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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 a.m. on Tuesday, October 6, 2015.

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VOLUME VII

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10 - NERA Economic Consulting, 1972 2062
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11 - NERA Economic Consulting, 1974 2062
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12 - OEG INT-1-001 1989 2062

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2 - NERA Economic Consulting, 2044 2063
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11 - Screenshot of web page 1789 2061
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12 - "Regional Impact Models" 1792 2061
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1 Tuesday Morning Session,
2 October 6, 2015.

3 - - -

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

6 Good morning, everyone. Let's begin with
7 brief appearances. Names only and on whose behalf
8 you are appearing.

9 Mr. Nourse.

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

14 MS. COHN: Good morning. On behalf of the
15 Ohio Energy Group, Michael Kurtz, Kurt Boehm, and
16 Jody Kyler Cohn.

17 MR. DARR: Frank Darr on behalf of
18 Industrial Energy Users of Ohio.

19 MR. OLIKER: Good morning, your Honors.
20 On behalf of IGS Energy, Joe Olikier.

21 MR. BEELER: Steve Beeler and Werner
22 Margard on behalf of the staff of the Public
23 Utilities Commission of Ohio.

24 MR. MICHAEL: Good morning, your Honors.
25 On behalf of AEP Ohio's residential utility

1 consumers, the Office of the Ohio Consumers' Counsel.
2 William J. Michael, Jodi Bair, Kevin Moore, and as
3 outside counsel from Bricker & Eckler, Dane Stinson.

4 MS. BOJKO: Good morning, your Honors. On
5 behalf of the Ohio Manufacturers Association Energy
6 Group, Kimberly W. Bojko, Danielle M. Ghiloni. Thank
7 you.

8 MS. HENRY: On behalf of the Sierra Club,
9 Kristin Henry, Shannon Fisk, and Tony Mendoza.

10 MR. DOUGHERTY: On behalf of the Ohio
11 Environmental Council and the Environmental Defense
12 Fund, Trent Dougherty.

13 MS. FLEISHER: Good morning, your Honors.
14 On behalf of the Environmental Law and Policy Center,
15 Madeline Fleisher and Justin Vickers.

16 MR. SETTINERI: Good morning, your Honors.
17 On behalf of PJM Power Providers Group, Electric
18 Power Supply Association, Retail Energy Supply
19 Association, Constellation NewEnergy Inc., and Exelon
20 Generation Company, M. Howard Petricoff, Michael
21 Settineri and Gretchen Petrucci.

22 MR. O'BRIEN: Your Honors, on behalf of
23 the Ohio Hospital Association, Rick Sites and Tom
24 O'Brien.

25 EXAMINER PARROT: Thank you, everyone.

1 The company may call its next witness.

2 MR. SATTERWHITE: Thank you, your Honor.

3 The company calls William Allen to the stand.

4 (Witness sworn.)

5 EXAMINER PARROT: Please have a seat.

6 - - -

7 WILLIAM A. ALLEN

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

9 examined and testified as follows:

10 DIRECT EXAMINATION

11 By Mr. Satterwhite:

12 Q. Mr. Allen, can you please state your name
13 and business address for the record.

14 A. Yes. It's William A. Allen, and my
15 business address is 1 Riverside Plaza, Columbus, Ohio
16 43215.

17 Q. And did you have testimony filed in this
18 case that was prepared under your direction?

19 A. Yes, I did.

20 Q. Was that filed on May 15, 2015?

21 A. Yes, it was.

22 MR. SATTERWHITE: Your Honor, I had
23 previously marked and provided to the court reporter
24 that testimony and labeled it AEP Exhibit No. 10.

25 EXAMINER PARROT: So marked.

1 (EXHIBIT MARKED FOR IDENTIFICATION.)

2 Q. Mr. Allen, do you have that testimony in
3 front of you today?

4 A. I do.

5 Q. Do you have any updates or changes or
6 corrections to that testimony?

7 A. Yes. Just a couple. Starting on page 13,
8 and these are in response to the changes made by
9 Company Witness Bradish yesterday.

10 MR. SATTERWHITE: Before you do that.
11 Your Honor, may I approach? I went ahead and
12 wrote -- I distributed to the parties last night, but
13 I wrote it down for the Bench, as well, so it was
14 easier to follow.

