Would you say that consent decree
13 required significant investment in environmental
14 controls?

15 A. I don't remember the details of the
16 consent decree, but it was related to reducing sulfur
17 emissions and I believe NOx emissions. But, again,
18 I'm not familiar with all the requirements within
19 that legal document.

20 Q. To the extent you are aware, can you
21 speak to whether that involved significant investment
22 in environmental controls?

23 A. Well, I can say we did make significant
24 investments, but I can also say we were already
25 making those investments for other regulations to

1 install those scrubbers, those SCRs, so I can't say
2 it was directly related to that consent decree.

3 Q. Are you aware of any other unresolved
4 environmental violations at any of the PPA units?

5 A. The only one I recall is, I believe it's
6 related to thermal discharge limits at the Stuart
7 station. That's the only one I recall. That's been
8 an ongoing discussion between the owners, primarily
9 Dayton Power and Light and -- several agencies
10 related to the river. I can't name all of them, but
11 it's more than just the Environmental Protection
12 Agency. I think ORSANCO and other agencies were
13 there, but that's the only one I recall.

14 Q. And was that ongoing at the time you
15 prepared your testimony in this case?

16 A. Yeah, I believe it was.

17 Q. And this may be confidential, but I want
18 to cover my bases in case it's not. Are you familiar
19 with whether any of the PPA units had outages during
20 either the polar vortex or in January and February of
21 winter 2015?

22 A. I know some of the -- the polar vortex in
23 2014, that first quarter time period, some of the
24 units had -- some of the PPA units had some forced
25 outages. As far as this, the winter or the first

1 quarter of 2015, I don't recall.

2 Q. Okay. And do you know whether any of
3 those outages were related to cold weather?

4 A. I'd have to look at the specifics on each
5 outage to be able to answer that question.

6 Q. Okay. All right.

7 MS. FLEISHER: That's all I have, your
8 Honors, thank you.

9 EXAMINER SEE: Thank you.

10 Mr. Dougherty, did you have any
11 cross-examination for this witness?

12 MR. DOUGHERTY: No questions, your Honor.

13 EXAMINER SEE: Thank you.

14 Mr. Beeler?

15 MR. BEELER: No questions, thank you.

16 EXAMINER SEE: There were two parties,
17 did Sierra Club have any confidential cross for this
18 witness, Mr. Mendoza?

19 MR. MENDOZA: We do not.

20 MS. FLEISHER: Sorry. I may have
21 forgotten to indicate I have a couple.

22 EXAMINER SEE: You did indicate that.

23 So let's move to the confidential portion
24 for Ms. Fleisher to conduct her cross-examination of
25 this witness. Anybody in the room?

1328

1 MR. NOURSE: Your Honor, I believe
2 Ms. Fleisher's the only one that mentioned that or
3 reserved anything, correct?

4 EXAMINER SEE: She is.

5 MS. FLEISHER: Okay. Are we off the
6 record?

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

8 (Discussion off the record.)

9 (CONFIDENTIAL PORTION EXCERPTED)

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(OPEN RECORD.)

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REDIRECT EXAMINATION

By Mr. Nourse:

Q. Mr. Thomas, I wanted to cover two areas
real quick with you. There's been a fair amount of
discussion during your examination about Sierra Club

1 Exhibit 7, Attachment 1, which was the major
2 environmental capital spreadsheet. Do you recall
3 that?

4 A. I do.

5 Q. Okay. And so the, what I'll call,
6 Attachment 1 captures the major capital investments
7 during the projection period for environmental
8 capital requirements, correct?

9 A. That's correct.

10 Q. And so what about minor capital projects
11 that relate to environmental investments, where would
12 those be captured?

13 A. Well, as I discussed yesterday, as far as
14 what I delivered to Dr. Pearce, those would be
15 covered in what we call our blanket projects. We
16 have a certain amount of money that we put in the
17 blanket projects, and those would simply fall within
18 that process because we consider them minor. We just
19 deal with them in that way.

20 Q. Okay. And then what about O&M impacts of
21 environmental projects during the study period, where
22 would they be captured?

23 A. They would be captured in the O&M
24 estimates that we provided to Dr. Pearce, and, as I
25 discussed yesterday, given that we're putting in some

1 new equipment with these major environmental
2 projects, we're taking out some older equipment,
3 based on my experience I believe it's reasonable that
4 we don't expect a significant increase or any
5 increase in O&M, and those O&M dollars to maintain
6 those units are built into that forecast based on
7 that assumption.

8 Q. And is it fair to say that compliance
9 with environmental requirements is part of the --
10 part of your business in running the PPA units?

11 A. Yes, I'd say it is because the fact that
12 if I'm not in environmental compliance, I cannot run
13 the units.

14 Q. Okay. And that takes us into the second
15 area I wanted to cover. Mr. Petricoff asked you some
16 questions about the co-owned units and whether you
17 could, I guess, guarantee or indicate that the other
18 co-owners other than AEP would make certain -- would
19 vote or support capital projects that relate to
20 environmental requirements. Do you recall that?

21 A. I do.

22 Q. And while I appreciate your prior answer
23 that talked about each owner making their independent
24 determination as a business judgment whether to make
25 capital investments and whether to vote in favor of

1 capital investments for the co-owned units, would you
2 address in the specific context of environmental
3 capital investments any additional considerations
4 you'd like to add.

5 A. Well, yeah. When you look at that, the
6 sheet from the Sierra Club exhibit, the major capital
7 projects, the owners indeed have the right, based on
8 certain criteria, to do a project or not. But those
9 major environmental projects that are listed by us
10 for Conesville unit 4 and then by the other co-owners
11 for Stuart and Zimmer, if those projects are not
12 completed by the estimated dates we have in there,
13 the units will no longer be compliant and so a
14 decision to not invest on those projects based on our
15 interpretation today would mean that those units
16 could no longer operate past that date.

17 MR. NOURSE: Thank you. That's all I
18 have, your Honor.

19 EXAMINER SEE: Mr. Mendoza?

20 MR. MENDOZA: Just a few questions, your
21 Honor.

22 RECROSS-EXAMINATION

23 By Mr. Mendoza:

24 Q. Looking at Sierra Club 7, Attachment 1,
25 that we've been talking about. There are nonmajor

1 projects on this list, right?

2 A. Well, there are line item projects on
3 there. I'm just saying the blanket approach that we
4 take to manage other projects is included in the
5 total forecast that we provided Dr. Pearce.

6 Q. And how does the -- how does that line
7 item label fall in the continuum of major and
8 nonmajor?

9 A. I'm not sure I understand your question.

10 Q. And I didn't understand your answer. I
11 think you just told Mr. Nourse that this list had
12 major projects on it, but I want to know if there are
13 some nonmajor projects on this list as well, however
14 you define the term "major."

15 A. There are a fewer smaller discrete
16 projects that are on here, again, well-defined --
17 like, for example, the catalyst layers changeout.

18 Q. Would you describe that project as a
19 major capital investment project under your
20 definition?

21 A. That particular one is in a gray area.
22 There's no bright line between major and minor.
23 These are the ones, when we responded to this data
24 request, we brought out what we believe were most
25 representative projects of what was requested.

1 Q. And so you can't say that this list is
2 exclusively major projects, right?

3 A. I cannot say that, no.

4 Q. Okay. And so you have -- all the major
5 projects are here and some of the nonmajor projects
6 are here, and some of the other ones were provided in
7 the other -- in the bucket of minor projects, but we
8 don't know how to draw a distinction between those,
9 right?

10 A. This is just based on the way we run our
11 business. We have a blanket amount of money because
12 we don't know exactly what's going to happen. This
13 is -- the projects that are not listed here are
14 simply the ones we would do just in the normal course
15 of business. Some are environmental, as simple as
16 all the way down to replacing some sort of
17 transmitter on an environmental system. That
18 technically is an environmental investment. Those
19 are the types of things we would capture in there,
20 and anything that is relatively small, we cover in
21 the blanket.

22 Q. So the nonmajor projects on this list you
23 would do in the normal course of business also,
24 right?

25 A. I would agree.

1 MR. MENDOZA: Okay. I have no further
2 questions.

3 EXAMINER SEE: Counsel for OMAEG?

4 MS. GHILONI: No questions, your Honor.

5 EXAMINER SEE: Ms. Bair?

6 MS. BAIR: Thank you.

7 - - -

8 RECROSS-EXAMINATION

9 By Ms. Bair:

10 Q. How would you define "minor projects"?
11 Is it a dollar amount?

12 A. As I just answered, I don't have a bright
13 line between minor and major. We just -- as we look
14 at it, if it's very specific and something that is
15 very well-defined, generally we'll itemize it. If
16 it's something that we would normally do in the
17 course of business because it could change year to
18 year, we cover those type of investments in our
19 blanket approach.

20 Q. So it's discretionary and is not related
21 to dollar amount?

22 A. It's business judgment. The total
23 numbers all add up to be the same whether you put
24 them in a line item or you put them in a blanket,
25 so...

1 Q. Okay. And just following up, the minor,
2 where were those in Pearce's attachment or something,
3 did you say?

4 A. I provided the entirety of the forecast
5 to Dr. Pearce, and I don't remember which
6 interrogatory now. The list that we're looking at
7 here is a subset or an extraction of that total
8 information with our best attempt to itemize the
9 environmental projects that we thought were
10 significant.

11 Q. Thank you. And I do believe on redirect
12 you talked about O&M being included in some things;
13 is that correct?

14 A. We provided an O&M forecast to
15 Dr. Pearce, yes.

16 Q. And I may be mixing apples with oranges,
17 but could you please look at Sierra Club 7. Do you
18 have that before you?

19 A. Mine are not marked.

20 MR. NOURSE: I think it's what we've been
21 referring to as Attachment 1.

22 MS. BAIR: I don't know.

23 May I approach?

24 EXAMINER SEE: Yes.

25 EXAMINER PARROT: He's not supposed to

1 see that exhibit. He has a special one he needs to
2 refer to.

3 MS. BAIR: It's just the first page.

4 EXAMINER PARROT: He's still not to have
5 the entire exhibit.

6 EXAMINER SEE: Yes, your confidential
7 exhibit --

8 MS. FLEISHER: He should have that
9 discovery response.

10 EXAMINER SEE: He already has the first
11 page. Tell the witness what you are looking for.

12 MS. BAIR: I am looking at Interrogatory
13 2-45 of Sierra Club.

14 THE WITNESS: I think I have the original
15 version and then a supplemented version somewhere.

16 MS. BAIR: I think this is the original.

17 Q. The interrogatory starts with "Refer to
18 page 6."

19 A. Okay.

20 Q. Do you think you have the right one?

21 A. I think I have the right one, yes, thank
22 you.

23 Q. You were talking about O&M with
24 Mr. Nourse on redirect, and I see on this
25 interrogatory that it seems to indicate at the bottom

1 of the page, No. 4 says, "O&M costs associated with
2 projects have not yet been estimated."

3 A. Well, this is like I discussed yesterday,
4 based on my experience we are -- the projects that we
5 laid out in the table that -- in the Sierra Club
6 reference, we are installing some new projects, for
7 example, a dry fly ash system, and then we are taking
8 out other projects that are in service today, the wet
9 fly ash system.

10 So as we approach this have we done -- we
11 have not completed any detailed studies, but in my
12 experience, given what I'm putting in that is new and
13 given what I'm taking out of service that is older,
14 we don't believe there will be any incremental O&M
15 required to operate and maintain the new system, any
16 greater than what we've got in the forecast to
17 operate and maintain the old system.

18 Q. So the correct answer to this would be
19 there is no increased O&M included in these projects
20 to be estimated for the PPA? Or is there any O&M?

21 A. I would say there's no increased O&M.
22 Again, as I just discussed, we are taking some
23 systems and the maintenance related thereto out of
24 service. Those are in the forecast. We're building
25 new systems. We're putting those into service. And,

1 based on my experience, we don't expect there to be
2 an increase in O&M. What used to go to the old
3 system will now go to maintain the new system.

4 Q. And I guess it's just confusing because
5 the response reads: "O&M costs associated with the
6 project have not been estimated." So it's
7 incremental O&M. Would you revise this to say
8 increased or incremental O&M?

9 A. I just -- what I'm saying here is we have
10 not completed a study. Based on my experience we
11 don't expect there to be the -- the O&M that we have
12 forecasted and provided to Dr. Pearce will be
13 representative of what it will take to operate these
14 systems given the old systems are coming out.

15 MS. BAIR: Your Honor, I'm going to try
16 and ask my question again.

17 Q. Would you change the response on this
18 interrogatory to increased or incremental?

19 MR. NOURSE: Well, I object. I think
20 he's answered it three different times, and he's
21 explaining that the -- exactly as this says, there
22 was no study, no determination as to a specific
23 amount for the new investments.

24 But in his testimony today and again on
25 redirect, he's shown that, based on his experience,

1 that the projected O&M that was already in
2 Dr. Pearce's numbers will not change in any
3 significant way.

4 MS. BAIR: So, your Honor, I understand
5 that counsel is answering just what he answered, but
6 my question is related to the interrogatory that I
7 believe he's modifying.

8 EXAMINER SEE: Mr. Thomas, answer the
9 question if you can. The objection is overruled.

10 A. Can you please point me to the specific
11 section of the interrogatory that you're referencing?

12 Q. Okay. No. 4 at the bottom of the page in
13 the response, under the response, it should be the
14 bottom line. Does yours read: "O&M costs associated
15 with projects have not yet been estimated"? Do you
16 see that?

17 A. Yes, I see that. By that what I mean and
18 what I meant is we have not done any studies. I'm
19 basing my analysis based on my experience to say
20 since some systems are coming out of service and new
21 systems are going into service, we believe that there
22 will be no incremental O&M.

23 Q. Okay. So the --

24 A. But we have not completed the studies as
25 requested in this interrogatory.

1 Q. Thank you. So for the attachment, the
2 projects included here, there is O&M associated with
3 it, is that correct, that is in your attachment?

4 A. I'm sorry. Which attachment are you
5 referring to?

6 Q. Sierra -- oh. The PPA budget estimates
7 that you have provided --

8 MR. NOURSE: I'm sorry, your Honor, I've
9 lost track of whether there's a question or not.

10 MS. BAIR: I'm asking if O&M is included
11 in his budget estimates for the environmental
12 compliance projects.

13 MR. NOURSE: In the capital?

14 MS. BAIR: Yeah.

15 A. We have provided in the table that you're
16 referencing in the Sierra Club exhibit the capital
17 projects. What I'm saying is based on my experience
18 the projects that are retiring and coming out of
19 service and these projects that we're building, the
20 O&M impact is going to be very small, if any, so the
21 O&M dollars that I provided to Mr. Pearce I believe
22 are representative of what it will take to do these
23 projects in light of the equipment that's coming out
24 of service. Pumps, motors, belts; this is pumps,
25 motors, belts.

1 MS. BAIR: I have no more.

2 EXAMINER SEE: Mr. Oliker?

3 MR. OLIKER: No questions, sir, your
4 Honor.

5 EXAMINER SEE: Mr. Pritchard?

6 MR. PRITCHARD: No questions, your Honor.

7 EXAMINER SEE: Mr. Petricoff?

8 MR. PETRICOFF: Just one or two, your
9 Honor.

10 - - -

11 RECROSS-EXAMINATION

12 By Mr. Petricoff:

13 Q. Mr. Thomas, given your response on
14 redirect, is it fair to say that whether this
15 Commission approves the PPA application or rejects
16 the PPA application, if the partners in the co-owned
17 units don't vote for certain capital improvements for
18 environmental upgrades, the units will not operate?

19 A. Well, I'm not sure because I've never
20 been in a situation with the co-owners that they
21 can't -- you've got to have unanimous to retire so if
22 one says we're not going to retire -- I've never been
23 in that situation, and I don't -- I'd have to go back
24 to look at the agreements to see what happens there.
25 If there's an investment that's needed to keep it

1 compliant but yet if you don't do the investment it
2 requires retirement, and one is a unanimous vote and
3 one is -- I don't know how to answer that question
4 without looking at the documents.

5 Q. The question I'm asking is much easier
6 than that, and that is, isn't it true that since the
7 decision -- that the decision by the partners whether
8 to either close the plant or not fund -- well, let me
9 start over.

10 Isn't it true that the Commission's
11 decision on the PPA application will not affect
12 whether or not the co-owned plants operate for
13 failure to make certain investments?

14 THE WITNESS: Can you please reread that
15 question.

16 (Record read.)

17 A. Again, I'm not sure. I have to go back
18 and look at the agreements. We're talking about two
19 different scenarios. One is if you don't do the
20 investments, the units cannot run, but then you also
21 have a unanimous vote as to whether or not you can
22 retire a unit or not.

23 So if the Commission approves this PPA,
24 AEP Ohio, as the buyer, would have a vote as to
25 whether or not it retires. But how the interplay

1 between making investments and then ultimately
2 retiring, I'm just not sure how that works because
3 I've never been there.

4 Q. Let me try it another way. Isn't it true
5 that if the Commission approves the PPA, there is
6 still no guarantee that the co-owned plants will run
7 during the nine-and-a-half years covered in the study
8 period?

9 A. I guess, again, I'm unclear. When you
10 look at the investments that would need to be made,
11 whether or not we could step in and take over other
12 pieces and just, for example, make investments on one
13 unit if the other co-owners didn't want to come
14 along, I don't know. I can't say for certain whether
15 or not it would or wouldn't because there are other
16 remedies potentially within that agreement, and I'm
17 not prepared to talk to those.

18 Q. The question is much more simplistic.
19 Isn't it true that the co-owners could close -- isn't
20 it true that the co-owners could take -- the mere
21 fact that the Commission approves the PPA application
22 does not affect the ability of the co-owners not to
23 fund the project.

24 A. I guess that's possible, yes.

25 Q. And failure to fund some of the projects

1 could result in the plants closing.

2 A. Again, like I've answered multiple times,
3 when you get into the difference between it takes a
4 unanimous vote to retire a plant and you're talking
5 about a different process to make investments, I do
6 not know how those two interplay so I cannot answer
7 that question.

8 MR. PETRICOFF: No further questions.
9 Thank you, Mr. Thomas.

10 EXAMINER SEE: Mr. Yurick?

11 MR. YURICK: No questions, your Honor.

12 EXAMINER SEE: Mr. Boehm?

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

14 EXAMINER SEE: Ms. Fleisher.

15 MS. FLEISHER: Just a couple.

16 - - -

17 REDIRECT EXAMINATION

18 By Ms. Fleisher:

19 Q. Looking at the attachment in Sierra Club
20 7, is it your assertion that every single one of
21 these projects is replacing some existing
22 environmental control?

23 A. Not all of them, but I believe many
24 would, yes. The major projects that are listed here,
25 the larger-dollar ones, are going to replace systems

1 that are in service today.

2 Q. Okay. So let's talk about a couple
3 specifics. Look on Conesville down towards the
4 bottom of that section, the Gore mercury control
5 project for MATS. Will that have O&M costs?

6 A. It will, but it's already installed and
7 it's already in the budget.

8 Q. Okay. What about the landfill
9 expansions, will those involve some leachate
10 collection system? There are a number. I could
11 point you to some specific one, but I think there are
12 several listed on here.

13 A. I don't know the specific design. I
14 would assume they would have leachate collection
15 systems.

16 Q. Okay. And do you know whether there
17 would be any treatment requirements for that
18 leachate?

19 A. There could be.

20 Q. And do you know whether that treatment
21 could involve O&M costs?

22 A. It's possible there could be some O&M
23 costs associated with that.

24 Q. And, to be clear, you never went through
25 each of these projects and analyzed what the O&M

1 costs might be and how those would compare to
2 existing O&M costs, correct?

3 A. That is correct. I'm just using my
4 judgment and my experience in operating this fleet to
5 make that determination.

6 MS. FLEISHER: That's all. Thank you.

7 EXAMINER SEE: Mr. Dougherty?

8 MR. DOUGHERTY: No questions, your Honor.

9 EXAMINER SEE: Mr. Austin?

10 MR. AUSTIN: No questions, your Honor.

11 EXAMINER SEE: Mr. Beeler?

12 MR. BEELER: No questions, thank you.

13 EXAMINER SEE: I believe counsel for AEP
14 has already moved for the admission of AEP Exhibit 5.

15 MR. NOURSE: Yes, your Honor.

16 EXAMINER SEE: Are there any objections?

17 (No response.)

18 EXAMINER SEE: Hearing none, AEP Exhibit
19 5 is admitted into the record.

20 (EXHIBIT ADMITTED INTO EVIDENCE.)

21 EXAMINER SEE: Sierra Club.

22 MR. MENDOZA: Thank you, your Honor. I
23 move that Sierra Club Exhibits 16 and 17 be admitted
24 into the record.

25 EXAMINER SEE: Are there any objections?

1 MR. NOURSE: No.

2 EXAMINER SEE: Sierra Club Exhibits 16
3 and 17 are admitted into the record.

4 (EXHIBITS ADMITTED INTO EVIDENCE.)

5 EXAMINER SEE: IEU?

6 MR. PRITCHARD: Yes, your Honor. IEU
7 would move for the admission of IEU-Ohio Exhibit 9,
8 and, for clarification, Mr. Darr had initially marked
9 as IEU Exhibit 9 a page 35 of the Cardinal agreement
10 and we would -- in response to questions and answers
11 from the witnesses, other pages of the document were
12 referred to and referenced, and, therefore, we would
13 at this time move for the admission of the complete
14 Cardinal station agreement.

15 EXAMINER SEE: And you will provide to us
16 all copies if it's admitted?

17 MR. PRITCHARD: Yes, your Honor.

18 EXAMINER SEE: And to the Bench.

19 MR. PRITCHARD: Yes, your Honor.

20 EXAMINER SEE: Are there any objections
21 to the IEU Exhibit 9?

22 MR. NOURSE: No.

23 EXAMINER SEE: The entire exhibit.

24 MR. NOURSE: No, your Honor.

25 EXAMINER SEE: IEU Exhibit 9 is admitted

1 into the record.

2 (EXHIBIT ADMITTED INTO EVIDENCE.)

3 EXAMINER SEE: P3.

4 MR. PETRICOFF: Yes, your Honor, we move
5 to admit P3 No. 1 into the record.

6 EXAMINER SEE: Are there any objections
7 to the admission of P3 Exhibit 1?

8 MR. NOURSE: No.

9 EXAMINER SEE: P3 Exhibit 1 is admitted
10 into the record.

11 (EXHIBIT ADMITTED INTO EVIDENCE.)

12 EXAMINER SEE: Ms. Fleisher.

13 MS. FLEISHER: Yes, your Honors, I'd ask
14 the bench to take administrative notice of ELPC
15 Exhibits 7, 8, 12, and 13, which are the Clean Water
16 Act permits for Stuart, Zimmer, Conesville, and Kyger
17 Creek. These are publicly available documents that
18 are maintained on the Ohio EPA website. They're
19 certainly relevant to the factor the Commission
20 identified regarding environmental compliance at the
21 PPA units, and I don't think there's -- certainly if
22 there's some dispute as to their authenticity, I'd be
23 happy to discuss that, but I believe that's pretty
24 straightforward.

25 MR. NOURSE: Is that all the ELPC

1 exhibits, your Honor?

2 MS. FLEISHER: I was going to address 10
3 and 11, but I figured --

4 EXAMINER SEE: Let's start with the four
5 that you started with.

6 MS. FLEISHER: Yeah.

7 MR. NOURSE: Well, your Honor, I think,
8 you know, these aren't the kind of documents we
9 normally take administrative notice in these
10 proceedings. And neither witness that was questioned
11 about these documents, Mr. McManus or Mr. Thomas, had
12 specific knowledge about it. They both indicated
13 that other people in the organization were
14 responsible for these permits and administering them.

15 So, I mean, it's just a data dump into
16 the record. I don't think they're, until
17 Ms. Fleisher's motion at the end of the examination,
18 I don't think there had been any indication about the
19 source of these documents or the authenticity because
20 there was no relevant examination, I think. I don't
21 see the purpose in bringing them in.

22 And, again, I don't think a technical
23 environmental permit is the kind of thing that is
24 really appropriate for administrative notice.

25 MS. FLEISHER: If I could respond, your

1 Honors, if that would be useful?

2 MS. HENRY: Can I respond as well?

3 EXAMINER SEE: Ms. Fleisher.

4 MS. FLEISHER: Well, I mean, I do believe
5 I mentioned yesterday these were on the Ohio EPA
6 website. I can call -- I can provide the URL,
7 whatever is required, so I think a document issued
8 and maintained by the state government is certainly
9 something that is appropriate for the Commission to
10 take administrative notice of.

11 In terms of whether it's a data dump,
12 it's information, certainly, regarding certain
13 environmental compliance issues at the plants, which
14 is something the Commission has issued express
15 notable interest in.

16 And, you know, the fact that AEP's
17 witnesses weren't familiar with them is -- I don't
18 think makes them any less relevant to the
19 environmental compliance status of the plants.

20 MR. NOURSE: Well, your Honor, that's why
21 the parties have their own witnesses to sponsor
22 documents that they want to bring in that aren't
23 familiar to other parties' witnesses.

24 MS. HENRY: Your Honor, if I may.

25 EXAMINER SEE: Go ahead, Ms. Henry.

1 MS. HENRY: In the ESP III order the
2 Commission specifically requested that the company
3 come to them and let them know for that these units
4 that they would like to have a rider on for the life
5 of these units. One of the environmental compliance
6 obligations, factor 3, that's what Mr. Vegas said he
7 was going to address. That's why Mr. McManus and
8 Mr. Thomas put it in their testimony.

9 I think the ratepayers, you know, we're
10 trying to show that they didn't give you a full
11 projection of all the costs these units were subject
12 to. They didn't even look to see if there was a
13 notice of violation and that they would be subject to
14 additional compliance costs because they are
15 currently violating the law. This is relevant
16 information as to whether this is a good deal for the
17 ratepayers, and I think this Commission and the
18 ratepayers should have this in the record.

19 MR. NOURSE: Your Honor, I won't respond
20 to all Ms. Henry's, you know, merit arguments in this
21 case but I will say that this is not evidence. The
22 Commission asked parties to put forth evidence.
23 Ms. Fleisher did not submit this as evidence. She's
24 asking for administrative notice and didn't sponsor a
25 witness to bring it in. So I'm not going to respond

1 to the other allegations. This is a narrow
2 evidentiary question, not an opportunity for
3 rhetoric.

4 EXAMINER SEE: Thank you. Thank you all.
5 The Bench is willing to take administrative notice of
6 the NPDES permits previously marked as ELPC Exhibit
7 7, 8, 12, and 13.

8 Were you going to address the two other
9 exhibits, Ms. Fleisher? Ms. Fleisher, are you going
10 to address the other two?

11 MS. FLEISHER: Certainly, your Honor. At
12 this time I'd like to ask that the Bench would take
13 administrative notice of these two notices of
14 violation. These are also not only federal
15 government documents, they are also available on the
16 U.S. EPA website. Witness Thomas did say that he's
17 familiar that there are these asserted violations
18 with respect to the two plants.

19 Again, this relates back to the
20 Commission having specifically said it's interested
21 in knowing about the environmental compliance status
22 of the units, and certainly since Mr. McManus and
23 Mr. Thomas were put forward as witnesses testifying
24 on that subject, I expected that they might be
25 familiar with those documents, although it turned out

1 not to be.

2 MR. NOURSE: Well, your Honor --

3 EXAMINER SEE: Mr. Nourse.

4 MR. NOURSE: -- again, none of the
5 witnesses asked had knowledge about these particular
6 documents, and, you know, personally, I think it's
7 unfair because this is basically taking one instance
8 out of who knows how many hundreds of thousands of
9 other compliance opportunities that have been
10 achieved.

11 So I think it's prejudicial. I don't
12 think it's relevant, and I would say if you're going
13 to take administrative notice as a substitute for
14 evidence, then we should take administrative notice
15 of the EPA's entire website and all of AEP's, you
16 know, statistics and outcomes and favorable
17 resolutions. If we're just going to take one random
18 example and assert -- you know, bypass the
19 evidentiary process to take administrative notice of
20 it.

21 EXAMINER SEE: And the witness did
22 discuss the two documents that were previously marked
23 ELPC-10 and 11 and went into some detail as to what
24 he recalled the issues that were raised by those
25 documents. And I am willing -- the Bench is willing

1 to take administrative notice of those two documents
2 as well.

3 MR. NOURSE: So, your Honor, are you
4 ruling on my request to take administrative notice of
5 the EPA, all compliance documents? Because this
6 witness --

7 EXAMINER SEE: Not --

8 MR. NOURSE: -- did have some
9 familiarity. I didn't move to strike any of the
10 stuff that was in the record. It's these documents
11 that had no authentication or relevance, and I
12 believe, like I said, based on the rest of my
13 argument, it was prejudicial.

14 So can you rule on my request?

15 EXAMINER SEE: Let me hear both sides as
16 to that, and we'll rule on it after we take a brief
17 break.

18 Mr. Thomas, you're excused.

19 THE WITNESS: Thank you, your Honor.

20 MR. PRITCHARD: Your Honor, there might
21 be more than two sides that might want to weigh in on
22 that, but I will defer to Madeline to begin.

23 MS. FLEISHER: With respect to the entire
24 website, there's certainly a lot of stuff on there
25 that was not the subject of questioning. You know,

1 Mr. Nourse had the chance to redirect regarding these
2 notices of violation, and so they have -- these
3 documents have been through some back and forth on
4 the parties that would have a chance to raise any
5 issues as to their authenticity.

6 I cannot say that's true as to the entire
7 EPA website, which I will note contains all sorts of
8 documents from third parties, and, I don't know, all
9 kinds of stuff.

10 EXAMINER SEE: Okay.

11 MR. NOURSE: Well, your Honor, I find it
12 interesting that the objection is that we didn't have
13 any opportunity to test documents on the website, and
14 that was the entire basis for taking administrative
15 notice of these same documents.

16 Again, we didn't object to the
17 examination that was in the record that was based on
18 personal knowledge. We didn't object to any of that.
19 We're objecting to these documents, and they're using
20 the same argument they used to support administrative
21 notice to oppose my request

22 EXAMINER SEE: Okay. Thank you both.
23 We'll address the issue further when we return from
24 break.

25 We'll return at 1:30, and we'll address

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1 that issue and pick up with Mr. Bletzacker.

2 MR. NOURSE: Thank you.

3 (At 12:32 p.m. a lunch recess was taken
4 until 1:30 p.m.)

5 - - -

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1 Friday Afternoon Session,
2 October 2, 2015.

3 - - -

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

6 Mr. Nourse.

7 MR. NOURSE: Yes, your Honor. During the
8 break I realized I may have gotten carried away with
9 my request to take notice of the internet, and I was
10 trying to make a point and I apologize. I'll
11 withdraw that request without the need to discuss it
12 further.

13 EXAMINER SEE: All right. Thank you.

14 EXAMINER PARROT: The company may call
15 its next witness.

16 MR. CONWAY: Thank you, your Honor. At
17 this time AEP Ohio calls Karl Bletzacker.

18 EXAMINER PARROT: Mr. Bletzacker, please
19 raise your right hand.

20 (Witness sworn.)

21 EXAMINER PARROT: Please have a seat.

22 - - -
23
24
25

1 KARL R. BLETZACKER

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

4 DIRECT EXAMINATION

5 By Mr. Conway:

6 Q. Mr. Bletzacker, Could you give your full
7 name for the record.

8 A. My name is Karl R. Bletzacker.

9 Q. And by whom are you employed?

10 A. I'm employed by American Electric Power
11 Service Corporation.

12 Q. And what is your position?

13 A. My position is director of Fundamental
14 Analysis.

15 Q. Mr. Bletzacker, did you prepare or cause
16 to be prepared prefiled testimony for this case that
17 was filed on May 15th of 2015 in support of the
18 company's, AEP Ohio's, amended application which was
19 also filed on May 15, 2015?

20 A. I did.

21 MR. CONWAY: Your Honors, at this time
22 I'd like to mark as the company's next exhibit
23 Mr. Bletzacker's May 15th, 2015, testimony in
24 support of the amended application, I believe we're
25 at No. 6 now.

1 EXAMINER PARROT: So marked.

2 (EXHIBIT MARKED FOR IDENTIFICATION.)

3 Q. Mr. Bletzacker, do you have a copy of
4 your prefiled testimony with you?

5 A. I do.

6 Q. And do you have any corrections or
7 modifications to make to your prefiled testimony
8 filed on May 15, 2015 at this time?

9 A. Yes, I do. I have two very minor typo
10 type corrections. Please go to page 13, line 14.
11 You'll see in the very middle of that sentence the
12 word "a." Please change that to "and."

13 On the line below it you'll see two of
14 the word "the." Please strike either one you like.

15 And that's all. Thank you.

16 Q. Mr. Bletzacker, with those two changes,
17 if I asked you the questions contained in your
18 prefiled direct testimony today that's been marked as
19 Company Exhibit 6, would your answers be the same as
20 they appear in that document?

21 A. Yes, they would.

22 Q. And are those answers true and accurate
23 to the best of your knowledge and belief?

24 A. Yes, they are.

25 MR. CONWAY: Your Honors, at this time

1 Mr. Bletzacker is available for cross-examination,
2 and I would move for the admission of Company Exhibit
3 No. 6 into evidence.

4 EXAMINER PARROT: Thank you, Mr. Conway.
5 Mr. Bzdok.

6 MR. BZDOK: Thank you.

7 - - -

8 CROSS-EXAMINATION

9 By Mr. Bzdok:

10 Q. Good afternoon, Mr. Bletzacker.

11 A. Good afternoon, Mr. Bzdok.

12 Q. You periodically produce a long-term
13 North American Energy Market Forecast for AEPSC; is
14 that correct?

15 A. That is correct.

16 Q. This is sometimes referred to as a
17 fundamentals forecast, right?

18 A. That is correct.

19 Q. And it is also sometimes abbreviated as
20 the LTF for long-term forecast.

21 A. It has been given that as well as other
22 identifications in the past.

23 Q. The fundamentals forecast that you
24 prepare includes projections of energy market prices
25 and capacity prices among other things; is that

1 correct?

2 A. Among other things, that's correct.

3 Q. And you produce the fundamentals forecast
4 using the AURORAxmp energy market model; is that
5 correct?

6 A. The AURORAxmp energy market model is one
7 of the many tools we use, so to that extent, that is
8 correct.

9 Q. The fundamentals forecast is used
10 ubiquitously throughout the company; is that correct?

11 A. That is correct.

12 Q. And until recently it was published on an
13 AEP intranet site; is that true?

14 A. It has been published on an AEP intranet
15 site, and now it's called a SharePoint site.

16 Q. Is that some kind of arrangement, an
17 intranet or internal company?

18 A. Yes, a place where it may be found for
19 intra -- intracompany use.

20 Q. Okay. A software change essentially, is
21 that true?

22 A. Yes. A platform change, yes.

23 Q. Now, the history of the last five years
24 has been that you issue a new fundamentals forecast,
25 give or take, roughly once a year; is that true?

1 A. Yes. If you divide the number of
2 forecasts by the numbers of years, that would be the
3 correct answer.

4 Q. And the fundamentals forecast is used by
5 various affiliates and subsidiaries of AEP, correct?

6 A. That is correct.

7 Q. And those -- and also by the strategic
8 planning group, is that true?

9 A. That's correct.

10 Q. And also by the integrated resource
11 planning group, is that true?

12 A. That's correct.

13 Q. Now, some of these groups who use the
14 fundamentals forecast run the PLEXOS model, correct?

15 A. Yes, they do.

16 Q. And that would include strategic
17 planning?

18 A. I don't believe they use the PLEXOS
19 model, no.

20 Q. But it would include the IRP group,
21 correct?

22 A. That is correct.

23 Q. Generally, as you generally understand
24 the use of the fundamental forecast by some of these
25 other groups who use PLEXOS, they use projections

1 from the fundamental forecast that you prepare as
2 inputs to PLEXOS; is that correct?

3 A. That's correct.

4 Q. And you're aware that Dr. Pearce in this
5 case used projections from your fundamental forecast
6 for his PPA rider revenue and cost forecast, correct?

7 A. That's correct.

8 Q. You were in the room for Dr. Pearce's
9 testimony in this case; is that right?

10 A. Not for all of it.

11 Q. For a lot of it, right?

12 A. For some of it.

13 Q. Okay. Did you hear him testify that he
14 used projections from the fundamental forecast as
15 inputs to PLEXOS in creating the PPA rider revenue
16 and cost forecast?

17 A. I did.

18 Q. Now, you communicated with Dr. Pearce
19 during that process; is that correct?

20 A. Yes, I did.

21 Q. And, generally, the nature of those
22 discussions was that you provided clarification and
23 further understanding to Dr. Pearce regarding the
24 fundamental forecast and the premises behind it; is
25 that correct?

1 A. That's correct.

2 Q. Do you recall when those discussions
3 occurred?

4 A. In preparation for this trial.

5 Q. My question to you was temporal. Do you
6 recall when they occurred?

7 A. That would roughly be in the April-May
8 time period, prior to the filing May 15th.

9 Q. Did those discussions include legal
10 counsel?

11 A. Yes.

12 MR. CONWAY: Your Honor, at this time I
13 would just point out that I think we're treading
14 fairly closely, if we haven't already crossed, the
15 boundary into communications that are a part of the
16 work-product scope and attorney-client communication
17 privilege scope, and so I would just observe that we
18 assert the protection of the doctrine and the
19 privilege.

20 And we don't have any problem with
21 examination of Mr. Bletzacker with regard to his
22 forecast that he prepared and conversations that he
23 might have had with Dr. Pearce in the normal course
24 of business outside of the scope of the discussions
25 they might have had as part of the preparations of

1 our case, but we do object to delving into
2 communications that are in that scope.

3 So I would just simply appreciate from
4 the Bench an instruction that the witness isn't
5 compelled to answer about those kind of discussions
6 that he might have had with Dr. Pearce but, rather,
7 anything that's outside of that scope is fair game,
8 including, of course, the forecasts themselves,
9 anything about them, anything about his testimony,
10 and the like. So I'd just like to sensitize you to
11 the issue that I see looming here.

12 EXAMINER PARROT: Well, I think it's
13 reasonable that you brought it to our attention, but
14 I don't think that it's necessary at this point to
15 issue any sort of caution. I haven't heard anything
16 yet from Mr. Bletzacker that I think is going to
17 require any instruction from the Bench other than he
18 did mention discussions with legal counsel and I will
19 see what his next question is and then maybe issue
20 such instruction, but at this point I don't think
21 it's necessary.

22 So please continue, Mr. Bzdok.

23 MR. BZDOK: Thank you, your Honor.

24 Q. (By Mr. Bzdok) Mr. Bletzacker, were you
25 in the room when Dr. Pearce testified that he had the

1 pleasure of running into you and interacting with you
2 on a regular basis?

3 A. I don't recall.

4 Q. He had a sort of a testimony, I have the
5 pleasure of knowing Karl. I've known him for a long
6 time. We talk frequently about, you know, things
7 related to family and also things related to work.

8 A. I hear that from a lot of people. I
9 don't recall that in here with Dr. Pearce, but it
10 wouldn't surprise me if he did, so many people do.

11 Q. In the course of any of the hallway
12 discussions, in the course of any, and I'm
13 specifically excluding from my question any
14 discussions that you had in relation to trial
15 preparation, but in the course of any of the hallway
16 "run into you" type discussions that Dr. Pearce
17 mentioned, did you ever have any discussions about
18 the fundamental forecast?

19 A. I have had discussions about the
20 fundamental forecast, and I don't really characterize
21 them as hallway discussions.

22 Q. How would you characterize them?

23 A. Oh, I think we've described those as part
24 of trial prep. We've talked about the fundamentals
25 forecast and the unique features of the fundamentals

1 forecast.

2 Q. Were you here when Dr. Pearce testified
3 that he became aware at some point over the summer
4 that you were working on a new fundamental forecast?

5 A. I don't recall that.

6 Q. Do you recall any -- and do you recall
7 that interaction occurring?

8 A. No, I don't.

9 MR. BZDOK: Your Honor, may I approach
10 the witness?

11 EXAMINER PARROT: You may.

12 MR. BZDOK: Thank you.

13 Q. Mr. Bletzacker, I am going to show you a
14 document that I will ask to be marked as Sierra Club
15 Exhibit 18, proposed. I will note that this document
16 was produced as a response to discovery by the
17 company under a file name. It was an attachment with
18 a file name OCC RPD-5-055_Supplemental_2013H1_
19 LTF_FT_Base_Nominal_2013_10_21.

20 EXAMINER PARROT: The document is marked
21 as Sierra Exhibit 18.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 Q. Take a moment and familiarize yourself,
24 sir. Let me know when you're ready. I know it's a
25 long document.

1 A. Yes, subject to greater check, I
2 recognize this document as the 2013H1 fundamentals.

3 Q. You said "H1". H1 means that the
4 research for this fundamental forecast was done in
5 the first half of 2013; is that correct?

6 A. Well, research is ongoing for these
7 fundamentals forecasts but, generally speaking, the
8 bulk of the research was done in the first half of
9 2013.

10 Q. And do you agree that the file name that
11 I identified when we were marking this exhibit is the
12 file name, the Excel file name, for the 2013
13 fundamental forecast?

14 A. Yes, and I'll read it back to you to make
15 sure. OCC RPD-5-055_Supplemental_2013H1_LTF_FT_
16 Base_Nominal_2013_10_21.

17 Q. Thank you. And that date at the end,
18 2013_10_21 on the file name you just read, that
19 refers to the date that this fundamentals forecast
20 was released and published on the company intranet;
21 is that correct?

22 A. That's not correct.

23 Q. Do you recall my taking your deposition
24 in this matter?

25 A. I do.

1 Q. It was about a week and a half ago; is
2 that right?

3 A. Monday, to be exact.

4 MR. BZDOK: May I approach the witness
5 again?

6 EXAMINER PARROT: You may.

7 MR. CONWAY: You're not proposing to mark
8 this as an exhibit, are you?

9 MR. BZDOK: Not at this point, no. But
10 we'll see.

11 I am somewhat short on copies of this.

12 Q. I'm going to ask you to turn to page 42
13 and 43 of that deposition.

14 A. I have that in front of me.

15 Q. Pardon me?

16 A. I have that in front of me.

17 Q. You were open to those pages already?

18 A. Yes.

19 Q. You knew this was coming?

20 A. I have my own copy.

21 Q. So take a look at the question starting
22 on line 18 of page 42. Question: "What's the
23 significance of the date in the name -- in the name
24 of the document, the electronic document?"

25 Just for reference, since we're already

1 open to it, we're talking at this point about the
2 same 2013 fundamental forecast; is that correct?

3 A. That's correct.

4 Q. And the question: "What's the
5 significance of the date in the name -- in the name
6 of the document, the electronic document?"

7 And then there's an interaction. And the
8 answer says: "Last several digits of the file name,
9 that refers to the date that it was released and
10 published on our intranet." Do you see that?

11 A. I do see that.

12 Q. Are you changing your testimony today
13 about the file name?

14 A. No, but I'd like to draw you to the fact
15 that on page 84, line 4, a similar line of
16 questioning I say "No. But I should clarify looking
17 for significance to that date, is that's when the
18 last run was completed."

19 Q. What forecast are you referring to on
20 page 84 in the answer you just quoted?

21 A. That's the 2015 forecast.

22 Q. So as to the 2013 forecast, which was the
23 subject of my question, is October 10 -- sorry,
24 October 21, 2013, the date that it was released and
25 published on the company intranet?

1 A. No.

2 Q. So you're changing your testimony sitting
3 here today from your sworn deposition testimony a
4 week ago Monday; is that correct?

5 A. I'm saying that you can't identify a
6 single date after the model has been run that has
7 been released. So I answered that question in kind
8 of a broad sense that, yes, it was released --
9 significant to me is that it was released at some
10 point after the last model run was done. There's
11 significant QA/QC that takes place after that. It
12 could have been as that recently. It Could have been
13 even longer than that. And with the 2013 it's hard
14 to know exactly, but it Could have been that date.

15 When you asked me the question about the
16 2014 -- or, 2015, I recognized that, you know, there
17 really is a significant amount of time after for
18 QA/QC and other things to take place. That's really
19 tough to call that the absolute date it is released,
20 but you should look at it as the earliest possible
21 date that Could include that date

22 Q. So the time in which you changed your
23 testimony was in between my question to you in the
24 deposition about the 2013 fundamentals forecast file
25 name significance and my question to you in your

1 deposition about the 2015 fundamentals forecast file
2 name?

3 A. I think it would be wrong to say I was
4 changing testimony. I think I would say I clarified
5 your understanding in that that date Could be the
6 earliest possible date. If I would have taken more
7 time to add to that and given it some more thought, I
8 would have called that the earliest possible date
9 that could be done, certainly not before.

10 Q. When I asked you about the 2013
11 fundamentals forecast, you told me without
12 qualification that the date in the file name is the
13 date that that forecast was released and published on
14 the company intranet; is that correct?

15 A. The answer to that one interrogatory
16 contains those words, that's correct.

17 Q. And you --

18 A. But upon -- I'm not done with my answer
19 yet.

20 Upon further consideration, especially
21 when the question came up around 2015, I'm reminded
22 that, you know, these forecasts have been going on
23 for years, and I've done them for years and years and
24 years. It's probably too narrow to say that is about
25 the date or that is the date it was released for

1 publication. It's released as soon as that date,
2 that's the earliest possible date. Sometimes during
3 this quality control and quality assurance we Could
4 find some small bust and they need to go fix them
5 very quickly and Could be released right after that
6 model run gets done. Sometimes it takes longer, more
7 time to go do all of that. So that's the -- consider
8 that to be the earliest possible date.

9 Q. And just for the record, when we were
10 discussing the 2013 fundamental forecast in your
11 sworn deposition testimony, you didn't offer any of
12 this qualification at that time, did you?

13 MR. CONWAY: Objection.

14 A. My --

15 MR. CONWAY: Objection. He's already
16 explained that later on in the deposition. He did
17 explain the point in reference to the 2015 forecast,
18 and now he's explaining here on the stand, he's now
19 done it two or three times. Mr. Bzdok may not like
20 the answer, but the witness has stated it and
21 restated it, and he's not changing his sworn
22 testimony. He's explaining that he's clarifying it.
23 And so I object to the continued effort to try to
24 characterize it as something else.

25 MR. BZDOK: May I respond?

1 MR. CONWAY: We've covered the ground two
2 or three time now.

3 MR. BZDOK: May I respond? My questions
4 were very specific to the 2013 forecast, and so my
5 clarification question just now was as to the
6 discussion of the name of the 2013 forecast. And so
7 I'm just clarifying that all of these qualifiers he's
8 giving us were not given to me in my -- in response
9 to my question about the 2013 fundamental forecast at
10 his deposition.