15 EXAMINER PARROT: Thank you.

16 Q. Sorry, Mr. Allen. Go ahead.

17 A. Beginning on line 1, where it states
18 "\$86 million" the value should be "\$75 million."
19 Then on line 3 where it says "\$2 per megawatt-hour."
20 The value should be "\$1.05 per megawatt-hour." Then
21 on line 4, the value "475 million" should be
22 "\$360 million." Then moving on to line 14, the value
23 of "\$1 billion" should be replaced with the value
24 "\$900 million."

25 And then finally, on line 15, an

1 extraneous comment was left in the final draft that
2 was filed and that line needs to be deleted in its
3 entirety. So line 15 which is bold needs to be
4 deleted in its entirety. Those are all the changes.

5 Q. So the changes on 1, 3, 4, and 14 is an
6 update from the testimony from yesterday from
7 Mr. Bradish; is that your testimony?

8 A. Yes, that's correct.

9 Q. Okay. And with those changes and the rest
10 of the testimony in here, all of this was prepared by
11 you or under your direction, correct?

12 A. Yes, it was.

13 Q. And do you adopt this testimony for your
14 testimony in this case before the Commission?

15 A. I do.

16 MR. SATTERWHITE: Your Honor, at this
17 point I will tender the witness for cross-examination
18 and move AEP Exhibit No. 10 into evidence.

19 EXAMINER PARROT: Thank you,
20 Mr. Satterwhite.

21 MS. BOJKO: Your Honor, at this point I
22 have a motion, if I may be heard. Prior to doing the
23 motion or -- in conjunction with doing the motion, I
24 would like to take the opportunity to do a voir dire
25 of this witness.

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1 EXAMINER PARROT: All right, Ms. Bojko.

2 MS. BOJKO: Thank you, your Honors.

3 - - -

4 VOIR DIRE EXAMINATION

5 By Ms. Bojko:

6 Q. Good morning, Mr. Allen.

7 A. Good morning.

8 Q. You have a Bachelor of Science degree in
9 nuclear engineering from the University of
10 Cincinnati; is that correct?

11 A. Yes, I do, that's correct.

12 Q. And you have a master of business
13 administration from The Ohio State University; is
14 that correct?

15 A. That's correct.

16 Q. And you began your career with AEP while
17 you were still in school as an engineer in the
18 nuclear fuel safety and analysis department; is that
19 correct?

20 A. Yes, that's correct.

21 Q. And you were then hired full time with AEP
22 in that same department; is that correct?

23 A. Yes, that's correct.

24 Q. And you were then transferred to the
25 nuclear generation group as a financial analyst; is

1 that correct?

2 A. As part of a corporate restructuring, the
3 department I moved -- was within, moved to Indiana
4 Power Company.

5 Q. And you were then transferred to
6 regulatory pricing and analysis as a regulatory
7 consultant with AEP Service Corp.; is that correct?

8 A. That's correct.

9 Q. And you were then transferred to the
10 corporate financial forecasting department as a
11 senior financial analyst.

12 A. That's correct.

13 Q. And here you were involved in long-term
14 forecasting for AEP; is that correct?

15 A. Yes, that's correct. Both short and
16 long-term forecasting.

17 Q. And this forecasted energy demand and
18 resource needs; is that correct?

19 A. One of the responsibilities would have
20 included the incorporation of long-term demand
21 forecasts, yes.

22 Q. Not resources forecasts?

23 A. We would have incorporated the results of
24 resource forecasts into those financial forecasts.

25 Q. And you were then promoted to director of

1 operating company forecasts; is that correct?

2 A. Yes, that's correct.

3 Q. And then you were transferred to the
4 regulatory services department as director of
5 regulatory case management, correct?

6 A. Yes, that's correct.

7 Q. And currently you are managing director of
8 regulatory case management, correct?

9 A. That's correct.

10 Q. And isn't it true that you have not taken
11 any specific classes on economic development?

12 A. I have taken classes both in my
13 undergraduate and graduate degrees that would have
14 included elements of economic development, but no
15 course that had the specific title "Economic
16 Development."

17 Q. Okay. Isn't it true you have not studied
18 specific economic impact methodologies?

19 A. As part of my formal education, I have
20 not.

21 Q. And isn't it true you have not created or
22 constructed any economic or fiscal impact models?

23 A. I have created economic impact models for
24 the economic impact of, you know, various strategies
25 that the company has put in place to look at the

1 financial forecasts for subsidiaries of AEP.