11 EXAMINER PARROT: The objection is
12 overruled.

13 Do you need us to reread the last
14 question that's pending?

15 THE WITNESS: That would be helpful.

16 (Record read.)

17 A. While I will -- I understand that I
18 offered no qualification at that time. My
19 interpretation of the question was more general about
20 our forecast as opposed to that one specifically.

21 Q. So you're agreeing with me?

22 A. No, I'm not.

23 MR. BZDOK: May I approach?

24 EXAMINER PARROT: You may.

25 MR. BZDOK: I'm going to ask that another

1 document be marked, and I will identify this document
2 for the record as another printout of a spreadsheet,
3 and this particular printout has a discovery
4 response and file name label on it that is OCC
5 RPD-5-055_Supplemental_2012H2_Price_Forecast_Nominal_
6 FTCA_CSAPRx_2012_08_27.

7 EXAMINER PARROT: It's been marked as
8 Sierra Exhibit 19.

9 (EXHIBIT MARKED FOR IDENTIFICATION.)

10 Q. Mr. Bletzacker, just to save us some
11 time, did I read the name of this response and file
12 correctly?

13 A. Yes, you did.

14 Q. And is this a fundamental forecast
15 prepared by you in 2012?

16 A. Subject to further check, this is a
17 fundamentals forecast prepared by my group, that's
18 correct.

19 Q. Under your direction, correct?

20 A. Under my direction, correct.

21 Q. Your group is the fundamentals analysis
22 group?

23 A. That's correct.

24 Q. And that group prepares these forecasts
25 from time to time under your direction; is that

1 correct?

2 A. That is correct.

3 Q. And what leads you and your group to
4 produce a new fundamentals forecast?

5 A. Generally speaking, whenever there is a
6 significant change in the drivers of the energy
7 market to justify that forecast, for example, this
8 particular case you've put in front of me, which I'll
9 save time and just read the last part of it that says
10 _ CASPRx _ 2012 _ 8 _ 27, that's when CASPR was
11 vacated. We certainly needed to make an adjustment,
12 actually render a new forecast because of the
13 vacation of CASPR.

14 MR. BZDOK: May I approach, your Honor?

15 EXAMINER PARROT: You may.

16 MR. BZDOK: One more forecast. I'm going
17 to ask that another document be marked as proposed
18 Sierra Club Exhibit 20. Just for the record, did I
19 ask the other one be marked as 19?

20 EXAMINER PARROT: You did.

21 MR. BZDOK: Thank you.

22 Q. This document has a Response to Discovery
23 and file name of OCC RPD-5-055_Supplemental_2015H1_
24 LTF_FT_Base_Nominal_2015_04_24; is that correct?

25 A. That is correct.

1 EXAMINER PARROT: So marked.

2 (EXHIBIT MARKED FOR IDENTIFICATION.)

3 Q. Take a moment to review this document as
4 well.

5 A. I will.

6 Q. Do you recognize this one?

7 A. Of course, subject to further deeper
8 check, yes I do, I recognize this as what we call the
9 2015 fundamentals forecast.

10 Q. Okay. Now, in your deposition --

11 MR. BZDOK: May I approach the witness
12 one more time, your Honor?

13 EXAMINER PARROT: You may.

14 MR. BZDOK: I'm going to show counsel
15 this document before I show it to you.

16 Q. In your deposition we looked at a version
17 of this forecast which was inclusive of the annual
18 sheets for the forecast; is that correct?

19 A. That's correct.

20 Q. And this exhibit that I've given you as
21 proposed Sierra Club 20 includes other sheets in
22 addition to the annual; is that correct?

23 A. That is correct, namely, monthly detail.

24 Q. And also the GDP and also the
25 definitions; is that correct?

1 A. I believe so.

2 MR. BZDOK: May I?

3 Q. I want to ask you some questions about
4 the capacity prices in your fundamentals forecasts.

5 A. Certainly.

6 Q. Now, as I understand it, the fundamentals
7 forecast capacity prices represent the difference
8 between the total revenue required by marginal
9 generating units and the energy revenue that they
10 project to receive; is that correct?

11 A. I'd like to state it another way, and we
12 will see whether you're correct. And the way I'd
13 like to state that is that marginal units, those that
14 are on the supply stack that make very little or no
15 money from energy revenue, need to have a level of
16 income in order to be available.

17 If that level of income is insufficient,
18 of course, they will be retired and a new unit would
19 be built. So it stands to reason that the capacity
20 prices do tend to limit out at the model's cost of a
21 new entrant, but capacity prices and energy prices
22 are inextricably linked in the way, I believe you've
23 typified, in that if capacity revenues are
24 insufficient for the unit to stay available, it's at
25 risk for retirement or risk to no longer stay in the

1 stack because it's not economically -- it's
2 uneconomical at that point.

3 Q. So I believe you've given me a rationale
4 for the reason why you believe capacity prices should
5 represent the difference between the total revenue
6 required by marginal generating units and the energy
7 revenue that they project to receive. My question
8 was simpler, as to whether that was the case in the
9 fundamentals forecast?

10 A. What it means to me is a simpler
11 representation can sometimes miss some important
12 facts, so but for some additional qualification,
13 which I've given you and I'm sure more that I can
14 come up with, that's correct.

15 Q. So you still have that deposition in
16 front of you?

17 A. I do.

18 Q. Okay. Take a look at page 73.

19 A. I'm there.

20 Q. Starting also line 18, there's a
21 question: "Were capacity prices an input or an
22 output of the model?"

23 Answer: "They are an output of the
24 model."

25 Did I read that correctly?

1 A. That's correct.

2 Q. And then there's a question: How were
3 they prepared?

4 Answer: "The model calculates the
5 revenue required by marginal generating units not
6 provided by energy revenue in order for them to
7 remain as marginal units.

8 "Put another way, if those marginal units
9 don't receive these capacity values... there's not
10 enough revenue from energy to allow them to continue
11 to exist economically."

12 Is that a fair reading of your answer on
13 that day?

14 A. It's a fair reading.

15 Q. Is your opinion on this point
16 fundamentally different today than what we reviewed
17 from your deposition?

18 A. No.

19 Q. Capacity prices -- today in the PJM
20 market, capacity prices are not set by way of
21 calculating or estimating a difference between total
22 revenue required by marginal generating units and
23 energy revenue they project to receive; is that true?

24 A. That's true.

25 Q. In the market, capacity prices are set as

1 a function of the PJM base residual and other
2 capacity auctions; is that correct?

3 A. For certain years, that's true.

4 Q. In the near term or what I think you've
5 called the nearby, those PJM auction results are a
6 more reliable indicator of actual capacity revenue
7 that generating units will receive than fundamental
8 forecast capacity prices are, correct?

9 A. That's correct.

10 MR. BZDOK: May I approach the witness?

11 EXAMINER PARROT: You may.

12 MR. BZDOK: I'm going to ask that a
13 document be marked as proposed Sierra Club Exhibit
14 21.

15 Q. And I'm going represent that this
16 document is a 30-page report with the heading
17 "2018/2019 RPM Base Residual Auction Results," PJM.
18 I'm also going to show counsel the document before I
19 show it to you.

20 EXAMINER PARROT: Sierra Exhibit 21 has
21 been marked.

22 MR. BZDOK: Thank you.

23 (EXHIBIT MARKED FOR IDENTIFICATION.)

24 Q. I'm going to hand the document I was
25 showing counsel to you and ask you -- well, let me

1 just ask you a couple of questions.

2 The document that I've handed you that I
3 showed to counsel, that's a deposition exhibit from
4 your deposition; is that correct?

5 A. Yes, that's correct.

6 Q. And that deposition exhibit is the
7 three-page Executive Summary from this PJM 2018-2019
8 RPM Base Residual Auction Results report, correct?

9 A. That's correct.

10 Q. And we discussed the executive summary in
11 your deposition a week ago Monday; is that correct?

12 A. Yes.

13 Q. And I also provided you at that time with
14 a complete copy of the report as well for
15 completeness. Do you recall that?

16 A. I don't recall it being a complete report
17 but...

18 Q. Take a look at page 79 of your
19 deposition. We'll see if we can refresh your memory.
20 So just take a moment and look at that page.

21 A. I've read that page.

22 Q. Okay. So this is where I was providing
23 you with Deposition Exhibit 3; is that correct?

24 A. Well, you'll have to help me work through
25 this.

1 Q. Sure.

2 A. In the question that begins on line 9,
3 you essentially offer me what's turned out to be
4 Exhibit 3, which is the executive summary.

5 Q. Sure.

6 A. Which you handed to counsel the full
7 summary.

8 Q. Sure. I said, "For purposes of
9 completeness, if I didn't mention that, I'm providing
10 your counsel with the entire 30-page document which
11 you may want to reference as well." Is that correct?

12 A. Okay. The record here is absolutely
13 correct.

14 Q. Take a look at Figure 2 on page 17.

15 MR. DARR: Is that a reference to Exhibit
16 21?

17 MR. BZDOK: Yes. Thank you.

18 MR. DARR: Thank you.

19 A. I have page 17 in front of me.

20 Q. Now, you indicated that you review PJM
21 BRA auction results in a cursory fashion as part of
22 your job responsibilities in the fundamentals
23 analysis group; is that correct?

24 A. That's correct.

25 Q. And you indicated that at the time we

1 took your deposition -- so I'm looking at the blue
2 line which is labeled "RTO" and the very last figure
3 which is \$164.77 corresponding with the 2018-2019
4 planning year. Do you see?

5 A. I do see that.

6 MR. CONWAY: Just a second, Mr. Bzdok.
7 Let me catch up to the two of you. Are you on page
8 21 of the document that's been marked as --

9 MR. BZDOK: Page 17 of Exhibit 21.

10 MR. CONWAY: Seventeen. And you have a
11 color version of this document?

12 MR. BZDOK: Are you asking me or your
13 witness?

14 MR. CONWAY: I'm asking you, Mr. Bzdok,
15 I'm not examining the witness.

16 MR. BZDOK: I apologize.

17 MR. CONWAY: Okay. I got it. I'm with
18 you.

19 Could I have the question reread, please,
20 your Honor.

21 (Record read.)

22 MR. CONWAY: Thank you.

23 Q. You recognize that \$164.70 figure for the
24 2018-2019 planning year on the RTO line as the result
25 that you reviewed from the last PJM base residual

1 auction; is that correct?

2 A. That's correct.

3 Q. Let's look at the capacity price
4 forecasts in the August 27, 2012, version of the
5 fundamental forecast which we have marked as proposed
6 Sierra Club Exhibit 19. Capacity prices appear in
7 this forecast in two places; is that correct? As an
8 annual figure and as a monthly?

9 A. I see it in 19, Sierra Club 19, as an
10 annual figure. I am searching for that as a monthly
11 figure.

12 Q. A few more pages back. Take your time.

13 A. I will. Okay, please restate the
14 question.

15 Q. You have found it?

16 A. Yes.

17 Q. Okay. So referring to whichever of those
18 capacity values from your forecast is helpful to you,
19 the capacity price projection for the planning year
20 2015-2016 in the August 12, 2012, fundamental
21 forecast was \$279 per megawatt-day; is that correct?

22 A. You'll have to remind me where you're
23 getting that number from.

24 Q. From the monthlies.

25 I apologize. Strike that.

1 Let's look at the 2013 forecast, Sierra
2 Club proposed Exhibit 18.

3 A. Yes, I have that in front of me.

4 Q. Take a moment to familiarize yourself.
5 This document also contains capacity price
6 projections; is that correct?

7 A. Yes, it does; specifically for AEP Gen
8 Hub and also for SPP.

9 Q. I'm sorry, what was the last thing you
10 said?

11 A. Specifically for AEP Gen Hub and SPP,
12 Southwest Power Pool.

13 Q. Let's take a look at the -- well, let me
14 ask you this: If we're looking at the annuals, how
15 do those relate to the PJM planning year?

16 A. Our annual, after a certain point, which
17 I can't recall, after a certain point as a
18 convenience we would calendarize the SPP planning
19 year. You're very comfortable, I'm sure, that the
20 SPP planning year is from June through May, and
21 roughly there would be a 7/12, 5/12 allocation, so to
22 speak, of that planning year. We calendarize that
23 for convenience in our fundamentals forecast.

24 Q. And just for the record, SPP is what?

25 A. Southwest Power Pool.

1 Q. What is the significance of the AEP Gen
2 Hub capacity value compared to the SPP capacity value
3 in the fundamentals forecast?

4 A. Two different RTOs.

5 Q. And which one is germane to AEP Ohio?

6 A. AEP Gen Hub.

7 Q. So if we have -- let me try it this way.
8 If we have calendarized data in the fundamental
9 forecast for the calendar-year period and we have --
10 strike that.

11 I'd like to compare the capacity price
12 projection that would include dates within the PJM
13 planning year of 2017 to 2018. And so looking at
14 your capacity price forecast, if we were looking, for
15 example, at the PJM planning year of 2018-2019, the
16 relevant numbers would fall somewhere between \$199.74
17 and \$215.54; is that correct?

18 A. That's correct.

19 Q. Okay. So for the 2018-2019 PJM auction
20 results, that clearing price was \$164.70 per
21 megawatt-day, right?

22 A. Of course. Yes, that's correct.

23 Q. And the capacity price projection for the
24 planning year in the October 21, 2013, fundamental
25 forecast was somewhere between \$199.74 and \$215.54;

1 is that correct?

2 A. I'm sure you're right. I'm going to
3 check.

4 Q. Sure.

5 MS. HENRY: Would you like a calculator,
6 Mr. Bletzacker?

7 A. No, I don't need a calculator. Please
8 just repeat the two numbers you're referring to in
9 the 2013 fundamentals forecast identified as Exhibit
10 18.

11 Q. \$199.74, and \$215.54.

12 A. That's correct.

13 Q. So the forecast as of 2013 was higher
14 than the PJM clearing price relative to that planning
15 year; is that correct?

16 A. That's correct.

17 Q. Let's look at the 2015 forecast, Sierra
18 Club Exhibit No. 20. This is also a forecast in
19 which the capacity prices were calendarized; is that
20 correct?

21 A. That's correct.

22 Q. And the capacity price projections from
23 this forecast corresponding to the PJM 2018-2019
24 planning year are \$187.37 in 2018 and \$260.32 in
25 2019, correct?

1 A. That's what I see here, yes.

2 Q. Which is then still higher than the PJM
3 clearing price of \$164.77 per megawatt-day, correct?

4 MR. CONWAY: For which auction does that
5 apply, Mr. Bzdok?

6 MR. BZDOK: I asked him about the
7 2018-2019 planning year.

8 MR. CONWAY: Just for my edification,
9 you're asking him to compare the PJM 2018-'19 BRA
10 price for capacity with the long-term -- excuse me,
11 the fundamentals forecast value on the 2015 forecast
12 for which year?

13 MR. BZDOK: I think if you're not sure
14 you heard my question, the appropriate procedure
15 would be to read it back rather than try to restate
16 that question.

17 MR. CONWAY: I apologize.

18 Could you read the --

19 Q. Mr. Bletzacker, would you like my
20 question read back?

21 EXAMINER PARROT: Reread the question,
22 please.

23 (Record read.)

24 A. Before I can answer that is correct, did
25 you inform me the date that this memo was released,

1 which is Bletzacker 3 or Sierra Club 21?

2 Q. Are you referring to the PJM report?

3 A. Correct.

4 Q. I believe we discussed that in your
5 deposition, that you were aware that the report --
6 that the auction was late this year and, therefore,
7 the results were available in August or
8 early-September. Do you recall that?

9 A. Yes, I do.

10 Q. And is that consistent with your
11 understanding from having reviewed your results and
12 responsibilities in Fundamental Analysis?

13 A. Yes, it is.

14 Q. Okay.

15 A. So it is correct that these numbers are
16 higher than the \$165 you're looking for, but this
17 auction took place after this printout that you see
18 here.

19 Q. The auction took place after the 2015
20 fundamentals forecast was completed; is that my
21 understanding of your answer?

22 A. These numbers were not updated to reflect
23 the information that was available then, that's
24 correct.

25 Q. So in the fundamentals forecast for years

1 that may be in the future, as of the date the
2 forecast is prepared but for which PJM clearing
3 prices are known, those clearing prices are
4 incorporated into the forecast for those years; am I
5 understanding you correctly?

6 THE WITNESS: Please repeat that.

7 (Record read.)

8 A. No. No, you're not understanding
9 correctly, and I hope this will help. When a
10 forecast is released, it's used in other
11 jurisdictions, it's locked down. Even with the
12 release of some PJM numbers later, those aren't
13 changed. Guaranteed those will be changed in the
14 next forecast, but those aren't changed -- an
15 existing forecast isn't continually updated. A new
16 forecast is released.

17 Q. So let me apologize that perhaps my
18 question was unclear because that was not the intent
19 of what I was trying to drive at with you. I think
20 my intent is actually much simpler than that.

21 In a fundamentals forecast, it might be
22 simpler to do it this way, let's use the specific
23 example of your 2015 fundamentals forecast and the
24 specific year of 2016 and the AEP Gen Hub, and
25 there's a value there of \$91.30, correct?

1 A. Correct.

2 Q. And that would correspond to -- and then
3 the 2017 number is \$94.74, correct?

4 A. You said something that would correspond
5 to some. I didn't hear what you said after "some."

6 Q. Sure. Let me just ask the question and
7 try to simplify this. At the time you prepared the
8 2015 fundamentals forecast, values for the PJM base
9 residual auction 2016-2017 planning year were known,
10 correct?

11 A. Correct.

12 Q. And so those known values are
13 incorporated into the fundamentals forecast for those
14 years; is that correct?

15 A. A better way to phrase that is that they
16 are calendarized as a convenience and recorded in the
17 forecast, that's correct.

18 Q. And so by "calendarized" you mean there's
19 some sort of averaging between the known values
20 that's done?

21 A. Pursuant to the example that I've given
22 you already with the 7/12-5/12 allocation between
23 years.

24 Q. So if we have a forecast that is prepared
25 after PJM BRA auction results are known, that

1 forecast uses the actuals for the years at issue,
2 correct?

3 A. Yes. But I would like to define the word
4 "uses." It records those, calendarizes those for
5 convenience. I was here when Dr. Pearce unwound that
6 with his calculator for somebody yesterday or the day
7 before. Being used in the forecast is probably a
8 misrepresentation. It's presented for use.

9 Q. Let's take a look at -- well, let's stay
10 on the 2015 forecast. We had a colloquy earlier
11 about the meaning of the dates -- of the date in the
12 name of the 2013 fundamental forecast. Do you recall
13 that?

14 A. I do.

15 Q. The name of the 2015 forecast includes a
16 date of April 24, 2015, correct?

17 A. It does.

18 Q. And, as I understand your testimony here
19 today, it is your position that the date in the 2015
20 forecast represents the earliest date that the
21 forecast was released, but it may have been released
22 at some later date. Am I understanding you
23 correctly?

24 A. As identified in the deposition, you can
25 be sure that there is a need for -- well, maybe it

1 wasn't in the deposition, but you can be sure that
2 there is a need for quality control and quality
3 assurance after a last model run. There are many,
4 many model runs to get to a fundamentals forecast,
5 and keeping track of the dates of those model runs is
6 very important to us. So the earliest they Could
7 come out, if it was a simple error that maybe we
8 would have found, Could have been the day that that
9 date indicates. It Could be several months later.
10 That, I know is correct.

11 Q. And you referred to the deposition. Did
12 you have a page number for me?

13 A. I will. I did retract that from my
14 answer, but I'll refer you to where I was thinking.

15 I'm on page 92 of my deposition. I'm on
16 or about line 8 -- or, let's skip to line 11: "The
17 best way to typify that would be that the final model
18 run was completed. There's significant work that
19 needs to be done beyond that."

20 Q. Take a look at page 83 of your
21 deposition. Let me know when you're there.

22 A. I will. I am at page 83.

23 Q. And so at page 83 there's a question
24 starting on line 19. Question: "And so like the
25 2013 Forecast, am I assuming correctly, am I

1 understanding correctly that the date of release
2 internally to AEP of this forecast was April 24,
3 2015?"

4 Answer: "It was the day that it was
5 completed. It may have been released at a later
6 date."

7 Do you see that?

8 A. I do see that.

9 Q. So at least at this point you indicated
10 to me that the forecast was complete as of April 24,
11 2015, but may have been released later. Do you see
12 that?

13 A. With the subsequent clarity, it would say
14 that the last -- the model part, the modeling part
15 was complete. It doesn't mean the total forecast is
16 completed. Calendarization is a good example.
17 That's a post-model activity.

18 Q. Sure. Go to the next page, page 84.

19 A. I'm there on page 84.

20 Q. Sure. You indicate in the answer on line
21 4: "But I should clarify that, looking for
22 significance to that date, it's when the run was
23 completed." Do you see that?

24 A. I do.

25 Q. "And then subsequently would be made

1 available for release." Do you see that?

2 A. I do.

3 Q. So April 24, 2015, is either the date
4 that it was released or the date that the forecast
5 was completed, or the date that the model run was
6 completed for the forecast, or that the model run was
7 still in draft form?

8 MR. CONWAY: Objection. Mischaracterizes
9 the testimony.

10 MR. BZDOK: I think I've actually
11 repeated all of the answers he's given on this topic.
12 I'm trying to clarify.

13 EXAMINER PARROT: Let's rephrase it,
14 Mr. Bzdok.

15 Q. Which of the following is it? Or if it's
16 something else, tell me that. Is April 24, 2015, the
17 date that the fundamental forecast for 2015 was
18 released, the date that it was completed, the date
19 that the model run was completed, or the date that a
20 model run of some type of draft form was completed?

21 A. The date the model run was completed.

22 Q. And the document that was produced to us
23 in discovery, the Excel sheet, was it different in
24 any way from the document that was completed on April
25 24, 2015?

1 A. No. I want to give you some -- help you
2 with some understanding. The model --

3 Q. I -- go ahead.

4 A. No, no more understanding.

5 Q. Did the nomenclature for these Excel
6 forecasts change in some significant or formal way in
7 the time period between the 2013 forecast and the
8 2015 forecast?

9 A. I don't believe so.

10 Q. Did you ever communicate -- so the intent
11 of my question is solely limited to conversations in
12 the ordinary course and does not seek any information
13 regarding meetings or preparation that you did at the
14 direction or with counsel.

15 I'm just saying in the ordinary course of
16 interacting with people at the company, did you
17 communicate with William Allen about the 2015
18 forecast?

19 A. No. No. I answered that question with
20 the assumption that you mean -- there's not a time
21 frame that's limited. Have I ever communicated, was
22 that the question?

23 Q. Yeah.

24 A. Have I ever? Oh, I certainly
25 communicated about it after its release.

1 Q. When did that occur?

2 A. Sometime in the very end of June in order
3 to be used in a IRP filing in July.

4 Q. What kind of an IRP filing?

5 A. Of course, that's an integrated resource
6 plan filing, and it was in one of our jurisdictions.
7 I haven't checked, but I believe it was Virginia.

8 Q. What is an integrated resource plan, to
9 your understanding?

10 A. An integrated resource plan is a line of
11 sight as to what resources may need to be built to
12 meet a deficiency that could be seen in generation in
13 a particular jurisdiction. It's not a guarantee that
14 will happen. It's not a answer for funds to go build
15 something in the future, which is covered in CPCN, so
16 it is a line of sight, general illustration of need,
17 and a listing of potential solutions to that need
18 handled by a different department than mine.

19 Q. That's the integrated resource planning
20 group?

21 A. That's correct.

22 Q. And I think you told me earlier today
23 that that group uses the fundamental forecast as
24 inputs to other modeling for the purpose of creating
25 those plans; is that correct?

1 A. That's correct.

2 Q. And specifically they use PLEXOS modeling
3 to do that?

4 A. That's correct.

5 Q. So what you're telling me is that your
6 conversations with Mr. Allen were regarding this 2015
7 fundamental forecast in late-June relative to its use
8 in an IRP?

9 A. I didn't connect Mr. Allen's conversation
10 with an IRP.

11 Q. What was the communication with Mr. Allen
12 about then?

13 A. You should know, and we've heard back to
14 even some things that you've offered, that this is a
15 ubiquitous forecast used throughout the company. I
16 get asked about it all the time. I'm asked to come
17 to staff meetings to interact with colleagues about
18 what the significance is of the activities in the
19 energy markets. It is part of my responsibility to
20 communicate what goes on in the energy market for
21 anybody that requests it.

22 Q. So you communicate with a lot of people
23 about the forecast on a lot of different occasions;
24 is that how I understand what you're saying?

25 A. That's correct, after it's released.

1 Q. My question had been what were the
2 circumstances of your communication about it to
3 Mr. Allen.

4 A. I don't remember for sure, but I would
5 offer that this notion of asymmetry, which is a very
6 powerful notion, that prices rise due to an equal
7 change in load greater than they fall. Does that
8 apply to all of our forecasts? Does that shape of
9 that supply stack look the same everywhere? That's a
10 common question I received. And I would not be
11 surprised if that was the focus of the conversation,
12 but I don't recall specifically.

13 Q. So you're not sure when or what
14 specifically you talked to Mr. Allen about regarding
15 the forecast; is that --

16 A. That's correct.

17 Q. Am I understanding correctly?

18 A. That's correct.

19 Q. So you and your group -- and your only --
20 just to confirm and just to make sure the record is
21 clear, your only communication with Dr. Pearce about
22 the 2015 forecast was in the context of trial
23 preparation for this hearing?

24 THE WITNESS: Please reread that for me.

25 (Record read.)

1 A. No, that's not correct.

2 Q. What are your other communications with
3 Dr. Pearce about the 2015 forecast outside of the
4 trial prep?

5 A. I've had many conversations with
6 Dr. Pearce or I've had conversations with Dr. Pearce
7 about the 2013 forecast.

8 Q. My question was about the 2015.

9 A. I understand.

10 Q. Sorry. Go ahead.

11 A. Outside of trial prep, I don't know of
12 any discussions I've had with Dr. Pearce but for that
13 asymmetry discussion and how that carries on, which I
14 know I've had. I just don't recall who with.

15 Q. This asymmetry discussion, did you have
16 that prior to filing testimony on May 15, 2015, or
17 afterwards?

18 A. Since it wasn't a forecast until long
19 afterwards, it would have to be afterwards.

20 Q. So you don't remember specifically when
21 it was?

22 A. No.

23 Q. Now, you and your group, I think we've
24 established, completed the model run for the 2015
25 fundamental forecast prior to the filing of your May

1 15, 2015, testimony in this case, correct?

2 A. Keep in mind there are many model runs,
3 but the last model run would be then, yes.

4 Q. The model run that was produced without
5 material modification in discovery in this case that
6 we have up here as a proposed exhibit, that's the one
7 I'm talking about.

8 A. That's correct.

9 Q. You believe that the 2015 fundamental
10 forecast was finalized and released after May 15,
11 2015; is that correct?

12 A. It would have to be; otherwise, I would
13 have used the document.

14 Q. You mentioned something in connection
15 with an IRP in an AEP jurisdiction you think is
16 Virginia; is that right?

17 A. Subject to check, that's right.

18 Q. Have you had an opportunity since your
19 deposition to check on that?

20 A. No.

21 MR. BZDOK: May I approach?

22 EXAMINER PARROT: You may.

23 MR. BZDOK: I'm going to ask that a
24 document be marked as proposed Sierra Club Exhibit
25 21.

1 EXAMINER PARROT: Twenty-two.

2 MR. BZDOK: Twenty-two. I apologize.

3 And I will identify the document for the record as
4 the cover sheet, Table of Contents, Executive
5 Summary, and one other excerpted section from a
6 document called "Appalachian Power, A Unit of
7 American Electric Power, Integrated Resource Planning
8 Report to the Commonwealth of Virginia State
9 Corporation Commission," Docket No. PUE-2015-00036,
10 Public Version, with a date of July 1, 2015.

11 EXAMINER PARROT: So marked.

12 (EXHIBIT MARKED FOR IDENTIFICATION.)

13 MR. BZDOK: I will also note for counsel
14 and the witness that I have a complete copy of the
15 document that I have made excerpts from which is
16 available if at any time you would like to look at
17 that as well.

18 Q. (By Mr. Bzdok) Appalachian Power is an
19 AEP subsidiary, correct?

20 A. That's correct.

21 Q. And this, on its face, is an IRP that was
22 filed in Virginia in early-July of 2015; is that
23 correct?

24 A. It appears so, yes.

25 Q. Take a look at the section that I've

1 excerpted, which, for the record -- so we've got the
2 Table of Contents. Then we've got an Executive
3 Summary running through ES-14. Then we've got a
4 section I've excerpted from pages 69 to 78 which
5 begins Section 4.0, Modeling Parameters. Do you see
6 that?

7 MR. BZDOK: May I approach one more time
8 while the witness is looking?

9 EXAMINER PARROT: You may.

10 Q. Please take your time, sir, I have more
11 paperwork.

12 MR. BZDOK: I'm just simply representing
13 that this document was downloaded from the Virginia
14 Commission's website and it was not available in
15 color, and that we have since been able to obtain the
16 color versions of the figures that are in the section
17 that I've just asked him to turn to, and so I'm going
18 to distribute those as well with the intent that
19 those could be used as substitute pages if that's
20 clearer.

21 Q. Take a moment. Let me know when you've
22 located Section 4.0, sir, on page 69.

23 A. I have located that.

24 Q. So I asked you to locate Section 4.0, and
25 then I'm actually going to get a little more specific

1 and ask you to jump a couple pages forward to page
2 71, Section 4.3, "Fundamental Modeling Input
3 Parameters." Do you see that?

4 A. I do.

5 Q. And Section 4.3 on page 71 of this
6 Appalachian Power Company IRP describes a long-term
7 energy price forecast that is prepared by the
8 fundamental analysis group from a proprietary model
9 known as AURORAxmp. Do you see that?

10 A. I do.

11 Q. That's your group, fundamental analysis,
12 right?

13 A. That's correct.

14 Q. And that's your model, AURORAxmp, right?

15 A. That's correct.

16 Q. Let's take a look at those figures
17 starting on page -- starting with Figure 15 on page
18 75. Figure 1 on its face presents PJM capacity
19 prices in nominal dollars per megawatt-day. Do you
20 see that?

21 A. I do.

22 Q. I'm looking specifically at the figures
23 that we have here for 2017. Do you see that? And by
24 "figures" I mean the location of these graph lines
25 corresponding to the year 2017 on the X axis. Do you

1 see that?

2 A. Yes, I do.

3 Q. And that shows a --

4 MR. BZDOK: Just a moment, your Honor,
5 I've made a bit of a mess at my desk.

6 Q. So looking at the line on this graph, the
7 capacity price projection in Figure 15 of Exhibit
8 Sierra Club 22 shows data that are at least below a
9 hundred dollars per megawatt-day; is that correct?

10 A. For 2016 and 2017; is that your
11 observation?

12 Q. Sure. I'm looking specifically at 2017,
13 you know, since it's calendarized in your forecast.

14 A. That's correct. That's what I see also.

15 Q. Okay. So looking at Sierra Club Exhibit
16 20, the 2015 forecast, and the annual capacity
17 prices -- are you there?

18 A. I am there.

19 Q. -- that also shows a projected 2017
20 capacity price below a hundred dollars, correct?

21 A. That's correct.

22 Q. Specifically \$94.74, right?

23 A. I would agree.

24 Q. And then looking at the 2013 fundamental
25 forecast, same data point -- take your time.

1 A. I will.

2 I'm there.

3 Q. That data point from the 2013 fundamental
4 forecast for capacity price projected in 2017 is over
5 a hundred dollars, correct?

6 A. \$132.49 to be specific.

7 Q. So we can be pretty confident that the
8 capacity price that was used in the Appalachian Power
9 Company July 1st, 2015, IRP was consistent with the
10 2015 fundamental forecast and not the 2013
11 fundamental forecast. Would you agree?

12 A. I would agree.

13 Q. Look at Figure 16, the "PJM On-Peak
14 Energy Prices" in nominal dollars per megawatt-hour.

15 A. Please repeat that.

16 Q. Sure. In the IRP, Figure 16, take a look
17 at the next figure in the IRP, 16.

18 A. Got it.

19 Q. And that presents PJM on-peak energy
20 prices in nominal dollars per megawatt-hour; is that
21 right?

22 A. It does.

23 Q. And those prices from the graph are
24 largely, except for in one high case, below \$40 per
25 megawatt-hour; is that true?

1 A. That's true.

2 Q. And that would correspond with projected
3 energy market prices in your 2015 fundamental
4 forecast for PJM AEP Gen Hub on-peak of \$35.34 in
5 2016 and \$38.64 in 2017, correct?

6 MR. CONWAY: Counselor, Could you point
7 out exactly where you're referencing in the forecast
8 document?

9 MR. BZDOK: I think I did. I said power
10 prices in the annual forecast for 2016 and 2017 PJM
11 on-peak, AEP Gen Hub.

12 MR. CONWAY: Which forecast are you
13 talking about?

14 MR. BZDOK: The 2015. All of these
15 questions are going to follow the same pattern.

16 MR. CONWAY: Do you have a page reference
17 in the 2015 forecast document you're referring to?

18 MR. BZDOK: Yeah. It's the third printed
19 page, the first full page, second full page.

20 MR. CONWAY: And, again, your comparison,
21 if you don't mind me asking, was between the forecast
22 energy price and what?

23 MR. BZDOK: Your Honor, I'm not sure if
24 this is an objection.

25 MR. CONWAY: I'm just trying to keep up

1 with you. You're using quite a few documents
2 simultaneously. You've obviously rehearsed what
3 you're going to do, and I'm trying to keep up with
4 you, which I think I'm entitled to do, so I'm asking
5 for the reference while I've got the documents in
6 front of me of what your comparison is.

7 MR. BZDOK: Sure. So I'm waiting for the
8 witness to take as long as he wants, which I think
9 he's entitled to do, and I think they have a live
10 feed of the questions on their screen there. I guess
11 I would object to this sort of long dialogue about
12 asking follow-up questions on my questions.

13 EXAMINER PARROT: Well, while you're
14 debating this, it's given Mr. Conway some time. Are
15 you with us now, Mr. Conway?

16 MR. CONWAY: I'm not sure. If he could
17 answer the last question, I would be, which is, what
18 are you comparing the forecast document power prices
19 to in this IRP set of papers?

20 EXAMINER PARROT: Let's try it one more
21 time.

22 MR. BZDOK: I'd be happy to have my
23 question reread.

24 EXAMINER PARROT: You can do it that way.

25 MR. BZDOK: I would suggest that's a much

1 more orthodox way if counsel has a question.

2 (Record read.)

3 MR. CONWAY: My question is, what is that
4 IRP he referred to in his question, so it must be a
5 prior question to the one you just read.

6 (Record read.)

7 MR. CONWAY: I got to tell you, I'm not
8 seeing the last two dollar figures on the exhibit
9 that you reference, we're comparing with Figure 16
10 from the IRP filing.

11 MR. OLIKER: Why doesn't the witness
12 answer the question.

13 MR. CONWAY: Then it's an objection,
14 misstated values.

15 MR. BZDOK: I don't understand the
16 objection.

17 MR. OLIKER: We can all see it.

18 EXAMINER PARROT: All right, everyone.
19 Let's stop.

20 Do we need someone to point this out to
21 you, Mr. Conway? Is that what you're telling us?

22 MR. CONWAY: Apparently, your Honor,
23 that's what I asked. I've got the second page from
24 the 2015 forecast document and looking at PJM AEP Gen
25 Hub On-Peak values. I didn't see the two values that

1 he just quoted.

2 MR. OLIKER: I'll help.

3 EXAMINER PARROT: Thank you, Mr. Oliker.

4 MR. CONWAY: I think I have what you had
5 or what you were -- I won't say trying to read, but
6 the two values I have are 35.34 and 38.62. Are those
7 the two ones that you were just looking at?

8 MR. BZDOK: Uh-huh.

9 MR. CONWAY: The record says 38.64
10 instead of 38.62, so I was trying to make sure I was
11 on the same document you were on, so forgive me for
12 that.

13 Q. (By Mr. Bzdok) Mr. Bletzacker, are you
14 able to answer my question?

15 A. That's correct. Referring to your
16 previous question, of course.

17 Q. What you were agreeing with me about,
18 just because we had a long walk to get there, is that
19 the on-peak energy prices for 2016-2017 in Figure 16
20 of the IRP are consistent with the values of
21 2016-2017 in your 2015 fundamental forecast, is that
22 a fair summary?

23 A. Yes, they appear to be so, recognizing
24 I'm looking at a graph that has a certain margin of
25 error versus numbers on a table which are very

1 specific.

2 Q. Sure.

3 A. Sure.

4 Q. On the graph they're below \$40, and on
5 your forecast they're below \$40, right?

6 A. Correct.

7 Q. Now, comparing the same values from your
8 2013 fundamental forecast, PJM AEP Gen Hub On-Peak
9 2016 and 2017, those values are \$55.92 for 2016 and
10 \$58.33 for 2017, correct?

11 A. That's correct.

12 Q. So we can be pretty confident that the
13 on-peak energy prices used in Figure 16 are from the
14 2015 fundamental forecast and not the 2013
15 fundamental forecast, right?

16 A. At least in 2016 and 2017 that you walked
17 me through.

18 Q. Sure.

19 A. Beyond that, we haven't checked.

20 Q. Sure. If you want to spend any other
21 time looking at any of these other numbers, I'm just
22 trying to do a little spot-check with you to
23 establish some foundation here.

24 A. If that was a question, I agree with your
25 spot-check.

1 Q. One more spot-check, Figure 17 of the
2 IRP, this presents PJM Off-Peak energy prices in
3 nominal dollars per megawatt-hour, this Figure 17 in
4 the IRP, correct?

5 A. Correct.

6 Q. And looking at the graph, again
7 spot-checking 2016 and 2017, those values fall below
8 \$30 per megawatt-hour, correct?

9 A. Correct.

10 Q. And looking at your 2015 fundamental
11 forecast off-peak power prices for 2016-2017 at the
12 AEP Gen Hub are also below \$30 per megawatt-hour,
13 correct?

14 A. Correct.

15 Q. Specifically, \$26.65 in 2016, \$27.41 in
16 2017, correct?

17 A. Correct.

18 Q. And looking at your 2013 fundamental
19 forecast, 2016 and 2017, the AEP Gen Hub off-peak
20 power prices are over \$30 per megawatt-hour, correct?

21 A. Correct.

22 Q. Specifically, \$34.10 in 2016 and \$38 --
23 sorry, \$37.38 in 2018 correct -- sorry 2017, correct?

24 A. Yes. I'll read back to you what I have
25 in front me. I have \$34.10 off-peak in 2016 and

1 \$37.38 off-peak in 2017.

2 Q. So we can be pretty confident that the
3 off-peak energy prices used in Figure 17 are from the
4 2015 fundamental forecast, not the 2013 fundamental
5 forecast; is that correct?

6 A. To the extent of the spot-check in that
7 area, that's correct.

8 Q. Would you like to do any further
9 spot-checking? Would you like to look at the gas
10 prices or the coal prices?

11 A. Depends on what you're asking me to
12 represent. If you're asking me to represent that
13 this is the 2015 forecast, it would take that kind of
14 spot-check -- or, it would take a deeper check.

15 Q. Okay. What other data would you like to
16 review? Really, all I'm trying to establish is based
17 on the fundamentals data that's provided in these
18 figures in the IRP, does this appear to you to be the
19 integrated resource plan that was filed in Virginia
20 by an AEP affiliate using the 2015 AEP forecast?

21 A. Subject to check, it would appear to me
22 to be so, yes.

23 Q. Take a look at the Executive Summary
24 which follows the cover sheet and table of contents.
25 There are a series of pages labeled "ES-1," "ES-2."

1 Do you see that?

2 A. I do.

3 Q. Go to ES-6, and there is a box, a text
4 box, with a heading "APCo's Hybrid Plan." Do you see
5 that?

6 A. I do.

7 Q. And there's a note -- there are three
8 notes at the bottom, and I specifically want to
9 direct your attention to Note 1, and I will quote:
10 "The modeling for this IRP was conducted prior to the
11 issuance of FERC's June 9, 2015 order regarding PJM's
12 Capacity Performance Proposal. That order may result
13 in changes to future IRPs." Did I quote the text
14 correctly?

15 A. Yes, you did.

16 Q. Now, you testified earlier today that the
17 fundamental forecast is an input to the PLEXOS
18 modeling; is that right?

19 A. That's correct.

20 Q. And that the IRP group uses PLEXOS
21 modeling to prepare the integrated resource plan,
22 correct?

23 A. That's correct.

24 Q. So based on this AEP document on its face
25 filed with the Virginia Commission, the new

1 fundamental forecast had to have been completed early
2 enough that the results could be fed into the PLEXOS
3 model and the PLEXOS modeling for this IRP to be run
4 and completed no later than June 8, 2015; is that
5 right?

6 A. Or June 9th, 2015.

7 Q. Well, they said it was completed before
8 the -- before June -- prior to the June 9, 2015. Do
9 you see that?

10 A. I do.

11 Q. Okay. So it had to be completed prior to
12 June 9, 2015, right?

13 A. I wouldn't use the word "completed," but
14 it had to be entered in the PLEXOS modeling prior to
15 then.

16 Q. Okay.

17 A. The important thing to note is that the
18 IRP group is an important part of this quality
19 assurance/quality checking. We've had them take our
20 inputs before, discover some errors, usually
21 administrative errors similar to the ones of
22 preparing testimony, and have fed back to us things
23 that we need to change because of that. So they're
24 part of our quality assurance/quality control.

25 Q. Sure. And on the face of this document

1 and based on your testimony today about what you
2 remember about this scenario, the IRP group used the
3 fundamentals forecast as input to the PLEXOS modeling
4 that was conducted prior to June 9, 2015, right?

5 A. That's correct.

6 Q. Were you in the room when Dr. Pearce said
7 that he worked on his PPA rider revenue and cost
8 forecast update for the May 15, 2015, amended filing
9 for a couple months in time leading up to that
10 filing?

11 A. I don't recall specifically, but -- I was
12 out during some amount of his testimony. I don't
13 recall specifically.

14 Q. Okay. I guess we'll check the transcript
15 for that.

16 How many days are there between May 15,
17 2015, the date of the amended filing in this case,
18 and June 8, 2015, the last possible date the modeling
19 for the Appalachian Power IRP was completed?

20 A. Let's just say roughly 33 or 34.

21 Q. Would you like to see a calendar to
22 confirm that?

23 A. Please reread the question. Maybe I
24 heard it wrong.

25 Q. How many days between May 15, 2015, the

1 amended filing in this case, and June 8, 2015, the
2 day before the FERC order was issued?

3 A. Twenty-three, 24.

4 Q. How many business days between those two
5 dates?

6 A. I would say maybe 18.

7 Q. Do you want to see a calendar? I think
8 it's less than that. Do you want to see a calendar.

9 A. If you have an exact number, I might be
10 able to confirm that.

11 Q. I want you to make sure that you're
12 comfortable. The number I have from a calendar is
13 14. Excuse me, 15.

14 A. I'm comfortable.

15 Q. You're comfortable with 15 business days?

16 A. Yes.

17 Q. So based on what we know from all of
18 this, either the PLEXOS modeling for this Virginia
19 IRP was done in 15 business days or less, or the 2015
20 fundamental forecast was available within the
21 company, at least for use in PLEXOS modeling, before
22 May 15th; is that correct?

23 A. You should recognize that models don't
24 need business days to run. Models are set up, kicked
25 off, and can run overnight and through weekends.

1 Q. I'm just asking you about how many
2 business days there were. I didn't understand your
3 question as responsive -- or your answer as
4 responsive to my question.

5 My question was: Based on this sequence
6 of events, either that PLEXOS modeling for the
7 Virginia IRP was done in less than 15 business days,
8 however long, if it can run on the weekends, it was
9 done in less than 15 business days, or the 2015
10 fundamental forecast was available for input into
11 PLEXOS modeling before May 15th, right? It has to
12 be one or the other.

13 A. That's correct.

14 Q. On page 10 of your direct testimony, you
15 present an analysis. Let me know when you're there.

16 A. I will.

17 The page number again, please?

18 Q. Ten.

19 A. I'm there.

20 Q. On that page you present an analysis of
21 how PJM power prices change based upon deviations in
22 load up or down; is that right?

23 A. Correct.

24 Q. And specifically you state that "From
25 2015 through 2030 a sustained 5% load increase

1 results in an 18.5% around-the-clock wholesale power
2 price increase, whereas a sustained 5% load
3 decrease" -- for the same period -- "results in a
4 7.9% wholesale power price decrease," correct?

5 A. Correct.

6 Q. And you plot those numbers in Figures 5
7 and 6 on pages 11 and 12 of your direct; is that
8 right?

9 A. That's correct.

10 Q. Now, the 2015 fundamental forecast is
11 your best and most recent forecast of the future;
12 isn't that right?

13 A. It's the most recent forecast, that's
14 correct.

15 Q. And the best forecast of the future
16 sitting here today, right?

17 A. For the period that it's available,
18 that's correct. When another forecast comes out, it
19 will replace that forecast.

20 Q. Another forecast has not come out sitting
21 here today, right?

22 A. No.

23 Q. So this is the best and most recent
24 forecast of the future sitting here today, right?

25 A. That's correct.

1 Q. The numbers graphed in Figures 5 and 6
2 are based on the 2013 fundamentals forecast, correct?

3 A. Oh, that's correct.

4 Q. The numbers graphed in figures 5 and 6
5 would be different if they had been generated using
6 the 2015 fundamentals forecast, correct?

7 A. They would be different, but they would
8 still likely substantiate that concept of asymmetry
9 that when load deviates from normal, or
10 load-normalized forecasts can sometimes hide what
11 volatility can do to power prices. The concept would
12 likely be the same -- haven't done the work. The
13 concept would likely be the same, but numbers of
14 power prices would certainly differ.

15 Q. You haven't graphed the numbers based on
16 the 2015 forecast; am I understanding you correctly?

17 A. That's correct.

18 Q. So the numbers in Figures 5 and 6, we
19 cannot say that they would be the same under the 2015
20 forecast, right?

21 A. No. We can say that the numbers would
22 not be the same. I would suspect that the concept
23 would be the same based on the shape of the supply
24 stacks.

25 Q. And we also can't say that the percentage

1 difference as stated in your direct testimony on page
2 10 would be the same if the 2015 fundamental forecast
3 had been used instead of the 2013, right?

4 A. I Could say that they wouldn't be to that
5 precision. They would be different, but maybe would
6 represent the concept well still.

7 Q. And you haven't rerun an analysis to know
8 what the new numbers would be, right?

9 A. That's correct.

10 Q. So the percentage difference as stated on
11 page 10 and the data graphed in figures 5 and 6 do
12 not represent data based upon the best and most
13 current information available, right?