2 Q. You have not created or constructed any
3 economic development models; isn't that correct, sir?

4 A. Yes, that would be correct.

5 Q. And other than general classes on
6 economics when pursuing your engineering degree in
7 college or your MBA, you haven't specifically studied
8 economic development, methodologies and procedures
9 for economic development impact studies; isn't that
10 correct?

11 A. Economic development impact studies would
12 have been included as concepts within some of the
13 courses I would have taken in my MBA program, but
14 there would not have been a specific course on
15 economic development studies.

16 Q. So the answer to my question is "no."
17 Other than general classes --

18 MR. SATTERWHITE: Objection. I don't know
19 if that was a question or testimony by Counsel. If
20 it was a question, I would appreciate it if he would
21 answer it.

22 MS. BOJKO: I was rephrasing the question
23 that he didn't answer.

24 MR. SATTERWHITE: Your statement was, "So
25 the answer to my question is 'no.'" And you went

1 forward. That's not a question.

2 MS. BOJKO: And I was repeating the
3 question so he could reanswer it because he did not
4 answer it.

5 EXAMINER PARROT: Let's rephrase it,
6 please.

7 Q. Okay. The question that I was asking was
8 other than general classes on economics, when
9 pursuing your engineering degree in college or your
10 MBA, you haven't specifically studied economic
11 development, methodologies and procedures for
12 economic development impact studies; isn't that
13 correct?

14 A. As I indicated, they would have been
15 addressed in other courses that I took, but I did not
16 take a specific course titled "Economic Development
17 Studies" or one that had that as the entirety of its
18 focus.

19 Q. And you have not taken any beyond your
20 college degree or your MBA; isn't that correct?

21 A. That's correct.

22 Q. And you haven't taken any courses in labor
23 economics; isn't that correct?

24 A. That's correct.

25 Q. And you do not hold a bachelor's degree in

1 economics, correct?

2 A. That's correct.

3 Q. And you do not have a master's or a
4 doctorate degree in economics; is that correct?

5 A. That's correct.

6 Q. And you do not have a master's or
7 doctorate degree in city and regional planning; is
8 that correct?

9 A. That's correct.

10 Q. And you have never taught a course in
11 economic development or economic development models,
12 have you?

13 A. I have not.

14 Q. You did not create the economic
15 development reports and exhibits attached as WAA-3
16 and 4; is that correct?

17 A. Those analyses were created based upon my
18 specific request and direction and included inputs
19 that were gathered by my group.

20 Q. You did not create the economic
21 development reports and exhibits attached as WAA-3
22 and 4, did you?

23 A. I did not personally create them, but they
24 were created under my direction.

25 Q. Dr. Holliday is the person that created

1 the reports and exhibits attached to your testimony,
2 correct?

3 A. They were created by Dr. Holliday under my
4 direction, that's correct.

5 Q. And Dr. Holliday actually conducted the
6 analysis before, and then created the reports; is
7 that correct?

8 A. He created the reports, summarized the
9 data that had been provided to him by my group, and
10 put together the final report, that's correct.

11 Q. And Dr. Holliday chose the model to be
12 used, correct?

13 A. Yes, that's correct.

14 Q. And AEP did not run any other models and
15 compare the data from Dr. Holliday's model with
16 another model; is that correct?

17 A. That's correct.

18 Q. And you did not personally run the model
19 or conduct the studies attached to your testimony,
20 correct?

21 A. I did not run the studies, but I helped in
22 the collection of the data that was provided to
23 Dr. Holliday, and discussed the results of the
24 analysis with Dr. Holliday and the methodology that
25 he employed.

1 Q. You did not personally run the model or
2 conduct the studies; is that correct?

3 A. I did not personally push the button to
4 run the model, that's correct.

5 Q. And WAA-3 was not drafted for the purposes
6 of this proceeding, correct?

7 A. That's correct. That exhibit had been
8 previously presented and relied upon by the
9 Commission in the ESP III proceeding.

10 MS. BOJKO: Well, I move to strike, your
11 Honor.

12 MR. SATTERWHITE: I don't know why.

13 EXAMINER PARROT: On what basis,
14 Ms. Bojko?

15 MS. BOJKO: I asked him if it was drafted
16 for the purposes of this proceeding. He answered the
17 question "no." I move to strike everything after.
18 He cannot tell me or tell the Bench what the
19 Commission did or did not rely upon in their Opinion
20 and Order.