14 A. Yes, but it's important to note that
15 drivers to energy prices can change rabidly. Can you
16 go through periods of time and there's very little
17 change. Can you go through periods of time when
18 there is a lot of change. The CPP, the final CPP
19 coming out is a good example.

20 The cyclical drop in oil prices and
21 products prices related to natural gas production can
22 cause things to be changed very, very quickly. So
23 you have to stop the process somewhere and the 2013
24 fundamentals is a fine place to stop. We can wait
25 till the 2016 fundamentals come out or the second

1 half of 2015 and that will be another set of good
2 numbers to take a look at. But within a band of
3 credibility, the 2013 fundamentals look good.

4 MR. BZDOK: Move to strike everything
5 after the answer yes, there was just a whole lot of
6 other ground covered which certainly can be covered
7 on redirect but it sounded to me like a prepared
8 speech, frankly.

9 MR. CONWAY: Your Honor.

10 MR. BZDOK: It was not responsive to the
11 question. The question was is it or is it not based
12 on the most recent and best information.

13 MR. CONWAY: Your Honor, I think the
14 witness is entitled to explain his answer, he
15 qualified his answer in the manner he thought
16 appropriate and as far as what Mr. Bzdok thinks about
17 the quality of his answers, I think that's something
18 he can argue about later but it's irrelevant. I
19 think it's perfectly appropriate for the witness to
20 provide clarification and context for his answer.

21 EXAMINER PARROT: I agree, Mr. Conway.
22 Motion to strike is denied.

23 Q. To the extent that Dr. Pearce relied on
24 information in your 2013 fundamental forecast to
25 generate projections regarding the PPA rider revenues

1 and costs, those projections are also not based on
2 the best and most current information available, are
3 they?

4 A. I believe they're based on a forecast
5 that's within what I would call a band of
6 credibility.

7 Q. So you're agreeing with me that they're
8 not based on the best and most current information
9 available?

10 A. Did you say best and most current?

11 Q. Yes.

12 A. I can identify, I can agree with you that
13 it's the most current. You need to have a wider view
14 before you say "best."

15 Q. The best and most recent information --
16 strike that.

17

18 Sir, you are generally aware that
19 AEP Ohio has presented a variety of projections to
20 the Ohio Public Utilities Commission of Ohio for
21 reliance upon in this case, right?

22 A. Generally aware, that's right.

23 Q. In your deposition, and I'm happy to have
24 you refer to it, pages 238 and 239, my friend
25 Mr. Pritchard asked you question: And you didn't

1 think it would be helpful to supply other members of
2 AEPSC your most recent fundamental forecast including
3 a new analysis including the 5 percent above and
4 below.

5 Answer: I didn't say it wouldn't be
6 helpful. I said that my responsibility is to put out
7 this long-term North American Energy Market Forecast
8 and gap analysis to previous forecasts is something
9 that's very doable without my intercession.

10 Do you recall that discussion from your
11 dep?

12 A. I'm going to read so I can put it in
13 context if you don't mind.

14 Q. I'll be happy to let you do that. My
15 first question which is foundational is do you recall
16 that discussion?

17 A. I can see it in front of me; yes.

18 Q. Is supplying the most fundamental,
19 current fundamentals forecast to other witnesses in
20 this case who rely on it in their testimony is not
21 your responsibility, whose responsibility was it?

22 A. I think you're misunderstanding the quote
23 here or misunderstanding the intent here, that a gap
24 analysis is taking a previous forecast and seeing the
25 differences. It can be as simple as subtracting an

1 old power price versus this other power price and
2 creating graphs along that line. They don't need me
3 to do a gap analysis to a previous forecast.

4 Q. If --

5 A. But I'm happy to explain to anyone in the
6 company and any other regulators of course all of the
7 moving pieces and parts behind a forecast that are
8 very important to know to justify the generation of
9 that forecast. And I get questions from time to time
10 about that in the company.

11 Q. If gap analysis to previous forecasts
12 that are being relied upon in this case and presented
13 to the Commission to assess the continued reliability
14 of the projections is not your responsibility, whose
15 responsibility was it?

16 A. It is my responsibility to provide the
17 background and all of the moving pieces and parts
18 that make up a forecast. But I'd like you to know
19 that the phrase "gap analysis" is kind of an
20 engineering term. It really is the differentials
21 between numbers in a particular category creating a
22 gap analysis that kind of almost a manufacturing type
23 mentality is what we mean by gap analysis.

24 So if the company is asking me to put out
25 for their consumption the differences in these Excel

1 spreadsheets that you see for 2013 and 2015 and then
2 give those differences of numbers for their
3 consumption, that's somebody anybody can do, so when
4 I use the phrase gap analysis I mean it more in a
5 manufacturing or an engineering sense.

6 Q. Prior to filing your testimony on May 15,
7 2015, in this case, did you advise anyone outside of
8 the fundamental analysis group that you had completed
9 the model run for a new fundamental forecast?

10 A. The integrated resource planning group,
11 who does do -- we are a very small group,
12 fundamentals analysis is, they do do quality
13 assurance, quality control checks, they do sanity
14 checks so to speak, on the elements of the
15 fundamentals forecasts. So they are a group that we
16 would have had conversations with after the last
17 model run but before it was locked down, so to speak.

18 Q. Who specifically at the company outside
19 of fundamental analysis group did you advise that you
20 had completed a new model run for a new fundamental
21 forecast prior to May 15, 2015?

22 A. That's also in the deposition. It would
23 be Scott C. Weaver who is the head of integrated
24 resource planning whose name may be on that document.
25 The subject-matter experts, AEP is full of many

1 subject-matter experts, which are just valuable to
2 putting together a long-term natural gas -- or, no,
3 long-term energy market forecast.

4 Renewables expert Jay Godfrey.
5 Generation experts that know a lot about the costs of
6 generation going forward. Toby wasn't but he would
7 perhaps be one. I don't have a name for a generation
8 expert -- I'm not done -- I don't have a name for a
9 generation expert but Jay Godfrey we mentioned
10 before, renewables, and possible extensions of
11 production tax credits. The ones that were in my
12 deposition would come to mind.

13 Q. Just to clarify the record, you said
14 Toby. You mean witness Toby Thomas?

15 A. Yes.

16 Q. And just to clarify, you believe you
17 advised someone in his group but not him.

18 A. No, I was giving an example of the folks
19 that can provide -- expert type, subject-matter
20 experts that can provide value to let me know if
21 things have changed in the value of generation, in
22 that example, or in the value of renewables and other
23 items. Load is another good example.

24 Q. So just to make sure the record is clear
25 and just to make sure I understood your answer, are

1 you saying that the people whom you have identified
2 by name or position generally are people that you did
3 advise prior to May 15, 2015, that you had completed
4 an April 24, 2015, model run, fundamental forecast,
5 or are you saying those are the types of people you
6 would have advised?

7 A. Well, the answer in my deposition stands,
8 of course.

9 Q. I need an answer to the question. I'm
10 trying to determine have you -- did the people you
11 identified by name or by position, are you saying
12 those are people you advised or those are the type of
13 people you would have advised?

14 A. In the deposition are the exact people
15 that I visited with.

16 Q. And do you recall where that is?

17 A. I will, yes.

18 Q. Is this where we talked about Scott
19 Weaver and the other Scott Weaver?

20 A. That's correct. That's correct. Scott
21 C. Weaver, I'll look this up, and Scott A. Weaver.
22 Same name, different family.

23 Q. So, to just make sure the record's clear,
24 as I understand your testimony sitting here today you
25 informed Scott A. Weaver in environmental policy,

1 Scott C. Weaver in integrated resource planning and
2 Jay Godfrey in renewables that you had completed the
3 model run of this April 24, 2015, fundamental
4 forecast prior to the filing of your May 15, 2015,
5 testimony.

6 A. I did not give them that kind of advice.
7 I did check back with them to see if anything has
8 changed in their area of expertise over the last
9 several months. Which then would cause me to run --
10 have more model runs be done and continue on. If
11 nothing had changed, and my recollection is that it
12 didn't, then we could start with our quality
13 assurance/quality control checks.

14 Q. Anybody else at the company you can think
15 of that you would have advised about the existence of
16 this April 24, 2015, model run fundamental forecast
17 prior to your May 15, 2015, testimony filing?

18 A. I want to be clear that you're not
19 assuming that I've advised those people mentioned in
20 my deposition that some final run had been made.
21 They probably don't care. What they do care is that
22 I represent in the next forecast what they believe to
23 be the status of their area of expertise. And that
24 is a complete list.

25 MR. BZDOK: Your Honors, Could I ask for

1 a one-minute in place off-the-record hallway
2 discussion with my boss?

3 MR. CONWAY: I'm sorry. I didn't catch
4 that.

5 EXAMINER PARROT: I think it is probably
6 a good point to take a break anyway, we've been going
7 for nearly two hours so that's usually the point I
8 take a break anyway. So let's go off the record.
9 We'll take a five-minute break.

10 MR. BZDOK: Thank you.

11 (Recess taken.)

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

14 MR. BZDOK: No further questions. Thank
15 you, sir.

16 EXAMINER PARROT: Ms. Ghiloni.

17 MS. GHILONI: I have no questions, your
18 Honor.

19 EXAMINER PARROT: Ms. Bair?

20 MS. BAIR: Thank you.

21 - - -

22 CROSS-EXAMINATION

23 By Ms. Bair:

24 Q. Could you please look at page 5, line 9
25 of your testimony. The first question and answer

1 regarding the winter weather of 2013-'14 having an
2 impact on energy prices, and you say that "In the
3 event of a colder-than-normal heating season, that
4 natural gas spot prices Could exceed \$8/MMBtu,"
5 correct? Is that what your testimony reads?

6 A. Yes, it does.

7 Q. There were no natural gas spot prices in
8 the winter of '14-'15 that exceeded that, were there?

9 A. I haven't checked, but subject to check,
10 I would agree.

11 Q. Okay. If I Could ask you to please look
12 at page 67 of your deposition.

13 A. Yes.

14 Q. The question begins on page 66, actually,
15 lines 19 through 21: "Did you have any observation
16 of whether natural gas spot prices in the winter of
17 2014/2015 exceeded \$8 per MMBtu?"

18 "Not that I recall."

19 "You don't know either way or you don't
20 recall them exceeding that price?"

21 "I don't recall. I don't recall them
22 exceeding that price."

23 MR. CONWAY: Could you give me a
24 reference, counselor, to where you're reading from
25 the deposition?

1 MS. BAIR: Deposition, page 66, starting
2 at line 19 going over to page 67, ending on line 2.

3 MR. CONWAY: And are you asking -- I'm
4 sorry. I apologize. Did you ask him --

5 Or, Could you reread the question for me,
6 please?

7 (Record read.)

8 Q. And, also, I have another question on
9 that answer. And then again on page 5 at line 9 you
10 say that natural gas prices exceeded 30 MMBtu in many
11 locations that winter. I'm in your direct testimony,
12 direct testimony that you filed, on page 5, line 9.

13 A. Yes, I'm there.

14 Q. Talking about the 30 MMBtu in many
15 locations.

16 A. I see that.

17 Q. What locations are you referring to?

18 A. Northeast. Subject to check, Transco
19 zone 6 is a location that had high prices.

20 Q. And just another question going further
21 up on page 5. In answer to that question, "The
22 energy prices resulting from the 2013-2014 winter's
23 colder-than-normal weather served as confirmation of
24 the Companies' previous testimony."

25 For '14 and '15 was there

1 colder-than-normal weather that you're discussing in
2 line 3?

3 A. So there was not an event in '14-'15 that
4 mimics what I am identifying on line 3 in 2013 and
5 '14. I don't know whether it was colder than normal
6 or not.

7 MS. BAIR: Thank you. That's all I have.

8 EXAMINER PARROT: Mr. Oliker?

9 MR. OLIKER: Thank you.

10 - - -

11 CROSS-EXAMINATION

12 By Mr. Oliker:

13 Q. Good afternoon, Mr. Bletzacker.

14 A. Good afternoon, Mr. Oliker.

15 Q. Following up on some earlier questions,
16 your testimony discusses power plant performance
17 during the polar vortex, correct? And this is just
18 generally speaking without a line reference.

19 A. Very generally speaking, yes.

20 Q. Okay. But you have not reviewed the 2014
21 PJM Winter Report which was issued after the polar
22 vortex?

23 A. Not with any specificity.

24 Q. You haven't reviewed it at all though,
25 have you, Mr. Bletzacker? Have you?

1 A. Not that I can recall.

2 Q. Okay.

3 A. And this reminds me that I'm very worried
4 about folks that think that what happens in the
5 nearby affects -- has a great effect on what happens
6 very far out. My responsibility is a Long Term North
7 American Energy Market Forecast. There certainly is
8 a nearby component of that, but I'm here to present a
9 forecast from today or whenever the forecast is
10 released forward, not necessarily a look back.

11 Q. Okay. And you also have not reviewed the
12 PJM Winter Report for 2015?

13 A. Not with any degree of specificity I can
14 recall.

15 Q. Okay. And on page 8, line 7, in response
16 to the question: "What is necessary for natural gas
17 to be delivered on a firm basis to an electric
18 generating unit?"

19 You state: "Shipper will be charged
20 exclusively for any new construction necessary to
21 provide service to electric generating unit's
22 specific location. Typically, a 15-year Firm
23 Transportation contract is required to allow for cost
24 recovery. In this statement you're referring to the
25 construction of new pipeline capacity, correct?

1 A. It can be new pipeline capacity. It can
2 also be an upgrade of existing pipeline capacity.

3 Q. Okay. To repeat, that Could be new
4 pipeline capacity or an upgrade to existing pipeline
5 capacity.

6 MR. OLIKER: Can we go off for a second.

7 EXAMINER PARROT: Off the record.

8 (Discussion off the record.)

9 EXAMINER PARROT: Back on the record.

10 MR. OLIKER: And just to make sure I
11 heard that, Could I have my question and the
12 witness's answer read back, please?

13 (Record read.)

14 Q. And regarding the capacity performance
15 product which has now been approved by FERC, you have
16 no personal knowledge with respect to whether a
17 natural gas-fired power plant may now include the
18 cost of procuring firm transportation in their offer
19 to provide the capacity performance product.

20 A. I wouldn't say I have no knowledge. Is
21 that the question? You're asking me -- you're
22 stating that I have no knowledge; is that correct?

23 Q. Yes.

24 A. I have more than no knowledge.

25 Q. Okay. Maybe I'll ask it this way: Do

1 you know whether a natural gas-fired generator can
2 include the cost of acquiring firm pipeline
3 transportation in their offer into the capacity
4 market?

5 A. I don't know for certain, but I do know
6 it's necessary to have firm transportation to
7 guarantee that space is reserved in the pipe so that
8 you can receive your natural gas.

9 Q. Okay. And you would agree that if there
10 is existing capacity on a pipeline that is released,
11 then a natural gas combined cycle power plant can
12 purchase that capacity and attain firm
13 transportation?

14 A. To be specific, the concept of released
15 capacity means that someone who has entered into an
16 arrangement with firm transportation releases it to
17 another shipper and they're able to pick it up for
18 some shorter term or the whole term. So, yes, you
19 can acquire firm transportation from another shipper
20 that owns transportation as opposed to directly from
21 the pipeline.

22 Q. Okay.

23 A. That's correct.

24 Q. And a shipper can acquire firm
25 transportation for a duration of less than 15 years,

1 correct?

2 A. Yes, they can.

3 Q. Okay. And you are familiar with what is
4 known as the capacity performance product but only at
5 a high level, correct?

6 A. Correct.

7 Q. And you did not know that
8 48,000 megawatts of natural gas-fired generation was
9 offered into the 2017-'18 capacity performance
10 transition auction.

11 A. I don't know to that level of detail.

12 Q. Moving to the 2013 fundamental forecast,
13 which you discussed earlier with counsel for Sierra
14 Club --

15 A. Yes.

16 Q. -- you would agree that the fundamental
17 forecast is referred to as the base-case forecast,
18 correct?

19 A. That's correct.

20 Q. Okay. But there is a 5 percent high case
21 and a 5 percent low case?

22 A. I prefer to call it a 5 percent high
23 scenario because only one thing was changed, and that
24 was just the assessment of load. In order to be a
25 full case, you need to really adjust all the salient

1 features.

2 Q. Okay. But of these three scenarios,
3 let's call them that, you believe that the base case
4 is the most likely to occur, correct?

5 A. If I said scenarios, I meant to call them
6 sensitivities. Please restate.

7 Q. Okay. You would agree that of these
8 three sensitivities, that the base case is the most
9 likely to occur.

10 A. Correct.

11 Q. Okay.

12 A. Because it is based on 30-year normal
13 weather.

14 Q. Okay. And regarding your forecast, you
15 would agree that natural gas prices have probably the
16 largest impact on the power prices that would be
17 seen.

18 A. Remember that I or our group forecasts
19 all around the United States, Canada, and Baja,
20 Mexico. But with respect to PJM, for the foreseeable
21 future it would appear as if natural gas sets the
22 on-peak power price, that is correct.

23 Q. Okay. And then on page 5, line 8, you
24 state: "It is likely, in the event of a
25 colder-than-normal heating season, that natural gas

1 spot prices Could exceed \$8/MMBtu."

2 A. It does say that.

3 Q. You would agree that during the winter of
4 2014-2015 natural gas prices in the spot market
5 averaged under \$3 per MMBtu.

6 A. I'd have to check. I don't know that I
7 can agree. But if you'd like, I'll agree subject to
8 check.

9 Q. Okay. Thank you.

10 A. It doesn't feel awful.

11 Q. Okay. Would you agree that February 2015
12 was colder than normal?

13 A. Two thousand --

14 Q. As related to the weather normalized
15 average?

16 A. And you said 2014?

17 Q. '15.

18 A. 2015, was colder than normal?

19 Q. Yes.

20 A. I don't know.

21 Q. We'll come back to that.

22 Just to be clear, your statement
23 regarding page 5, line 9, regarding \$30 per MMBtu,
24 that referred to the winter of 2013-'14, correct?

25 A. That's correct.

1 Q. Okay.

2 A. That's the premise of the question.

3 Q. And turning to the actual fundamental
4 forecast itself, there is a natural gas price
5 discussion, and I'm in Sierra Club Exhibit 18.
6 There's a listing of natural gas prices on a nominal
7 basis in the Henry Hub and in other locations,
8 correct?

9 A. That's correct.

10 Q. And as far as Ohio's concerned, the
11 important prices would be TECO pool and Dominion
12 South Point, right?

13 A. I would say that it would be TECO pool
14 and TECO delivered. TECO South Point has some effect
15 on Ohio, but it's mostly eastern, far eastern Ohio
16 and western Pennsylvania.

17 Q. Okay. But those are out of all of the
18 prices that are listed on here, you would agree that
19 those are locationally the two closest price points
20 for --

21 A. Yes.

22 Q. -- Ohio generation.

23 A. Yes. Well, the three would be the
24 closest TECO pool, TECO delivered, Dominion South
25 Point.

1 Q. Thank you.

2 A. You should understand that the difference
3 between Columbia Transmission Interruptible Paper
4 Pool Gas and Columbia Gas Transmission delivered is
5 the transmission charge on Columbia Gas Transmission.

6 Q. Which are things like fuel, right?

7 A. Well, it's the full gamut. Columbia
8 would be -- the interruptible rate is the 100 percent
9 load factor firm transportation rate, but sold on a
10 purchase-unit basis, for discussion here, it's
11 something around 23 cents.

12 Q. And you would agree that these prices
13 that we have contained in your 2013 fundamental
14 forecast, these are average annual prices.

15 A. That's correct.

16 Q. But if we were to look on a monthly
17 basis, there would be a differential likely for the
18 summer and the winter, correct?

19 A. Yes.

20 Q. And that's because there is usually a
21 seasonal spread, but not always for natural gas,
22 correct?

23 A. That's correct.

24 Q. Okay. Now, if we were to compare the
25 2013 and the 2015 forecasts, which is Sierra Club

1 Exhibit 20 and 18, I believe, and I'm still in the
2 natural gas section --

3 A. Okay.

4 MR. CONWAY: Mr. Olikar, might I inquire,
5 is that the third complete sheet of -- the third page
6 of this collection of sheets?

7 MR. OLIKER: I believe so. It is the
8 Natural Gas MMBtu Nominal Dollars.

9 MR. CONWAY: Thank you.

10 MR. OLIKER: I think there's only one.

11 Q. Now, if we were to compare the Henry Hub
12 in the 2013 -- first, before we move there, would you
13 agree that if we look at the 2013 forecast, the Henry
14 Hub price is lower than the TECO pool and the
15 Dominion South in the first two years.

16 A. That's correct.

17 Q. But if we move to the 2015 forecast, the
18 TECO pool and the Dominion South price are both lower
19 than the Henry Hub for the -- through 2019, at least,
20 maybe further.

21 A. That's correct.

22 Q. And that's referred to as basis
23 differential, correct?

24 A. Yes. Specifically basis differential is
25 a locational value of gas so gas in these specific

1 locations are priced at these levels.

2 Q. And the reason for the basis differential
3 is largely the Marcellus shale, correct?

4 A. I want to be very specific here. The
5 reason for the phrase "basis differential" is to
6 identify the locational value. If you're referring
7 to the differences between the Henry Hub and these
8 pipelines, let's just say going down, we could argue
9 that it's going up. Let's say going down, yes, the
10 discovery of we'll call it indigenous natural gas
11 reserves and the pipeline congestion surrounding that
12 is the reason for that.

13 Q. That's because the Henry Hub is down in
14 Louisiana, right?

15 A. Doesn't affect us much, does it?

16 Q. No, it doesn't.

17 Okay. Regarding the natural gas market,
18 you agree that there are cyclical and structural
19 influences on price?

20 A. I do.

21 Q. And one cyclical influence is rate count,
22 correct?

23 A. It is.

24 Q. And that is because rate count generally
25 reacts to increases in forward prices, correct?

1 A. Generally, it does.

2 Q. So the price meets parameters necessary
3 to develop additional reserves, then additional rigs
4 will come online, right?

5 A. That's a good generalization.

6 Q. As additional rigs do come online, then
7 production is likely to increase, correct?

8 A. That's correct.

9 Q. And that may decrease price as that
10 additional production comes on line, right?

11 A. No.

12 Q. You do agree as production goes up, price
13 can come down?

14 A. I do.

15 Q. Okay.

16 A. But for the volumes that are hedged by
17 producers -- it's a very important concept to get
18 your arms around. When a producer can see that a
19 price, a futures price, is one that allows them to
20 make the return they'd like to make, it doesn't
21 matter where spot prices go beyond that. They are
22 locked in and hedge that particular price.

23 So you Could have prices go down, but
24 still have rig activity or productions' intentions to
25 drill wells, chase that price that they've already

1 hedged.

2 Q. Would you agree that's why my company,
3 for example, could call a producer and get a \$4 gas
4 price \$10 from now -- ten years from now?

5 A. Please restate that.

6 MR. OLIKER: Could I have the question
7 read back, and then we'll see if I can fix it.

8 (Record read.)

9 A. I have an answer for that, and the answer
10 is yes.

11 Q. Okay. And would you agree that some
12 consultancies believe that \$5 is -- per MMBtu is a
13 resistance point against which price should not rise
14 above?

15 A. I do.

16 Q. And that's because once price does reach
17 \$5, that sends a signal for additional rigs to come
18 online to meet that demand, correct?

19 A. That's correct.

20 Q. Okay. When additional rigs do come
21 online, the price can actually drop below \$5 if
22 that's the price signal, correct?