21 MR. SATTERWHITE: Your Honor --

22 MS. BOJKO: In fact, I think the Opinion
23 and Order does not say it relied on -- it denied the
24 inclusion of OVEC -- OVEC costs into the rider. So
25 in my interpretation, the Commission did not rely on

1 that economic development study attached to the
2 testimony.

3 MR. SATTERWHITE: If I may, your Honor?
4 She asked -- she asked if it was created for
5 something else. He indicated yes, and he has
6 knowledge to know exactly what it was.

7 And the Orders speak for themselves, but
8 on page 19 and 20 of that order under "Commission
9 Conclusion," the Commission cites figures exactly
10 from that study. So the witness just has more
11 knowledge than Counsel about how this was used, and I
12 think that's appropriate for the Commission's
13 purposes in this case.

14 MS. BOJKO: Well, I object to the
15 characterizations.

16 MR. SATTERWHITE: You said you didn't know
17 where it was.

18 EXAMINER PARROT: Your motion to strike is
19 denied.

20 Let's keep moving, Ms. Bojko.

21 Q. (By Ms. Bojko) Well, I will ask you the
22 question. Was WAA-3 drafted for the purpose of the
23 current proceeding?

24 A. With the clarification I provided
25 previously, it was not prepared specifically for this

1 case.

2 Q. Thank you.

3 And WAA-3 was drafted around October,
4 2013, correct?

5 A. Sounds reasonable.

6 Q. The underlying data about the OVEC plants
7 was obtained from OVEC and provided to Dr. Holliday,
8 correct?

9 A. It was obtained from OVEC by my department
10 and provided to Dr. Holliday, that's correct.

11 Q. Other data was retained from the Bureau of
12 Labor and Statistics, correct?

13 A. That's correct.

14 Q. Other data was taken from the U.S. Bureau
15 of Economic Analysis, correct?

16 A. I think so, yes.

17 Q. You didn't personally -- personally obtain
18 or verify the underlining data for WAA-3, correct?

19 A. Certain elements of the data I did
20 personally review such as the number of workers, that
21 was data that was collected by my group to provide to
22 Dr. Holliday. The data that you are asking about
23 from the Bureau of Economic Analysis and Bureau of
24 Labor Statistics, that was collected by Dr. Holliday,
25 and I did not independently review that data.

1 Q. WAA-4 was drafted prior to October of
2 2014, correct?

3 A. It was prepared prior to the company's
4 initial filing in this proceeding, that's correct.

5 Q. And you didn't personally verify the
6 underlining data for WAA-4, correct?

7 A. Certain elements of the data were
8 collected from the books and records of the company
9 by my group to provide to Dr. Holliday similar sets
10 of data that were collected for the OVEC units,
11 things like coal consumption, employment and the
12 like, were collected by my group and provided to
13 Dr. Holliday. Other data like data from the Bureau
14 of Economic Analysis was not collected by me.

15 Q. No. I asked you if you personally
16 verified the underlying data contained in WAA-4.

17 A. Other than gathering -- having data
18 collected by my group from the books and records of
19 the company which was verified, other data such as
20 data from the Bureau of Economic Analysis and Labor
21 Statistics, I did not personally verify those
22 elements of governmental data.

23 Q. And you did not personally verify the data
24 collected from the books of the company; isn't that
25 collect?

1 A. I requested that the data be collected by
2 individuals within my group, asked questions about
3 what the sources were, how they collected the data.
4 I did not go to the plants to count the employees to
5 make sure that the books and records of the companies
6 had the correct accounting data for those employees
7 if that's your question, but I did ensure the data
8 came from the company's books and records.

9 Q. And you have not used the base economic
10 theory model in this proceeding or any other
11 proceeding, correct?

12 A. I have presented this data, as I indicated
13 previously, in Case 13-2385 which used the base
14 economic theory. And I presented -- it's the same
15 analysis that's here that was prepared at my request
16 for Dr. Holliday. So I have presented data of this
17 fashion in previous proceedings.

18 The company has also presented this same
19 economic model for use in filings in other states.
20 Recently in Virginia related to our Clinch River
21 refueling to gas, so we presented that data there.
22 So it is the type of analysis we use in other
23 regulatory proceedings.

24 Q. And, Mr. Allen, maybe I wasn't clear, when
25 I say "you" in these series of questions, I am

1 referring to you personally, Mr. Allen, not the
2 company.

3 A. Okay. And the reason I answer that way is
4 I'm the director of case management. So when data is
5 presented for things like the Clinch River, it would
6 have been done through my group and I would have
7 been, you know, responsible for ensuring that data
8 got pulled together.

9 MR. DARR: Motion to strike. There was no
10 question pending.

11 MR. SATTERWHITE: I think there was, your
12 Honor.

13 MR. DARR: Read the record.

14 MR. SATTERWHITE: Actually, she was
15 stating -- actually, she was making a speech in which
16 she was stating why he was giving his interpretation.
17 So she was giving an interpretation of what she was
18 intending to say and he was saying why he was
19 answering the same.

20 MR. DARR: The cross-examiner is entitled
21 to explain the nature of her question. There was no
22 pending question in regard to that explanation.

23 EXAMINER PARROT: I am going to deny the
24 motion to strike the answer. There wasn't a question
25 pending, but I would like you to get around to a

1 question, Ms. Bojko. Did you have one in there?

2 MS. BOJKO: I was providing
3 informational -- defining a term used in my questions
4 so that the witness could respond appropriately. So
5 I will ask the question with that clarification
6 again.

7 Q. (By Ms. Bojko) Mr. Allen, you personally
8 have not used the base economic theory model in this
9 proceeding or in any other proceeding, correct?

10 A. And with the definition you gave me
11 previously, I have used this analysis in prior
12 proceedings which would be the 13-2385 proceeding.

13 MS. BOJKO: Okay. Your Honor, may I
14 approach?

15 EXAMINER PARROT: You may.

16 Q. Turn to page 285, please. Starting on
17 line 15. "Question." Are you there?

18 A. Yes.

19 Q. "Question: Give me one minute. I think
20 that's all I have."

21 "I guess just one final question,
22 Mr. Allen. You have no independent knowledge of the
23 base theory model that Dr. Holliday used for the
24 economic impact analysis; is that right?"

25 "I have not used the base economic theory

1 model that Dr. Holliday employed in this case on my
2 behalf or for me."

3 Could you also turn to page 287, please.
4 Question on line 7. "But you personally haven't
5 performed this for any other proceeding? You said
6 you didn't perform it for this proceeding. You
7 haven't performed the model for any other proceeding;
8 is that right?"

9 "Answer: That's right. The analysis was
10 performed at my request."

11 MR. SATTERWHITE: Objection of improper
12 impeachment. I think this is consistent with what
13 the witness stated already.

14 MS. BOJKO: Your Honor, I think it's very
15 inconsistent and the record can speak for itself.

16 EXAMINER PARROT: I am going to overrule
17 the objection.

18 Q. (By Ms. Bojko) Mr. Allen, you are not an
19 expert in the base economic theory model, correct?

20 A. I am not. But if I can clarify what was
21 in the transcript to provide the answer before that
22 the counsel ignored. It states we have utilized --

23 MS. BOJKO: Your Honor, there is no
24 question pending.

25 MR. SATTERWHITE: The witness is entitled

1 to finish his answer.

2 MS. BOJKO: He is going back to a
3 different question and finishing an answer.

4 MR. SATTERWHITE: Counsel is
5 misrepresenting what is in the deposition. The
6 witness is trying to make sure the Bench is aware of
7 that.

8 MS. BOJKO: I read the words and that --

9 EXAMINER PARROT: All right, everybody.
10 Please answer the question that was posed
11 to you. Do you need us to reread it?

12 THE WITNESS: Yes, please.

13 (Record read.)

14 A. That's correct.

15 Q. You did not know what industries
16 Dr. Holliday included in the basic sector, do you?

17 A. I do not.

18 Q. You also do not know what industries
19 Dr. Holliday included in the non-basic sector, do
20 you?

21 A. No, but those industries were provided to
22 the parties in the -- in the workpapers that were
23 provided.

24 MS. BOJKO: Your Honor, I move to strike
25 everything after "No" starting with the word "but."

1 Not responsive to my question.

2 MR. SATTERWHITE: Your Honor, I believe
3 she was asking what was included and the witness is
4 saying what it was.

5 MR. MICHAEL: Objection, your Honor, that
6 is not what she asked. She asked if he knew what
7 industries are in the non-basic sector. He says no.
8 She asked him if he knew what industries were in the
9 non-basic sector. He said no. She didn't ask him
10 what the industries were; she asked if he knew what
11 they were.