23 A. Yes, it can, but for the hedging that we
24 discussed.

25 Q. Okay. So as we're looking at either the

1 2013 or the 2015 forecast of natural gas prices,
2 price is going up every year, right?

3 A. Yes.

4 Q. But there's no certainty that that will
5 occur, right? Anything is possible.

6 A. Well, I'm with you on anything is
7 possible, but I would like to warn you or let you
8 know that you're looking at a nominal price forecast
9 and, of course, those nominal dollars are not real
10 dollars. They're adjusted for inflation, meaning
11 that the value of the dollar is less, so you have to
12 use more of them to buy that MMBtu of gas.

13 Q. Okay. But even if we were to look at,
14 say, 2013 forecast, would you agree that if we were
15 to adjust your Henry Hub prices for inflation amounts
16 you have considered, if you go out five years, you're
17 nearly a dollar above \$5 in real dollars?

18 So, maybe I can state it this way: Would
19 you agree that the Henry Hub price of \$6.43 is above
20 \$5 adjusted for inflation for five years?

21 A. Well, the direct answer to your question
22 is I'm not sure that I'd agree to it until I would
23 refer to a real dollar forecast, but I'd also like
24 you to be aware that in the '21 in preparation and
25 certainly the '22 time period, a CO2 burden is

1 established that causes an increase in the demand for
2 natural gas because of a decreased demand of coal, so
3 there's a demand inducement there also.

4 But very loosely speaking, the forecast
5 we have for natural gas is about \$5, \$5.50 on a real
6 dollar basis through this period all the way to 2035.

7 Q. I'm talking about 2020, which is before
8 your CO2 projection comes into effect. \$6.43, if we
9 were to adjust \$5 from, say, now, 2015, would you
10 agree that using your inflation numbers you're going
11 to be at a price a lot lower than 6.43.

12 A. I'd have to do the calculation. If you
13 would define "a lot less," then maybe we could get
14 there.

15 Q. How about close to a dollar?

16 A. I'd have to do the calculation.

17 Q. Would you like a calculator?

18 A. No. I'd like your computer.

19 Q. I have my questions on there. I need
20 that.

21 A. But the calculation is really
22 straightforward. It is the 1.02 times 1.02 times
23 1.02.

24 Q. Right.

25 A. 1.02 to the exponential of the number of

1 years between now and then becomes your new deflation
2 factor, so to speak, and it's a very objective
3 number. But there's -- I'm very concerned that the
4 mathematics just walks past the numerous upside
5 threats to natural gas pricing rather than just
6 inflation. There's threats to the upside, especially
7 around demand.

8 Q. Would you agree, though, that the
9 inflation adjusted price of \$5 at 1.02 is about 5.50
10 for five years?

11 A. Subject to some check, that would be okay
12 with me.

13 Q. You're familiar with something called the
14 EIA Energy Short-Term Outlook, correct?

15 A. Yes.

16 Q. And you review it from time to time?

17 A. From time to time.

18 Q. Would you agree that the EIA Short-Term
19 Outlook is currently projecting gas prices in 2016 to
20 be \$3.11 per MMBtu?

21 A. I would have to check. If that's what it
22 says, I will accept that.

23 MR. OLICKER: May I mark an exhibit, your
24 Honor?

25 EXAMINER PARROT: You may.

1 MR. OLIKER: I believe we are on IGS
2 Exhibit 2.

3 Q. This is a document titled "Short-Term
4 Energy Outlook - U.S. Energy Information
5 Administration," released September 9, 2015.

6 EXAMINER PARROT: The document has been
7 marked as IGS Exhibit 2.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 Q. Mr. Bletzacker, do you see the document
10 that's been marked as IGS Exhibit 2, recognizing your
11 document is plain.

12 A. I do.

13 Q. And is this the short-term energy outcome
14 from the EIA?

15 A. It would appear so.

16 Q. And if we were to look on page 3 of that
17 document, does the last full sentence in the first
18 paragraph indicate: "The projected Henry Hub natural
19 gas price averages \$2.84/MMBtu in 2015 and
20 \$3.11/MMBtu in 2016."

21 A. Point me to that reference again, please.

22 Q. It's the two paragraphs on page 3. It's
23 the first paragraph, last sentence.

24 A. Yes.

25 Q. Okay. And on this document --

1 MR. CONWAY: Your Honor, at this point
2 I'm going to object. The witness, I don't think he's
3 been -- he's established that he's familiar with the
4 document. At this point Mr. Olier is simply having
5 him read in sections of the document on the record.

6 MR. OLIER: Your Honor, my understanding
7 was I asked him if he regularly reviews this report
8 and whether this document was what I said it to be,
9 which he indicated it was, which is what is all that
10 is necessary for laying a foundation.

11 EXAMINER PARROT: The objection's
12 overruled.

13 MR. OLIER: Thank you.

14 Q. And if I were to look on page 2 of this
15 document, 2 of 4, would you agree there is a
16 projection that the EIA is included for U.S. natural
17 gas production imports?

18 A. I do.

19 Q. And that shows that production steadily
20 rises between 2015 and 2016, correct?

21 A. Correct.

22 Q. Okay.

23 A. As you create your next question, let me
24 finish the answer to the last question. It's very
25 important to note, and everybody should do this, the

1 assumptions that are behind every forecast. Rig
2 count has dropped precipitously, 62 percent since
3 Christmas. Production is now beginning to drop.
4 Prices will go back up in a cyclical manner that you
5 have described. Without unwinding all of the
6 elements of the EIA's forecast can you really
7 appreciate what that number is in their final
8 projection?

9 MR. OLIKER: Your Honor, I don't believe
10 there was a pending question so I would move to
11 strike his answer.

12 THE WITNESS: It was a supplement or a
13 continuation of my previous question.

14 MR. CONWAY: Your Honor, I think he's
15 entitled to provide, again, clarification of his
16 prior answer, and I think it's helpful to know what
17 his view of the limitations are of the prices. He's
18 being asked to quote from the document from the EIA.

19 EXAMINER PARROT: I agree, Mr. Conway.
20 Your motion to strike is denied,
21 Mr. Oliker.

22 Q. Mr. Bletzacker, you would agree that in
23 every year since 2010 the wells in the Marcellus
24 shale have produced a larger amount of natural gas
25 per well?

1 A. Conceptually I think I would agree.

2 Q. And you would also agree that once a well
3 starts producing natural gas, it takes at least three
4 to five years for that well to deplete.

5 A. I can conceptually agree that the
6 depletion rates of shale wells, particularly in
7 Marcellus and Utica, is exponential, meaning about
8 80 percent of the gas comes out in the first two,
9 three, four years. So the decline rates as an
10 engineer are very steep. So in order to maintain
11 production at a particular level in the Marcellus or
12 Utica is like trying to run up a down escalator and
13 the down escalator is moving very fast.

14 Q. Could you turn to -- first, you said two,
15 three, four years. Would you agree in your
16 deposition you said it could be three to five years?

17 A. I would agree in my deposition that it
18 was three to five years, and there really is no
19 range, but you can expect that exponential decline,
20 which is an engineering term, to be correct.

21 Q. Okay. Thank you.

22 A. But you're still on the same escalator.

23 Q. Your testimony discusses the impact of
24 storage levels as compared to a five-year average on
25 price, correct?

1 A. Yes, it does.

2 Q. And your testimony is you believe when
3 storage levels drop below 80 percent, a five-year
4 average price will increase, correct?

5 A. That's correct.

6 Q. And you believe that if the storage level
7 is between 80 percent of the five-year average and
8 the five-year average itself, then there's usually an
9 increase in price but to a lower extent, correct?

10 A. That's correct.

11 Q. And you discuss this concept largely on
12 pages 7 and 8 of your testimony, correct?

13 A. That's correct.

14 MR. OLIKER: I'd like to --

15 Q. You also indicated, Mr. Bletzacker, you
16 normally review storage injection reports, correct?

17 A. That's correct.

18 MR. OLIKER: Your Honor, I'd like to mark
19 another exhibit, please, as IGS Exhibit 3, the Weekly
20 Natural Gas Storage Report from EIA released October
21 1st, 2015, at 10:30 a.m.

22 EXAMINER PARROT: So marked.

23 (EXHIBIT MARKED FOR IDENTIFICATION.)

24 Q. Mr. Bletzacker, is this the most recent
25 EIA U.S. Energy Information Weekly Natural Gas

1 Storage Report?

2 A. Yes, it is.

3 Q. And the EIA releases these every Thursday
4 at 10:30 a.m., and everybody in the industry
5 anticipates its release, correct?

6 A. It could move the futures market
7 radically. "Correct" is the answer.

8 Q. Would you agree that if we also look on
9 here, we can see the five-year average that you
10 discuss and -- I'm sorry, does your copy have color,
11 Mr. Bletzacker?

12 A. It does. It does.

13 Q. Good. And I don't know if I necessarily
14 need to talk about yesterday's number just yet, but
15 we can look and see where the storage level was in
16 February of 2015, correct?

17 A. Pardon me for a minute.

18 Please restate the question. I
19 apologize.

20 Q. The graph on here which tracks working
21 gas in underground storage compared with the
22 five-year maximum/minium, by looking at that graph we
23 can see where storage levels were in February of
24 2015, correct?

25 A. Yes, you can.

1 Q. And you agree it was below the five-year
2 average.

3 A. Well, it's close, Mr. Oliker, but I'll go
4 with you, that it could be below. It's certainly
5 well within the band of history.

6 Q. You say it's close. How many percent
7 would you say it was below the five-year average?

8 A. Well, if you would have given me the
9 report from that particular week, it would have told
10 us exactly. But you're asking me to take a small
11 graph and look at the difference in the lines and
12 then create a percentage. I can do it, but it would
13 not be probably of sufficient precision.

14 Q. Would you say roughly between February
15 and March of 2015 the level was somewhere around 14
16 hundred billion cubic feet?

17 MR. CONWAY: Your Honor, at this point
18 I'm going to object. If I'm looking at the same
19 graph that Mr. Oliker is looking at and the witness
20 is looking at, in light of the witness's reluctance
21 to make the calculation, just looking at it, I don't
22 see how it's possible to answer the question, so I
23 object to the question.

24 MR. OLIKER: The curve's pretty flat,
25 your Honor, on that part of the question between

1 February and March. And I can show him a bigger
2 version on my computer.

3 EXAMINER PARROT: Mr. Bletzacker, if you
4 can answer it, please do so. But I'm having trouble
5 with it as well. I do not have a color exhibit
6 either.

7 THE WITNESS: I can tell you this. I
8 have a color exhibit in front of me. I see the
9 average, I see the band, and I see an X axis mark for
10 March of 2015, but the scale is just too tight for me
11 to give you any sort of a quality answer.

12 But I do know if you were to produce this
13 for that particular week, it would lay it out for
14 you.

15 Q. Okay.

16 A. But what I can see on this particular
17 report is that the East, where we live, was actually
18 25 Bcf below the five-year average, the producing is
19 164 above, and the West is 14 above, so as we sit
20 here today, the East is a little bit behind the eight
21 ball. That's the other information that's available
22 behind me.

23 Q. The East is always behind the eight ball
24 though, isn't it?

25 A. I don't know that.

1 Q. Let's tie this together. You do agree
2 that we're below the five-year average in the winter
3 of 2015, correct? And I'm referring specifically to
4 February and March.

5 A. Yes. And we traditionally define winter
6 as November through March. And I see that March
7 15th, that the blue line is below the gray line, so
8 qualitatively, that would be below average. But it's
9 well within the band of what's happened in the past,
10 so I'm not really moved by it, is what I'm saying.

11 Q. Just so we understand, are you now
12 offering that price needs to exceed -- sorry, let me
13 reclarify that.

14 Are you stating that as long as we're
15 within this band, there's not going to be an inverse
16 impact on price?

17 A. It's -- I'm not saying that if we're not
18 within the band, and I think the testimony does a
19 great job of identifying what it takes for this to
20 happen. And the graph shows exactly when it did
21 happen, why it happened, and when it did happen, and
22 quantitatively what the reactions were.

23 But to summarize that rather than just
24 say whether it's in the band of the EIA Storage
25 Report five-year history, no. And natural gas

1 storage, those beans in the jar there, they're to
2 cover our needs in the wintertime. When those get to
3 a sufficient low level, particularly below 80 percent
4 of what would be average for a particular week --
5 remember, average changes. The average in storage
6 for Christmas is different than the average in
7 January, different than the average in March.

8 But when it gets below 20 percent below
9 that, when it gets 20 percent below those levels,
10 particularly early in the year, prices then react
11 exponentially. And there's several historical
12 examples of that and no examples that I can think of
13 where that didn't take place under those
14 circumstances.

15 That whole thing was just to present the
16 volatile consequences of abnormal weather and really
17 do a good job of identifying that asymmetry that
18 takes place when weather deviates from normal. We
19 held gas prices to be the same. If gas prices were
20 to go up like this, power prices would go up even
21 greater. So the testimony really shows you what I
22 think you need to see.

23 Q. Okay. But you agree that prices for
24 natural gas declined throughout last winter.

25 A. Subject to check, I would accept that.

1 Q. And that is summarized also in the EIA
2 short-term outlook that you discussed in IGS Exhibit
3 2, correct?

4 A. I'm not familiar with this, but I can
5 tell you why prices would drop during that period,
6 and that's because rig counts were very high going
7 into last winter because oil prices were set at a
8 hundred dollars. OPEC allowed us to have
9 hundred-dollar oil, and the United States responded
10 with shale production and natural gas associated oil
11 production, very important for our gas pricing, and
12 liquids production.

13 So the EIA that I -- the EIA report I see
14 in front of me and the time I've had to look at it, I
15 don't know that it's hit on those points, probably
16 has, but subject to check.

17 Q. And you would agree that just
18 yesterday -- first of all, are you familiar with the
19 Chicago Mercantile Exchange?

20 A. Loosely. I've never traded on it
21 personally.

22 Q. And that is the -- that is the exchange
23 that records over-the-counter transactions that occur
24 in the market for natural gas futures, correct?

25 A. I hope that you're not thinking of the

1 New York Mercantile Exchange because that's the place
2 where I go.

3 Q. I'm referring to the CME group, which --

4 A. CME is not Chicago. CME is the name of
5 the group that --

6 Q. Thank you.

7 A. You're good.

8 Q. And that's where you see Henry Hub
9 futures transactions, correct?

10 A. Yes. Yes. Yes.

11 Q. And just yesterday the prices were
12 clearing at \$2.40 per MMBtu for next month, right?

13 A. Natural gas futures for delivery next
14 month, sounds about right.

15 Q. And we can see transactions occurring
16 through December of 2016 at \$3 exactly, correct?

17 A. Yes. And, again, I'm worried because
18 those are for the settlements of the natural gas
19 futures contract, nothing to do with the Long Term
20 North American Energy Market Forecast. We're
21 predicting what the spot prices will actually be
22 during that period.

23 Q. These are observable transactions between
24 willing buyers and sellers, correct?

25 A. Absolutely.

1 Q. And some of these transactions could be
2 occurring with natural gas-fired power plants,
3 correct?

4 A. Oh, they could be. And they also could
5 be someone doing some storage arbitrage, I will take
6 gas out of storage at this time, put it in at another
7 time. There can be operators that are trading
8 between products, at like a dark spread or a spark
9 spread, or I can go ahead it take propane out of the
10 gas stream, and there's a frack spread that's there,
11 or it can simply be someone that wants to manufacture
12 product; they're happy with a particular price at the
13 same time the seller is happy with selling that -- a
14 producer is happy selling it at that price. It does
15 a miserable job of predicting what futures prices --
16 or, what spot prices will be in the future.

17 Q. Would you agree that there are
18 transactions occurring at below \$3 per MMBtu out
19 through 2019?

20 A. Subject to check, but I wouldn't be
21 surprised.

22 Q. And if that's a natural gas plant that's
23 producing that gas, it won't matter what the spot
24 price is in 2019. They've already got their
25 contract, right?

1 A. Or more important -- right. And more
2 importantly is that heat rate spread. If you have a
3 machine that can produce power at a future power
4 price on the futures market and within an implied
5 heat rate that's given to you through the natural gas
6 price that you see there, and you have a machine that
7 can arbitrage that spread, that may be important to
8 you.

9 Q. Okay. Turning back to your forecast, and
10 this applies to both your 2013 forecast and your 2015
11 forecast, would you agree that both of these
12 forecasts had to assume a level of energy efficiency?

13 A. Yes.

14 Q. But neither of these forecasts assumed
15 additional energy efficiency measures would be
16 implemented to comply with the Clean Power Plan.

17 A. I believe there was a data request or
18 interrogatory around that, and our load forecasting
19 people gave indication that that answer was no.

20 MS. FLEISHER: Could you speak up, sir?

21 Q. And the AURORA model also considers wind
22 and solar construction, correct?

23 A. Yes, it does.

24 Q. Because it has to create a supply stack.

25 A. Yes.

1 Q. Is the wind and solar construction in the
2 model an input or an output?

3 A. The model chooses the generation that
4 should be built based on economic -- the economics of
5 those choices, so the level that is built is a model
6 output. The costs of those generation, it can be
7 built for X dollars per megawatt. It would be an
8 input.

9 MR. OLIKER: I would like to mark an
10 exhibit, your Honor. May I approach, please?

11 EXAMINER PARROT: You may.

12 MR. OLIKER: Thank you.

13 I'd like to mark as IGS Exhibit 4 the
14 Interrogatory Response to INT-2-006 as well as the
15 attached documents that were produced.

16 EXAMINER PARROT: So marked.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 Q. Mr. Bletzacker, do you recognize what has
19 been marked as IGS Exhibit 4 as an interrogatory
20 response that you provided?

21 A. I do.

22 Q. Looking at the attachment, specifically
23 the first one, Solar and Wind Resource Construction,
24 does this represent the output of the model?

25 A. Yes, it does.

1 Q. So am I correct in the 2013 forecast, for
2 example, in 2015, 2017, '18, '19, and 2020, the model
3 assumes no wind would be constructed?

4 A. That's correct.

5 Q. And would you agree -- and also are these
6 outputs, is this within the PJM footprint, or is this
7 in the United States and Canada? If you know.

8 A. Subject to check, but I'm fairly
9 confident that's PJM.

10 Q. Okay. And would you agree that if solar
11 and wind construction is, in fact, higher than the
12 model assumed, energy prices would be lower?

13 A. I would agree, and I'd also agree that
14 low gas prices make solar and wind construction very
15 difficult.

16 Q. And you also on this subject talked about
17 costs assumed by the model. There is a page
18 identified as Renewable Energy Subsidies, I believe
19 it is two pages beyond the natural gas assumptions,
20 and let's do this first in Sierra Club Exhibit 18,
21 which is the 2013 forecast.

22 A. I'm there.

23 Q. Could you explain how the renewable
24 energy subsidies is considered by the model?

25 A. Yes. It can be considered a credit for

1 every megawatt-hour that is produced.

2 Q. Is that what this is here? Is it like a
3 production tax credit of \$48.40 per megawatt-hour?

4 A. That's correct.

5 Q. Okay. And the renewable energy credit
6 that would be considered here, that would partly
7 drive the amount of renewable construction that
8 occurs?

9 A. Yes. It has a considerable affect on
10 that.

11 Q. And if we look at the 2015 forecast,
12 starting in 2020, am I correct the model assumes
13 there will be no production tax credit for renewable
14 energy?

15 A. That's correct.

16 Q. So would you assume that if there was, in
17 fact, a renewable credit of some sort, then the level
18 of wind and solar construction would be higher?

19 A. Generally speaking, yes. More favorable
20 when someone gives you money to do it.

21 Q. And the power prices that are in the
22 model would be lower, right?

23 A. The supply curve would be shifted farther
24 to the right, so it stands to reason the power prices
25 would be lower at the same demand.

1 Q. Thank you. Sorry to jump around. Could
2 you please go back to Sierra Club Exhibit 18? Sorry.

3 A. I'll be happy to do that.

4 Q. With respect to your testimony, am I
5 correct that you have calculated a tax on -- tax or
6 carbon mitigation cost of \$15 per metric ton?

7 A. Yes. And I probably prefer to call that
8 a carbon burden. It's a dispatch burden, and it's
9 \$15 a metric ton on a real-dollar basis.

10 Q. And that converts to, depending on the
11 type of coal you burn and the heat rate of the unit,
12 somewhere between 13 to 15 dollars a megawatt-hour?

13 A. That's a good generalization.

14 Q. So if we look at the 2013 forecast at the
15 2021 versus 2022, and we were to compare the on-peak
16 and the off-peak power prices, would you agree that
17 power prices are rising slower in both the on-peak
18 and the off-peak than \$13 per megawatt-hour?

19 A. Yes, I would. And I would expect that.

20 Q. So what the model is demonstrating here,
21 if correct, is there is likely to be an increase in
22 market prices but not necessarily an increase in
23 margin for the PPA related plants.

24 A. I'm really not that familiar with the PPA
25 plants. But when we talk about a coal plant, in

1 general, I think that your assessment of what the
2 dollar-per-megawatt consequence is of a \$15 per
3 metric ton burden is would be correct.

4 Q. Okay. Thank you.

5 And to follow up on some of the
6 discussion you had with counsel for Sierra Club about
7 capacity prices --

8 A. Yes.

9 Q. -- I think you said this, but embedded in
10 the total revenue requirement that is considered by
11 the model, there is a return on equity component,
12 correct?

13 A. That's correct.

14 Q. But you don't know the ROE that the model
15 assumed, right?

16 A. With precision I don't, but generally I
17 do.

18 Q. Could you turn to your deposition at page
19 126.

20 A. Sure.

21 Q. Let me know when you're there.

22 A. I'm at page 126.

23 Q. Yes.

24 A. Thank you. I am.

25 Q. And let me know if I read this correctly,

1 on line 11: "Do you know what the return on equity
2 of the model assumes?"

3 Answer: "I don't know that specifically
4 today."

5 Did I read that correctly?

6 A. Yes, you did.

7 Q. And you also don't know what level of
8 debt the model assumed, correct?

9 A. Well, your question says do you -- would
10 you agree that the model also has to assume a
11 specific cost of debt and interest rate, and that
12 answer was yes.

13 Q. I'm sorry, Mr. Bletzacker, I'm actually
14 not asking you about the deposition now. I'm asking
15 just another question in general.

16 A. Okay. Please restate it for me, if you
17 would be so kind.

18 Q. And also, before we move on to that, you
19 would agree that the return on equity that was
20 assumed by the model, that wasn't provided in
21 discovery, was it?

22 A. No, not that I recall.

23 Q. Okay. And now going back to your earlier
24 answer, would you agree that the model also assumed a
25 certain level of debt or interest rate in its revenue

1 requirement for capacity resource?

2 A. I'd like to offer that the model only has
3 one number in it, I do know this, and that number is
4 just a rate of return.

5 Q. Okay.

6 A. There's not different components. That
7 may set a -- get past some confusion.

8 Q. But the rate of return is typically
9 weighted a certain percentage of debt and a certain
10 percentage of equity, right?

11 A. ROE.

12 Q. You don't know the percent of interest
13 that the model assumed, correct?

14 A. Not specifically, but I'd offer to you
15 here today that it's somewhere around 11 percent.

16 Q. If I could refer to your deposition, on
17 line 21 of page 126 there was a question: And "do
18 you know that" -- first, let's go to line 17 where
19 there was a question: "Do you -- would you agree
20 that the model also has to assume a specific cost of
21 debt, an interest rate?"

22 Answer: "Yes."

23 "And do you know that debt level that's
24 assumed by the model in each year?"