12 MR. SATTERWHITE: I appreciate the
13 emotion, your Honor, but the witness is trying to
14 make sure the Bench is understanding and through this
15 voir dire what was included in this. Trying to
16 marginalize it and say this was included one place
17 when it was in the workpapers is inappropriate and is
18 a misrepresentation of what was provided in this
19 case. I thought we were trying to get to what's
20 accurate.

21 MS. BOJKO: No. We're not --

22 MR. OLIKER: The voir dire goes to
23 personal knowledge, not --

24 MS. BOJKO: Right. It's voir dire. It's
25 not cross-examination. It's voir dire. Completely

1 different, Counsel.

2 EXAMINER PARROT: Motion to strike is
3 denied.

4 Q. (By Ms. Bojko) Okay. Let's turn to page
5 202 of your deposition, please, sir.

6 MR. SATTERWHITE: At this point, your
7 Honor, I will ask you to make sure Counsel is using
8 the deposition properly. I don't believe there was a
9 previous question that she was trying to use the
10 deposition to impeach with.

11 MS. BOJKO: I can use the deposition to
12 impeach the witness; that's the very point of the
13 deposition.

14 MR. SATTERWHITE: Right, your Honor. But
15 there was no question pending before that she would
16 then be moving to the deposition.

17 EXAMINER PARROT: All right. Let's see
18 what she is referring back to, I guess, before we get
19 there.

20 MR. SATTERWHITE: Thank you.

21 Q. (By Ms. Bojko) Line 20, "Question: Do you
22 know how Dr. Holliday decided which industries" --
23 "Do you know how Dr. Holliday decided which
24 industries to include in the basic sector?"

25 "No."

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1 You do not know if Dr. Holliday
2 categorized the industries by SIC code for purposes
3 of the model, do you?

4 A. That's correct.

5 Q. And you do not know if Dr. Holliday
6 categorized the industries by NAICS code for purposes
7 of the model, do you?

8 A. That's correct.

9 Q. And what level -- you don't know what
10 level of NAICS code was the calculation performed at,
11 do you?

12 A. I do not.

13 Q. And you don't know what percentage of a
14 given industry was assumed to be in the basic sector,
15 correct?

16 A. I do not.

17 Q. And you don't know what percentage of a
18 given industry was assumed to be in the non-basic
19 sector, correct?

20 A. That's correct.

21 Q. And you don't know which location
22 quotients were utilized; isn't that correct?

23 A. That's correct.

24 Q. And you have no independent knowledge of
25 the specific elements included in the base economic

1 theory model used by Dr. Holliday for his economic
2 impact analysis, correct?

3 THE WITNESS: Can you reread that
4 question, please?

5 (Record read.)

6 A. That's correct.

7 Q. Exhibit attached -- Exhibit 7 attached to
8 WAA-3 and Exhibit 30 attached to WAA-4 set forth the
9 formula or components of the model, correct?

10 A. That's correct, and that was what I was
11 describing previously.

12 Q. And Exhibits 7 and 30 were created by
13 Dr. Holliday, correct?

14 A. They were.

15 Q. And isn't it true that you did not review
16 the Krumme Report cited in the studies regarding
17 multiplier divisions and regional economic base
18 theory prior to drafting and filing your testimony
19 and filing these studies?

20 A. That's correct.

21 Q. And isn't it true that you did not review
22 the Schaffer reports cited in the studies regarding
23 regional economic base theory and location quotients
24 prior to drafting and filing your testimony and
25 filing the studies?

1 A. That's correct.

2 Q. Do you know whether economic base models
3 focus on the demand side of the economy?

4 A. I do not think they do.

5 Q. Isn't it true economic base models ignore
6 the supply side or the productive nature of
7 investment and thus are short run in approach?

8 A. I don't know.

9 Q. Have you ever used the IMPLAN model?

10 A. I have not.

11 Q. Do you know what the inputs of the IMPLAN
12 model are?

13 A. I do not.

14 Q. Is the IMPLAN model an input-output model?

15 A. I don't know.

16 Q. Is the IMPLAN model a fixed-coefficient
17 model?

18 A. I don't know.

19 Q. Prior to drafting your testimony did you
20 read "A Case for Coordinating Economic Development
21 Planning With Energy Planning" by Lord and Ruble, in
22 "South Carolina Journal of International Law and
23 Business"?