25 Answer: "I do not."

1 Did I read that correctly?

2 A. You did. If it's helpful, you appealed
3 to me when you used the phrase "an interest rate."

4 Q. Okay. And the distinction, key
5 distinction, between the way the AURORA model
6 establishes capacity prices as compared to the way
7 PJM does, is the AURORA model can use any type of
8 technology that's on the margin where PJM uses a
9 reference technology, correct?

10 A. Yes. They have an administrative
11 approach versus an economic approach in the model.

12 Q. A combustion turbine in PJM, correct?

13 A. Absolutely.

14 Q. And a bidder in the auction submits their
15 bid three years in advance, correct?

16 A. Correct.

17 Q. And when they do that, they don't know
18 what kind of energy margin they will receive,
19 correct?

20 A. That's correct.

21 Q. Before we move on, you had a discussion
22 with counsel for the Sierra Club about capacity
23 prices that were assumed back in the 2012 forecast.
24 And am I correct that for the AEP Gen Hub there was a
25 2016 AEP Gen Hub capacity price of \$281.92?

1 A. To be specific, I'm looking at Sierra
2 Club 19, which is a 2012 forecast. I'm okay so far.
3 I will go to the capacity section, which I hope
4 that's where you were, and I'm going to look at 2016.

5 Q. Yes.

6 A. And I see in 2016 a number of \$281.92 for
7 AEP Gen Hub as opposed to SPP, of course.

8 Q. Okay. And if we were to compare the 2016
9 price in Exhibit 19 with Sierra Club Exhibit 20 for
10 2016, which later recorded the base residual auction
11 price, and we were to determine the impact of that
12 difference on 3,000 megawatts, would you agree that
13 the difference is about \$208 million?

14 A. On which set of -- which basket are we
15 comparing that?

16 Q. We're just comparing 2016 projection and
17 the 2012 to the number that is recorded on Sierra
18 Club Exhibit 20 for 2016. And as I understand the
19 math would simply be 281.92 minus 91.30, multiplied
20 by 3,000 megawatts times 365 days.

21 A. I think your math is wonderful, but I
22 don't know where the 3,000 megawatts came from.

23 Q. Just a hypothetical.

24 A. Then I'm okay.

25 Q. Could you accept, subject to check,

1 that's about \$208 million?

2 A. I will.

3 MR. OLIKER: Your Honor, if I could have
4 a moment. Thank you.

5 Q. Briefly, am I correct that coal prices
6 are, in part, an input in the output of the model?

7 A. Yes, Mr. Oliker. And to expand on that,
8 we call them primarily an input, but should coal
9 demand go up or down, as you do look at generation
10 growth into the future, you may need to raise those
11 prices if demand goes up or reduce those prices as
12 demand goes down, according to these established
13 elasticities, so there's an iteration that takes
14 place, but it's primarily an in.

15 Q. One of the reasons why coal prices
16 decreased, at least somewhat, in the 2015 forecast is
17 because the demand for coal is going down, correct?

18 A. That very good. That's correct.

19 Q. Which would mean less dispatch from
20 coal-fired generation?

21 A. Yes, it would.

22 MR. OLIKER: I have no further questions,
23 your Honor.

24 Thank you, Mr. Bletzacker.

25 EXAMINER PARROT: Thank you, Mr. Oliker.

1 Let's go off the record.

2 (Discussion off the record.)

3 EXAMINER PARROT: Let's go back on the
4 record. Mr. Pritchard. Sorry to interrupt you.

5 MR. PRITCHARD: Thank you, your Honor.

6 - - -

7 CROSS-EXAMINATION

8 By Mr. Pritchard:

9 Q. Good evening now, Mr. Bletzacker.

10 A. Good evening.

11 Q. My name is Matt Pritchard. I represent
12 IEU-Ohio.

13 I'd like to start at the beginning of
14 your direct testimony on pages 1 and 2. Let me know
15 when you're there.

16 A. I'm there.

17 Q. Here you are summarizing your educational
18 background and business experience, correct?

19 A. That's correct.

20 Q. And in this section you identify several
21 mechanisms that are available in the market to both
22 customers and utilities to reduce risk and
23 volatility, correct?

24 A. I do.

25 Q. I'd like to talk about one of the items

1 that you list on page 1, over-the-counter natural gas
2 futures. Do you see that reference in your
3 testimony?

4 A. I do.

5 Q. Over-the-counter natural gas futures that
6 you identify here can extend for a period of time
7 longer than that is available in NYMEX, correct?

8 A. Yes, it can.

9 Q. And this over-the-counter natural gas
10 future could be for a fixed price, correct?

11 A. Fixed or floating, but, yes, correct.

12 Q. And this over-the-counter natural gas
13 future would be available to both utilities and
14 customers, correct?

15 A. Yes.

16 Q. And you also mention swaps and options.
17 Do you see those references?

18 A. I do.

19 Q. And swaps and options -- the swaps and
20 options risk management strategies you mention here
21 are also available to utilities and customers,
22 correct?

23 A. That's correct.

24 Q. And you also mention short- and long-term
25 gas contracts. Do you see that reference?

1 A. I do.

2 Q. And natural gas contracts are available
3 to customers for at least ten years, correct?

4 A. Yes.

5 Q. When I referenced ten years in my prior
6 question, did you understand that to be -- to mean
7 for a term of ten years?

8 A. I did.

9 Q. Okay. Now I'd like to talk a little bit
10 about the fundamental forecasts that you have
11 created. In general, the fundamental forecast that
12 you create or that your group creates, it's used
13 throughout AEP, correct?

14 A. That's correct.

15 Q. And so that would be AEP Service Company
16 as well as other operating companies, correct?

17 A. AEP Service Company does create it, and
18 there are units within AEP Service Company that would
19 use it and other operating companies also, that's
20 correct.

21 Q. And one of those other operating
22 companies that might use it would be, as you
23 discussed earlier with counsel for Sierra Club,
24 Appalachian Power, correct?

25 A. Correct.

1 Q. And AEP Ohio might rely on your
2 fundamental forecast as well, correct?

3 A. Yes, they do.

4 Q. Now, in relation to the parts of AEP
5 Service Corporation that would rely on the
6 fundamental forecast, could you give me some examples
7 of some of the groups that would rely upon your
8 fundamental forecast?

9 A. Yes. Just an interesting example within
10 our generation -- our generation department within
11 AEP Service Corp., as they are looking to make
12 engineering modifications to a generating station,
13 they need to look forward as to what the value will
14 be of power to justify a particular investment,
15 that's a good example, above and beyond the normal
16 integrated resource planning and regulatory use of
17 the other operating companies.

18 Q. If one of the generators, for example,
19 AEP Generation Resources, was concerned about the
20 value of its -- of one of its power plants and it
21 went to do an impairment analysis -- are you familiar
22 what an impairment analysis is?

23 A. I'm familiar to the point where I know
24 it's an accounting term, and I'm not involved in the
25 accounting.

1 Q. But you understand they would compare the
2 costs of that plant to the expected future market
3 revenue streams?

4 A. Yes.

5 Q. So as part of that impairment analysis,
6 they would look to your fundamental forecast for the
7 future market revenue streams, correct?

8 MR. CONWAY: Just a second. At this
9 point it's not an objection but except for perhaps
10 one of vagueness, which is the "they" that you're
11 referring to are you referring to AEP Generation
12 Resources or to the generation group within the
13 Service Corp. that he mentioned or some other "they"?

14 MR. PRITCHARD: Well, I believe -- I'm
15 just speaking in hypothetical terms. Let's just use
16 AEP Generation Resources.

17 Q. If they were, hypothetically, looking to
18 see if a value of one of their units was -- actually,
19 let me back up.

20 Is the fundamental forecast available to
21 AEP Generation Resources?

22 A. It is, subject to check, but I believe
23 so. They pay part of American Electric Power Service
24 Corporation's existence, so I imagine they would have
25 access to its goods.

1 Q. So if one of the organizations within the
2 AEP wanted to look to see if their generation unit
3 was impaired, they would look at the cost versus the
4 projected market revenue streams which are available
5 in your fundamental forecast, correct?

6 A. I would expect that they would, and that
7 would be correct with that qualification.

8 Q. I think earlier you indicated to
9 Mr. Bzdok that -- was it the strategic planning group
10 would also rely on your fundamental forecast?

11 A. Yes.

12 Q. Can you think of any other entities or
13 groups within AEPSC or within the AEP family that
14 would rely on your fundamental forecast?

15 A. The first one that comes to mind,
16 although I understand from a press release they've
17 been sold, is the barge operations, and they're quite
18 interested in what loads they may carry up and down
19 their waterways from power plants other than ours.

20 Q. Any other groups that might use your
21 fundamental forecast?

22 A. None that come to mind.

23 Q. So for the groups that do use your
24 fundamental forecast, they would use it in their
25 ordinary course of business for whatever business

1 purposes they might have, correct?

2 A. That's correct. Another way to phrase
3 this would be I don't know of any other organization
4 that would not use the fundamentals forecast.

5 Q. And so when a fundamental -- a new
6 fundamental forecast is created, it's released to all
7 of AEPSC and is available through the AEP, Inc.
8 intranet to all the operating companies, correct?

9 A. It's available to everyone, that's
10 correct.

11 Q. And one of the groups that it would be
12 available to would be AEP Ohio, correct?

13 A. Correct.

14 Q. And it would also be available to AEP
15 Service Corp., correct?

16 A. Yes.

17 Q. And so anyone that regularly uses the
18 fundamental forecast would know where to go on the
19 AEP, Inc. intranet to pull the latest fundamental
20 forecast, right?

21 A. That's correct. And they also know to
22 get ahold of me. I'll deliver it personally.

23 Q. I didn't quite hear all of your response.

24 MR. PRITCHARD: Could you read the answer
25 back to me.

1 (Record read.)

2 Q. Before you began preparing the 2015
3 fundamental forecast, the integrated resource
4 planning group did not come to you and ask for your
5 most recent forecast, correct?

6 MR. CONWAY: Could I have the question
7 read back, please?

8 (Record read.)

9 MR. CONWAY: Thank you.

10 THE WITNESS: If you would be so kind,
11 please reread it.

12 (Record read.)

13 A. I should let you know that the phrase
14 "begin preparing" is the part of the question that
15 bothers me because we're constantly analyzing all of
16 the drivers of the energy market. You could even go
17 so far as to say that we have begun preparing, at
18 least in the research that we're doing, for the next
19 forecast. So certainly the beginning of preparation
20 happens after the prior forecast is released.

21 MR. PRITCHARD: Could I have that answer
22 reread.

23 (Record read.)

24 Q. I'm not sure that within that answer you
25 had answered my question, so forgive me if I

1 misunderstood, but let me just reask it.

2 Before you began to prepare the 2015
3 fundamental forecast, the integrated resource
4 planning group did not come to you and ask for your
5 most recent forecast, correct?

6 A. No, that's not correct.

7 Q. Did the integrated resource planning
8 group come to you and ask you for your 2015
9 fundamental forecast?

10 A. It is a typical conversation coming from
11 many different directions to ask for the latest
12 forecast, and the integrated resource planning group
13 would be no exception. If it's available, they can
14 have it. If it's been released, they can have it.
15 If not, it's not ready.

16 Q. But they didn't specifically come to you
17 in the months of January 2015 and June 2015 and
18 request your most recent forecast, did they?

19 A. Well, in preparation for IRP filings they
20 will request the most recent forecast, so that
21 portion would be true. You know, the 2015 forecast
22 isn't available until it's available. It wasn't
23 available for this proceeding, but it was available
24 to the integrated resource planning group for their
25 use in July.

1 Q. In your process of preparing your 2015
2 forecast, regardless of the exact start date in 2015,
3 the IRP group didn't come to you and ask you to give
4 them your most recent forecast, correct?

5 A. I guess they would ask for my most recent
6 forecast to support their filing, so that's the only
7 context I can give. I would expect that they would
8 and they do.

9 Q. Would you look at your deposition at page
10 224.

11 A. I'm there.

12 Q. At line 4 begins a question that reads:
13 "Before you began preparing this Fundamental
14 Forecast, did the IRP Group come to you and ask you
15 for your most recent forecast?"

16 Answer: "No."

17 Did I read that correctly?

18 A. You read it correctly. But be aware that
19 their IRP filings are not on some regular,
20 predictable basis, at least from my perspective, so
21 as they are preparing, they will come to me and ask
22 me what's available. That may include a particular
23 forecast or their cycle may even skip a forecast or
24 two of ours.

25 Q. But in this instance, they did not come

1 and ask for your fundamental forecast when they were
2 preparing their filing out, I think we established
3 earlier it was July 1st, correct? That was your
4 testimony during the deposition?

5 A. That's my testimony during the
6 deposition.

7 Q. And, rather, as a general course of
8 business and because you were aware that they had an
9 upgraded integrated resource plan due, once your
10 fundamental forecast was complete, you provided that
11 to the IRP group, correct?

12 A. That's correct. But you should know that
13 the integrated resource planning group and my group
14 report to the same senior vice president, and it
15 would not be uncommon in staff meetings with that
16 senior vice president of corporate planning and
17 budgeting to have conversations about the work that
18 we are doing, which would include my reporting on
19 developing a new forecast.

20 Q. Who's that senior vice president?

21 A. Lonni Dieck, D-i-e-c-k.

22 Q. And who else would be present at those
23 staff meetings?

24 A. Her direct reports.

25 Q. Could you identify a few of them?

1 A. Ollie Sever, Pam Flemming.

2 Q. So it would be the four of you?

3 A. Correct. Those are her only direct
4 reports.

5 Q. And are the other people in the
6 integrated resource planning group or your group?

7 A. Her four direct reports include myself,
8 director of fundamentals analysis, the managing
9 director of integrated resource planning, Scott C.
10 Weaver, and two other direct reports involved with
11 financial reporting and financial forecasting.

12 Q. So the integrated resource planning group
13 assisted Dr. Pearce in running the PLEXOS model for
14 this case, correct?

15 A. The integrated resource planning group
16 ran the PLEXOS model. They didn't assist in running
17 it.

18 Q. So the integrated resource planning group
19 ran the modeling in this case for Dr. Pearce.

20 A. Correct.

21 Q. Switching a little bit to some of the
22 actual information in the fundamental forecast, just
23 as a general high-level item, if you decrease the
24 natural gas price input into the AURORA model, there
25 will be a corresponding decrease to the projected

1 on-peak power prices, correct?

2 A. You'd have to specify what location for
3 me to answer that.

4 Q. If the natural gas price earlier --
5 strike that.

6 For the PJM power prices, the on-peak
7 power prices, would they be tied largely to the three
8 pricing hubs that you discussed with Mr. Oliker
9 earlier?

10 A. No, but to speed this along, they would
11 be tied to the AEP Gen Hub.

12 Q. So if you decreased the relevant natural
13 gas price on the hubs relevant to the PJM market,
14 there would be a corresponding decrease to the
15 on-peak power price in the PJM market, correct?

16 A. That would be a good generalization,
17 and -- but as you get further out in time and the
18 generation fleet changes, there may be exceptions to
19 that generalization.

20 Q. Now I want to talk a little bit about the
21 5 percent above and below your weather normalized
22 load case. Did you not run a new fundamental
23 forecast to generate the energy market values for the
24 5 percent above and below normalized weather load,
25 correct?

1 A. That's correct. It was a specific query
2 of the model with those parameters.

3 Q. And by "query" you're referring to you
4 were looking at the supply stack output of the
5 weather-normalized fundamental forecast, correct?

6 A. That's correct.

7 Q. And so to look at what the 5 percent
8 above and below load power prices would be, you took
9 the normal-weatherized stack, generation stack, and
10 you adjusted it 5 percent above and below to see what
11 the corresponding power prices were, correct?

12 A. Yes. Put another way, we kept everything
13 constant except changed load. You expect maybe gas
14 prices to go up or down. We kept everything the
15 same.

16 Q. And you did not recalculate the energy
17 market prices for the 5 percent above and below load
18 case based on the 2015 fundamental forecast, correct?

19 A. Correct.

20 Q. And the reason you did not recalculate
21 the 5 percent above and below market energy price
22 values for the 2015 fundamental forecast was because
23 your responsibility is to put out the fundamental
24 forecast with the best available data and a
25 sensitivity analysis is not required, correct?

1 A. Not required. But I'm happy to do that
2 upon request.

3 Q. The on-peak power prices in your 2015
4 fundamental forecast for the period of 2016 through
5 2024 --

6 A. Yes.

7 Q. -- the on-peak power prices from the 2015
8 fundamental forecast are lower than the corresponding
9 years for the 2013 fundamental forecast for the years
10 2016 through 2024, correct?

11 A. Yes, I agree.

12 Q. And if you redid the analysis to
13 calculate the power prices for the 5 percent above
14 and 5 percent lower load based on the 2015
15 fundamental forecast, generally speaking, those
16 values would be less than the values you calculated
17 based on the 2013 forecast, correct?

18 A. Correct. And, generally speaking, they
19 probably would be in about the same proportion, high
20 and low. It's basically the same supply stack
21 between 2013 and 2015, generally speaking.

22 Q. So somewhere in your testimony you
23 indicated that for the 2013 forecast the 5 percent
24 above was maybe 19 percent higher and the 5 percent
25 low was maybe 7 percent higher, so you would

1 expect -- you would expect -- whatever the
2 percentages are in your testimony in regards to the
3 2013 forecast, are you indicating that they would be
4 roughly, approximate, the same above and below for
5 the 2015 forecast?

6 A. Obviously, subject to check, that would
7 be my judgment. You could use that as a conclusion.

8 MR. PRITCHARD: I have no further
9 questions and I do not have any confidential cross.

10 EXAMINER PARROT: Thank you,
11 Mr. Pritchard.

12 Mr. Yurick?

13 MR. YURICK: Just a few.

14 - - -

15 CROSS-EXAMINATION

16 By Mr. Yurik:

17 Q. Mr. Bletzacker, according to your
18 testimony you joined AEP in 2005, correct?

19 A. That's correct.

20 Q. Do you remember what natural gas prices
21 in Ohio were like around 2005?

22 A. Generally I do.

23 Q. What general area are we talking about in
24 terms of prices in 2005?

25 A. We all remember, I hope we all remember

1 that Hurricane Katrina and Rita affected the Henry
2 Hub. Gas prices got up to \$14 per MMBtu at the Henry
3 Hub. The Henry Hub was even closed for a number of
4 days. Thankfully, January was one of the warmest
5 winter months in a hundred years which saved us to
6 some degree, and that volatility was just painful for
7 everybody.

8 Q. So were you, in 2005, were you able to
9 correctly forecast what gas prices would be currently
10 per Mcf?

11 A. In 2005 I was quite capable of assembling
12 the best available data to put together a logical
13 forecast.

14 Q. I understand.

15 A. Well, I'm not done answering.

16 Q. Well --

17 EXAMINER PARROT: Let him finish, please.

18 A. I can't know the unknowable. I can't
19 know what weather will do. Let's call Hurricane
20 Katrina and Rita a force majeure event, if we can be
21 that wide with it, but what I can do and what our
22 standard is is we have to assemble the best available
23 data to create that forecast and certain things are
24 just unknowable with weather being number one.

25 Q. Right. That's sort of the point. You

1 would agree that certain things in the forecast are
2 just not knowable, right?

3 A. Oh, I would agree.

4 Q. And in 2005 were you able to accurately
5 predict -- well, let me ask you, do you remember what
6 power prices were like back in 2005, roughly, per
7 megawatt-hour? I'm sorry, what energy prices were.

8 A. I would have to check, but I think an
9 estimation of heat rate and gas prices would get you
10 close.

11 Q. Would you say that currently energy
12 prices are lower than they were back in 2005?

13 A. Generally speaking, I would say that.

14 Q. And were you able to correctly forecast
15 what energy prices would be like in, here in 2015
16 back in 2005?

17 A. I was able to assemble the best available
18 data in 2005.

19 Q. Right.

20 A. I can't -- that is exactly -- and that's
21 a great example of what's unknowable.

22 Q. Right. That's my point. Forecasts can't
23 always be completely accurate because there are
24 unknowable things, correct?

25 A. But you can do the, to the highest --

1 Q. Well, you can explain but just --

2 MR. CONWAY: Hold on. Let him finish his
3 answer.

4 A. What you can do is be held to the
5 standard of having the best available data. That is
6 the best that you can do.

7 Q. I understand. I think my question was
8 but some things in a forecast just aren't knowable.
9 You can assemble the best available data, but in
10 terms of an outcome, it's not always going to be spot
11 on.

12 A. Well, that's right. And I think that
13 deserves to be expanded on from the standpoint of
14 this band of credibility. If you go hang your hat on
15 a forecast, and one part of a forecast, or you mix
16 several forecasts, you are going to miss it more
17 widely than just the best available data and not
18 being able to know the unknowable.

19 Q. Would you agree also that generally
20 forecasts, in terms of being correct on outcomes,
21 they would be sort of less accurate or less precise
22 the further out you extrapolate the data?

23 A. Yes. Let's draw a distinction between
24 accuracy and precision. One thing that you can
25 appreciate about a forecast at least is sometimes its

1 direction. You think that directionally prices will
2 rise. We think that the value of the dollar will
3 inflate.

4 So if you can't come out with the
5 precision of the second decimal point on a power
6 price, at least appreciating the direction is a good
7 idea.

8 Q. Okay. So that leads sort of to my next
9 point. Generally speaking, the point of your 2015
10 forecast is generally you expect gas prices to go up
11 and also energy prices to go up over time, right?

12 A. I'm very concerned about the collision
13 between very low rig counts, a very fast down
14 escalator of depletion, and what that new price will
15 result in.

16 Q. Would I be correct in saying generally
17 your forecasts, based on, as you say, best available
18 data show an increase both in the price of natural
19 gas and, therefore, in the price of energy?

20 A. If you give me a period, that would be
21 more helpful. If you want to be very general, I can
22 say that in the very out years on a nominal dollar
23 basis it is a much lower forecast than other ones
24 that you would see, particularly the EIA.

25 Q. Well, I'm just looking at I guess what's

1 been marked as Sierra Club No. 20 which I think is
2 your forecast, in the years from 2016 to 2046 you
3 show PJM AEP Gen Hub on-peak and off-peak prices
4 going up over that period of time.

5 A. I certainly see them rise from year to
6 year.

7 Q. Yeah.

8 A. I agree.

9 Q. In fact, from 2016 to 2046 you have them
10 going up close to a factor of four, right? From \$35,
11 roughly, to \$121.

12 A. That's correct.

13 Q. And --

14 A. On a nominal dollar basis.

15 Q. Right. And you would expect, again,
16 natural gas prices to rise over that time period as
17 well.

18 A. Yes. On a nominal dollar basis.

19 Q. Now, on page 12, line 9, and page 13,
20 lines 1 through 2, you say that natural gas prices
21 and coal prices are not co-related. I think that's
22 the way you pronounce that word. Or correlated.

23 A. Correlated.

24 Q. Okay. And that means that coal prices
25 and gas prices don't necessarily vary on a one-to-one

1 relationship. Is that accurate?

2 A. That's correct. And a better way to
3 phrase that would be that the elasticity, how quickly
4 price changes with natural gas compared to a change
5 in demand, and that elasticity of coal are different
6 numbers.

7 Q. Right. So the increases in demand, the
8 increases in demand are going to raise natural gas
9 prices quicker than an increase in demand would raise
10 coal prices, according to the best data you have.

11 A. That's a good generalization.

12 Q. Doesn't that make coal generation plants
13 more valuable?

14 A. The low dollar per Btu value of coal and
15 combined with a worse heat rate does yield coal
16 generation at lower prices than other fuels as we see
17 today.

18 Q. But doesn't that mean, though, that AEP
19 could make a lot of money by continuing to operate
20 these coal plants over time?

21 MR. OLICKER: Objection.

22 MS. HENRY: Objection.

23 MR. OLICKER: I believe that question is
24 friendly cross.

25 MR. YURICK: It's not at all.

1 EXAMINER PARROT: Did you have anything
2 to add, Ms. Henry, or are you objecting on the same
3 basis?

4 MS. HENRY: On the same basis.

5 EXAMINER PARROT: Response? Are you
6 finished, Mr. Yurick, with your response? I think
7 you just disagreed with them. Do you have anything
8 to add?

9 MR. YURICK: The objection was it's
10 friendly cross, so I don't know how much of a
11 response I really need to make I guess.

12 EXAMINER PARROT: I'm going to allow this
13 particular question.

14 THE WITNESS: I'll ask the question be
15 reread if you would be so kind.

16 (Record read.)

17 A. That potential exists, yes.

18 Q. When you say "potential," that means
19 there's a risk that they won't?

20 A. There is a risk that they won't.

21 Q. And under the PPA rider arrangement,
22 doesn't all that risk go to customers?

23 A. I'd like to help you there, but I'm not
24 that familiar with the PPA rider arrangement. I had
25 to put together this Long-term North American Energy

1 Market Forecast.

2 MR. YURICK: No questions.

3 EXAMINER PARROT: Thank you, Mr. Yurick.
4 Mr. Boehm?

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

6 EXAMINER PARROT: Ms. Fleisher.

7 - - -

8 CROSS-EXAMINATION

9 By Ms. Fleisher:

10 Q. Mr. Bletzacker, in talking with
11 Mr. Olikier I think you said that the AURORA model
12 includes renewables as one generation resource that
13 it can select from?

14 A. That's correct.

15 Q. Okay. Does that include distributed
16 generation like rooftop solar, combined heat and
17 power?

18 A. No. That distributed generation would be
19 reflected in a different load forecast. So to the
20 extent that that infiltration is in the load
21 forecast, it's included.

22 Q. Okay. And would that -- I guess do you
23 know what voltage optimization or VOLT/VAR is?

24 A. I have a general understanding, an
25 engineering understanding.

1 Q. Is it your understanding it's a form of
2 improvement to the distribution system that can
3 reduce line losses?

4 A. Yes. Very effective.

5 Q. Is that a resource that's collected in
6 your model?

7 A. The model doesn't have an option to
8 select that particularly as a resource but it has the
9 opportunity just to react to different load
10 forecasts. So it would be the input of the load
11 forecast, it would be a function of what is within
12 the load forecast that the model would react to. It
13 doesn't select VOLT/VAR or any other thing like that
14 to be on or off throughout the forecast.

15 Q. And for your 5 percent load variation
16 that you did present in your testimony, that wasn't
17 based on actual historic load variation, correct?

18 A. There was a connection to historic load
19 variation, it was included in one of the
20 interrogatories which identified the relationship
21 between heating degree days, cooling degree days, and
22 power dispatch, and a statistical analysis of how
23 load would vary with plus and minus 10 percent or
24 plus and minus one standard deviation of weather.

25 MS. FLEISHER: May I approach, your

1 Honor?

2 EXAMINER PARROT: You may.

3 MS. FLEISHER: Can I have this marked as
4 ELPC Exhibit 14.

5 EXAMINER PARROT: So marked.

6 (EXHIBIT MARKED FOR IDENTIFICATION.)

7 Q. Mr. Bletzacker, is this the discovery
8 response that you were referring to?

9 A. That's correct.

10 MS. FLEISHER: That's all I have, your
11 Honor.

12 EXAMINER PARROT: Thank you,
13 Ms. Fleisher.

14 Mr. Settineri?

15 MR. SETTINERI: No questions, your Honor.
16 Thank you.

17 EXAMINER PARROT: At this point let's
18 take a five-minute break and when we come back, we
19 will see whether we have redirect.

20 MR. CONWAY: Yes, I think we will have
21 some, your Honor.

22 EXAMINER PARROT: Okay. Off the record.

23 (Recess taken.)

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

1 Mr. Conway, hold just for a moment.

2 I'm sorry, Mr. Beeler, I owe you an
3 apology. Do you have any questions?

4 MR. BEELER: No questions, your Honor.
5 Thank you.

6 EXAMINER PARROT: All right. Mr. Conway.

7 MR. CONWAY: Thank you, your Honor.

8 - - -

9 REDIRECT EXAMINATION

10 By Mr. Conway:

11 Q. Mr. Bletzacker, do you recall a series of
12 questions from Mr. Olikier, IGS's counsel, that asked
13 you about various aspects of the prices forecasted
14 for natural gas by the Energy Information agency? I
15 believe it was questions based on an exhibit that
16 Mr. Olikier presented to you, IGS No. 2. Do you
17 recall that?

18 A. I do recall that.

19 Q. Are there any limitations, in your view,
20 about the suitability or the usefulness of EIA
21 projections, forecasts of natural gas prices as
22 whether they're going to be -- turn out to be
23 accurate?

24 A. Well, let me just talk about the EIA
25 forecast in general, and gas would certainly fall

1 within that. The EIA forecast 2013 and before starts
2 off with a preface where it says that it's put
3 together based on the assumption that current laws
4 and regulations remain unchanged. So if you're
5 looking for some reasonable assumption of the MATS
6 rule back in the old days, or any other environmental
7 mitigation, it's not in there.

8 In 2015 the Long-Term Annual Energy
9 Outlook, it says three or four paragraphs down the
10 same, basically the same language, and even says
11 specifically "This excludes the impacts of the Clean
12 Power Plan."

13 So when you unwind the EIA forecast,
14 you're missing a very big price mover when that
15 forecast is put together under the assumption that
16 current laws and regulations remain unchanged. A
17 prudent forecast will include those things.

18 MR. OLIKER: Your Honor, I object and
19 move to strike the completely nonresponsive answer.
20 I believe I heard the witness describe a 2013 EIA
21 forecast and a 2015 annual long-term forecast. Those
22 are not the documents I placed in front of the
23 witness and there was no reference to that during my
24 cross-examination.

25 What has been presented to the witness is

1 the EIA Short-Term Energy Outlook which was released
2 on September 9th, 2015, which contains no such
3 statements, and I would move to strike his answer
4 which is completely not responsive to any form of
5 cross-examination that occurred today.

6 MR. CONWAY: Your Honor, the question
7 that I posed to him was in reference to the EIA
8 forecast that Mr. Olier presented to him. I asked
9 him whether he viewed the reliability of forecasts
10 from EIA, including, as he mentioned, the 2015 Energy
11 Outlook Forecast, but another EIA forecast, I asked
12 him what does he think about the reliability of using
13 forecasts from that organization for purposes of
14 predicting future prices. I think Mr. Olier was
15 using his version of the EIA forecast for the exact
16 same purpose.

17 And the point of -- the questions to
18 Mr. Bletzacker were to find out from him whether in
19 general he thought there were limitations on the use
20 of the EIA forecast, and he explained in his answer
21 what he thought the limitations were and he applied
22 his explanation to other forecasts from EIA, but it
23 applies to the one that Mr. Olier presented to him
24 in the first instance.

25 So I think it's within the range of my --

1 it's responsive to my question. It keys off directly
2 from Mr. Olikier's line of cross-examination.

3 MR. OLIKER: Proves my point.

4 EXAMINER PARROT: I agree, Mr. Conway.

5 Your motion to strike is denied,
6 Mr. Olikier.

7 By Mr. Conway:

8 Q. Just to be clear, the 2015 Energy Outlook
9 that you mentioned, that is a forecast from the EIA,
10 correct?

11 MR. OLIKER: Objection. Vague. Is he
12 referring to the 2015 Long-Term Annual Energy Outlook
13 which is not contained in any of the exhibits that I
14 presented to the witness?

15 MR. CONWAY: Your Honor, I was just
16 clarifying for the record to make clear that that
17 forecast he was referring to was an EIA forecast.
18 That was the purpose of the question.

19 MR. OLIKER: My objection still stands,
20 though.

21 EXAMINER PARROT: The objection is
22 overruled.

23 MR. OLIKER: Can I have a clarification,
24 your Honor, of which document he's referring to?

25 MR. CONWAY: It's the document referred

1 to in Mr. Bletzacker's answer. The 2015, and correct
2 me if I didn't get it right, Energy Outlook, the 2015
3 Energy Outlook.

4 MR. OLIKER: And are you referring to the
5 Long-Term Energy Outlook?

6 EXAMINER PARROT: Let's let the witness
7 clarify what he was referring to.

8 THE WITNESS: I was referring to a
9 product from the EIA, that's true.

10 Q. (By Mr. Conway) Mr. Bletzacker,
11 Mr. Olikar also asked a series of questions of you in
12 which he inquired about the purchase and sale or
13 agreements to purchase and sell natural gas into the
14 future -- in the future for a particular price, and
15 what kind of a transaction was he referring to when
16 he was inquiring of that subject matter area?

17 A. I believe he was referring to the
18 purchase and sales of natural gas futures contracts.

19 Q. And are those also sometimes referred to
20 as forwards contracts?

21 A. Yes, they are.

22 Q. And what's your view about the
23 suitability of using forwards contracts arrangements
24 pricing as a basis for forecasting future spot
25 prices?

1 A. A natural gas futures contract is not
2 intended to be and there are no -- there's no one
3 who's rewarded for predicting the future spot price
4 of natural gas, for instance.

5 What it does do is provides a willing
6 buyer and seller with a price certain that they can
7 buy and sell that commodity. It is very well suited
8 for spreads between products, time intervals, for
9 hedging purposes of various sorts, but it is not a
10 suitable product for predicting -- forecasting future
11 spot prices.

12 Q. And does your opinion regarding use of
13 forwards in that context apply in other contexts
14 where types of forwards for commodities are being
15 used?

16 A. Well, it applies to all natural gas, it
17 applies to power, certainly applies to grains and
18 other futures markets commodities.

19 Q. Do you recall from time to time questions
20 from various of the counsel for intervenors regarding
21 your 2015 fundamentals forecast?

22 A. Yes.

23 Q. And do you recall in the course of your
24 conversations with counsel for the intervenors your
25 reference to the reason that you undertook to create

1 a new forecast due to changes in natural gas markets?

2 Do you remember that?

3 A. I do.

4 Q. Could you explain for us, what is the
5 reason for -- what is that reason that you had for
6 preparing that most recent iteration of the
7 fundamentals forecast, and then could you also tell
8 us what you think the future holds for the next
9 forecast after that.

10 A. Well, certainly --

11 MR. BZDOK: I'm going to object to the
12 compound question because the second part of that
13 compound question may be objectionable on a
14 stand-alone basis. I wouldn't object if you
15 rephrased to do the questions in two separate ones so
16 we can deal with that second one on its merits if the
17 time comes.

18 MR. CONWAY: Your Honor, to me they're an
19 integrated pair of questions and I think if the
20 witness is able to respond, he should be allowed to
21 give it a shot.

22 MR. PRITCHARD: I don't believe anyone
23 asked him about his future forecast --

24 MR. BZDOK: That's the issue.

25 MR. PRITCHARD: -- in cross-examination.

1 EXAMINER PARROT: I agree. Let's take
2 them one at a time, Mr. Conway.

3 By Mr. Conway:

4 Q. Do you recall the first part of the
5 question, Mr. Bletzacker, or would you like me to
6 restate it?

7 A. I believe I do, Mr. Conway.

8 And my answer is that there is a -- oil
9 prices have been held at around a hundred dollars for
10 several years. The oil prices being held at a
11 hundred dollars has allowed the United States oil and
12 gas exploration and production companies to develop
13 ways to extract oil and the natural gas that comes up
14 with oil, called associated gas, as well as go after
15 those very valuable liquids, liquids of course are
16 propane, butane, and ethane, and the Utica in Eastern
17 Ohio is a good example of where that is taking place.

18 Natural gas comes out as a, we can almost
19 even call it a by-product of that exploration, but as
20 oil prices have dropped to, let's just say nominally
21 \$50, the commissioning of the rigs to drill new wells
22 has dropped incredibly and that drop certainly puts a
23 squeeze on the amount of natural gas that comes with
24 associated oil and that comes to the surface
25 associated with liquids production.

1 So it really stands to reason that we
2 need to monitor production as -- well, rig count as
3 it levels out, it's dropped quite a bit, production
4 as it works through hedge positions that are in
5 place, and currently natural gas production is
6 leveling, at best, and maybe even dropping, and oil
7 production is clearly dropping from EIA data. And we
8 need to see how price begins to react as the
9 continued depletion of those wells could put a
10 squeeze on natural gas prices in the future.

11 So I'm very concerned about the cyclical
12 nature of our business due to natural gas price
13 drilling rig counts and how quickly that will rebound
14 which could put a further upward squeeze on natural
15 gas prices.

16 Q. And so --

17 MS. FLEISHER: Objection. Move to strike
18 as nonresponsive. I thought the question first was
19 why he had prepared the 2015 forecast. I guess he
20 clarified that was meant to explain that.

21 MR. CONWAY: That's not what the question
22 was. The record will reflect what the question was.
23 It was what was the reason for the need to, in his
24 view, conduct the most recent fundamentals forecast,
25 what events led him to do that. He just gave a

1 summary of the reasons behind that. So I disagree
2 with the objection. It was responsive to my
3 question.

4 MR. OLIKER: In his answer he's trying to
5 also provide something in the second question that
6 counsel's probably not going to be able to ask.

7 MS. FLEISHER: Yeah. I'm happy to -- I
8 can withdraw my objection as long as it's clear that
9 that was meant to be the answer, the rationale, for
10 why he prepared the 2015 forecast.

11 MR. BZDOK: He answered both questions
12 even though there was an instruction of breakdown.

13 MR. OLIKER: I think that's the point.

14 MR. CONWAY: So am I still allowed to ask
15 my next question?

16 EXAMINER PARROT: I'm hearing an
17 objection but he's already, I mean, are you moving to
18 strike his answer? Is that really what you're doing
19 here?

20 MS. FLEISHER: Yeah, move to strike as
21 nonresponsive to the question asked which is why he
22 prepared the 2015 --

23 MR. CONWAY: It was responsive, your
24 Honor, for the reason that I just mentioned. If
25 you'd like me to make the argument again, I will, but

1 it was responsive to my question.

2 EXAMINER PARROT: I'm going to deny the
3 motion to strike and allow the answer to stand.
4 By Mr. Conway:

5 Q. Do you recall in the course of
6 cross-examination with several of the intervenors'
7 counsel, Mr. Bletzacker, that in the course of
8 providing responses to the questions you point out
9 that the process of preparing these fundamental
10 forecasts is a continuous one and that the next
11 forecast may even be in some stage of consideration
12 at this point, at least as far as you're becoming
13 aware of events that may contribute to the need to do
14 another one?

15 MR. BZDOK: Objection. Very, very
16 leading.

17 Q. Do you recall that?

18 A. I do recall that.

19 MR. DARR: There's an objection pending,
20 your Honor.

21 THE WITNESS: Understood.

22 MR. CONWAY: Your Honor, just trying to
23 get through this. I have like one more question and
24 I'm finished.

25 MR. DARR: Doesn't change that there was

1 an objection pending, your Honor.

2 EXAMINER PARROT: I'm going to ask you to
3 rephrase, Mr. Conway.

4 By Mr. Conway:

5 Q. Do you recall in the course of your
6 conversations with several of the intervenors'
7 counsel, by my count, Mr. Bletzacker, that the
8 process that of -- that you reported that the process
9 of preparing fundamentals forecasts is an ongoing
10 one?

11 A. I do.

12 Q. And what would you -- what do you believe
13 are the prospects that in the future the next or some
14 subsequent forecast will reflect some of the cyclical
15 changes and the completion of those cyclical changes
16 that you mentioned to the current most recent
17 forecast?

18 MR. OLIKER: Objection.

19 MR. PRITCHARD: I would object on two
20 grounds.

21 EXAMINER PARROT: One at a time, please.

22 MR. PRITCHARD: One, I don't believe
23 that, again, we asked about his future forecast and,
24 two, the leading question calls for him to speculate
25 about what the results of his future forecasts are

1 going to be.

2 EXAMINER PARROT: Anybody else?

3 MR. BZDOK: Lack of foundation.

4 MR. OLIKER: Yeah. I would also add to
5 that that he indicated he has to consider all the
6 information available to him at the time and he
7 hasn't identified when that forecast may be
8 completed, what information he may consider. There's
9 a vast amount of speculation involved in this.

10 MR. CONWAY: Your Honor, first of all,
11 there was conversation -- questioning by the
12 intervenors' counsel which touched on this subject
13 matter of the continuous nature of the preparations
14 of his fundamentals forecast; that's the first point.

15 And then the second point is that he is
16 the expert on the preparation of fundamentals
17 forecasts, so his opinion about what might be
18 upcoming in future forecasts that would drive them to
19 be conducted I think is within his ability to testify
20 about.

21 EXAMINER PARROT: Anything else,
22 Mr. Conway?

23 MR. CONWAY: No.

24 EXAMINER PARROT: I'm going sustain the
25 multiple objections on this one.

1 Anything else, Mr. Conway?

2 MR. CONWAY: No, your Honor. Thank you.

3 EXAMINER PARROT: Mr. Bzdok?

4 MR. BZDOK: No redirect. No recross.

5 Excuse me.

6 EXAMINER PARROT: Mr. Ghiloni?

7 MS. GHILONI: No recross.

8 EXAMINER PARROT: We'll jump out of order
9 a little, Ms. Fleisher, since you're sitting there.

10 MS. FLEISHER: No questions.

11 EXAMINER PARROT: Ms. Bair?

12 MS. BAIR: No questions.

13 EXAMINER PARROT: Mr. Olikier.

14 MR. OLIKER: Just very briefly.

15 - - -

16 RE CROSS-EXAMINATION

17 By Mr. Olikier:

18 Q. Mr. Bletzacker, you would agree that the
19 IGS Exhibit 3 relates to a short-term Energy Outlook
20 which is not the documents that Mr. Conway and you
21 were discussing? Correct?

22 MR. CONWAY: I was referring to IGS No. 2
23 I believe, Mr. Olikier. If I misspoke, that's what I
24 was referring to.

25 Q. I'm sorry. To clarify, it's IGS Exhibit

1 2 is the Short-Term Energy Outlook; is that correct?

2 A. I have in front of me IGS Exhibit 2 and
3 it refers to the September 9th release of the U.S.
4 Energy Information Administration's STEO, Short-Term
5 Energy Outlook.

6 Q. Just for clarity of the record, this is
7 not the document that you were discussing with
8 Mr. Conway, the Long-Term Energy Outlook of 2013 or
9 2015, correct?

10 A. I was describing the EIA which includes
11 the Long-Term Energy Outlook.

12 Q. Okay. And you would agree that the
13 Short-Term Energy Outlook pertains to 2016, and not
14 beyond?

15 A. I do.

16 Q. And you would agree the Clean Power Plan
17 doesn't go into effect until 2022.

18 A. I would agree.

19 Q. Okay. And, lastly, if you could turn to
20 page 4 of what's been marked as IGS Exhibit 2, you
21 would agree that that U.S. natural gas price graph
22 relates to the Henry Hub spot price predicted through
23 2016.

24 A. Yes.

25 MR. OLKER: Thank you. No more

1 questions, your Honor, Mr. Bletzacker.

2 EXAMINER PARROT: Mr. Pritchard?

3 MR. PRITCHARD: No cross-examination. No
4 Recross-examination, your Honor.

5 EXAMINER PARROT: Mr. Yurick?

6 MR. YURICK: No questions. Thank you,
7 your Honor.

8 EXAMINER PARROT: Mr. Boehm?

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

10 EXAMINER PARROT: Mr. Settineri.

11 MR. SETTINERI: No questions, your Honor.

12 EXAMINER PARROT: And, finally,
13 Mr. Beeler.

14 MR. BEELER: No questions. Thank you.

15 EXAMINER PARROT: I believe, Mr. Conway,
16 you have already moved for the admission of Company
17 Exhibit No. 6.

18 Are there any objections to its
19 admission?

20 (No response.)

21 EXAMINER PARROT: Hearing none, Company
22 Exhibit 6 is admitted.

23 (EXHIBIT ADMITTED INTO EVIDENCE.)

24 EXAMINER PARROT: Thank you very much,
25 Mr. Bletzacker.

1 THE WITNESS: Thank you.

2 EXAMINER PARROT: Mr. Bzdok.

3 MR. BZDOK: Thank you, your Honor. At
4 this time I would move for the admission of Sierra
5 Club Exhibits 18, 19, 20, 21, and 22, and I would
6 make the clarification that as to 22 I am including
7 the color versions of those pages that I offered,
8 distributed, and that the witness examined during his
9 cross.

10 EXAMINER PARROT: Okay. Thank you.

11 Are there any objections to the admission
12 of Sierra Exhibits 18 through 22?

13 MR. CONWAY: No, your Honor.

14 EXAMINER PARROT: Hearing none, Sierra
15 Exhibits 18 through 22 are admitted.

16 (EXHIBITS ADMITTED INTO EVIDENCE.)

17 EXAMINER PARROT: Mr. Oliker.

18 MR. OLIKER: I would move for the
19 admission of IGS Exhibit 2, 3, and 4, and I'd like to
20 double-check to make sure I gave the court reporter
21 the color exhibits that I presented to the witness
22 which is in Exhibit 2 and 3.

23 EXAMINER PARROT: It doesn't matter.

24 MR. OLIKER: Okay.

25 EXAMINER PARROT: It gets docketed in

1 black and white.

2 MR. OLIKER: Does it? So unfortunate.

3 EXAMINER PARROT: Are there any
4 objections to the admission of IGS Exhibits 2 through
5 4?

6 MR. CONWAY: No, your Honor.

7 EXAMINER PARROT: Hearing none, IGS
8 Exhibits 2 through 4 are admitted.

9 (EXHIBITS ADMITTED INTO EVIDENCE.)

10 EXAMINER PARROT: Finally, Ms. Fleisher.

11 MS. FLEISHER: Your Honor, I'd move for
12 the admission of ELPC Exhibit 14.

13 EXAMINER PARROT: Any objections?

14 MR. CONWAY: No.

15 EXAMINER PARROT: All right. Very good.
16 ELPC Exhibit 14 is admitted into the record.

17 (EXHIBIT ADMITTED INTO EVIDENCE.)

18 EXAMINER PARROT: Thank you, everyone,
19 for hanging in with us this evening. We will see you
20 all on Monday, 9 a.m., and we will pick up with
21 Company Witness Bradish. Thank you.

22 (The hearing adjourned at 6:04 p.m.)

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CERTIFICATE

I do hereby certify that the foregoing is
a true and correct transcript of the proceedings
taken by me in this matter on Friday, October 2,
2015, and carefully compared with my original
stenographic notes.

Maria DiPaolo Jones, Registered
Diplomate Reporter and CRR and
Notary Public in and for the
State of Ohio.

My commission expires June 19, 2016.

Rosemary Foster Anderson,
Professional Reporter and Notary
Public in and for the State of
Ohio.

My commission expires April 5, 2019.

(79418-mdj/rfa)

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Case No(s). 14-1693-EL-RDR, 14-1694-EL-AAM

Summary: Transcript In the Matter of the application of Ohio Power Company hearing held on 10/02/15 - Volume V electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Anderson, Rosemary Foster Mrs.