24 A. I did not read that specific document.

25 Q. Prior to drafting your testimony, did you

1 read "Factoring Energy into a Location Decision" by
2 Buelow and Trkulja, in "Area Development Magazine"?

3 A. I did not read that specific article.

4 Q. Have you published any books, treatises,
5 dissertations on economic development theory?

6 A. I have not.

7 Q. Have you published any books, treatises,
8 dissertations on economic development studies and the
9 underlying methodologies and procedures employed in
10 those studies?

11 A. I have not.

12 Q. Have you compared and contrasted different
13 methodologies and procedures employed by various
14 economic development models?

15 A. I have not.

16 MS. BOJKO: Your Honors, at this time I
17 move to strike WAA-3, WAA-4, and the associated
18 testimony beginning on page 11, line 3, through
19 page 12, line 14.

20 Under the Ohio Rules of Evidence 702
21 through 705, in order for a witness to provide expert
22 testimony in a subject matter, the expert witness
23 must first qualify as an expert in the subject matter
24 area in which he intends to offer an expert opinion.
25 Thus, the witness must be competent in the subject

1 matter, meaning that the witness has to be qualified
2 through knowledge, skill, practical experience,
3 training, education, or a combination of these
4 factors.

5 Minimally, the expert witness must know
6 underlying methodology and procedures employed and
7 relied upon as a basis for the opinion. The
8 background knowledge must include state-of-the-art
9 technology, literature review, and experience
10 culminating in an opinion based upon a reasonable
11 degree of certainty.

12 As was demonstrated through the voir dire,
13 your Honor, while Mr. Allen is an expert in many
14 areas, he does not qualify as an expert in economic
15 development, economic planning, regional or state
16 economic development. Mr. Allen does not have formal
17 education or training in economic development,
18 economic theory, or economic planning. He has not
19 studied economic development. He has not taught
20 classes on or authored reports or literature on
21 economic development. He has not analyzed different
22 methodologies or procedures employed by different
23 economic development models to offer an opinion on
24 the studies attached to his testimony.

25 Further, he has not authored the economic

1 reports attached to his testimony as WAA-3 and WAA-4.
2 None of the positions that he has held have been in
3 economic development and, therefore, he lacks skill
4 or practical experience in the specialized field of
5 economic development studies.

6 Additionally, the reports, both WAA-3 and
7 4, are hearsay and should be stricken as hearsay.
8 Mr. Allen did not draft the reports and only has
9 knowledge of certain aspects of the reports from
10 conversations from another person which is hearsay.
11 He has had conversations with another person, a
12 non-witness in this case. He does not have
13 independent knowledge of the model used or many of
14 the assumptions. We have no availability to
15 ascertain the truth of the statements asserted
16 therein. We cannot cross-examine Mr. Holliday on
17 those assumptions.

18 Furthermore, Exhibit 7 attached to WAA-3,
19 and Exhibit 30 attached to WAA-4 contain hearsay
20 within hearsay; prohibited under Rule 802. The
21 reference to work done by Mr. Krumme and Mr. Schaffer
22 is inappropriate and should be stricken as they are
23 not present to be cross-examined and the assumptions
24 that they used that Dr. Holliday relied upon cannot
25 be explored on cross-examination. We also have no

1 ability to ascertain the truth of the statements or
2 even that they exist.

3 One of the links in the Exhibit 7 and
4 Exhibit 30 for the Krumme reference is a nonworkable
5 link. We cannot cross-examine Dr. Holliday,
6 Mr. Allen, Mr. Krumme, or Mr. Schaffer on any of the
7 assumptions contained in the economic base theory
8 model.

9 Consistent with Commission precedent in
10 Case No. 14-1297-EL-SSO, the hearsay and the hearsay
11 within hearsay should be stricken as a matter of law.

12 Thank you.

13 MR. DARR: IEU would join in the
14 objection.

15 MR. MICHAEL: OCC joins.

16 MS. HENRY: The Sierra Club joins in the
17 objection as well, your Honor.

18 MR. OLIKER: As would IGS.

19 MR. SETTINERI: RESA, PPP, Constellation,
20 Exelon, and EPSA also join in the motion to strike.

21 MS. FLEISHER: ELPC joins as well.

22 MR. DOUGHERTY: OEC and EDF join as well.

23 MR. SATTERWHITE: AEP Ohio does not join,
24 your Honor.

25 (Laughter.)

1 EXAMINER PARROT: Response,
2 Mr. Satterwhite?

3 MR. MICHAEL: Are you withdrawing the
4 testimony, is that why?

5 MR. SATTERWHITE: Absolutely not. This is
6 absolutely valid testimony. To the extent anything
7 has been raised, I think it only goes to the weight
8 of what's been attached.

9 First of all, the attachments were
10 prepared, as Mr. Allen did state -- I guess before I
11 get to that, your Honor, am I able to point out the
12 point that was misrepresented by Counsel in the
13 deposition through a redirect? I will only do one
14 thing if that helps the Bench or I could just move
15 on?

16 EXAMINER PARROT: Go ahead,
17 Mr. Satterwhite.

18 MR. SATTERWHITE: When I objected, they
19 said I would have the opportunity.

20 - - -

21 VOIR DIRE EXAMINATION

22 By Mr. Satterwhite:

23 Q. Mr. Allen, could you please turn to the
24 deposition on page 286.

25 A. I'm there.

1 Q. Do you remember the questions about
2 whether you had used the base economic theory model
3 before?

4 A. I do.

5 Q. Do you indicate on just before it was read
6 by Counsel into the record from that, was there
7 something you stated before that that was consistent
8 with your answer that you provided?

9 A. Yes. The question and answer starting on
10 page 286, line 19, the question states "Strike that.
11 Outside of the ESP -- strike that. Outside of the
12 ESP III proceeding or the subsequent proceeding
13 pending today, that you haven't done anything -- or
14 you haven't utilized the model or analyzed any other
15 plants with respect to that model; is that right?"

16 And my answer was "We have utilized this
17 model in prior regulatory proceedings. The one that
18 comes to mind is the analysis of the coal-to-gas
19 conversion of" it states -- I think it's a correction
20 in the deposition that I put in my errata -- that
21 it's conversion "of the Clinch River facility in
22 Virginia, so this model was used in that proceeding,
23 and the analysis was performed by Mr. Holliday -- or
24 Dr. Holliday."

25 Q. Thank you.

1 MS. BOJKO: Your Honor, that's improper
2 impeachment. We were talking about him, not AEP
3 using the theory. On voir dire it's about the
4 person's qualifications, it's about the person's
5 ability to testify as an expert witness in economic
6 development and economic theory; none of which are
7 applicable in this case. That is an improper
8 redirect question on voir dire.

9 MR. SATTERWHITE: Your Honor, the witness
10 has already answered, first of all. And, second, I
11 think it goes to exactly that Counsel has not
12 included the full picture from the deposition
13 consistent with what the witness had discussed
14 earlier.

15 EXAMINER PARROT: All right. Can we
16 proceed with the rest of your response,
17 Mr. Satterwhite, please.

18 MR. SATTERWHITE: Absolutely.

19 As the witness stated, these documents,
20 WAA-3 and WAA-4, were prepared at his request as the
21 director of regulatory services. He oversaw the
22 gathering of the input data, discussed the parameters
23 of the report with an expert, especially a tool he
24 has at his disposal within AEP for how he is going to
25 present things to this Commission.

1 The testimony at page 11, lines 8 and 15
2 through 16, state the analysis was performed by the
3 company. He did provide notice in his testimony that
4 this was performed by the company. And it's the
5 normal course in PUCO proceedings to have a witness
6 offer the work of the company that sponsors that.

7 What's being set up here now, if we rule
8 against this, is get ready to have, I guess, 100
9 witnesses, because if anybody gathers any single
10 piece of information, we are going to have that
11 unreasonable burden of bringing that every single
12 person in. That's just not been the practice of the
13 PUCO proceedings.

14 Here is an officer, high-ranking official
15 in the company, coming in, sponsoring work that he
16 had done at his direction. He is the type of
17 executive that normally would come in and sponsor
18 these type of things.

19 Third, the methodology used, I believe
20 Miss Bojko pointed it out on Exhibit 7 and
21 Exhibit 30, I don't know if your Honors have the
22 exhibit up there, but if you turn to that that's
23 actually inclusive within the document to show other
24 parties that are reviewing this, that they can see
25 exactly what was used, what was used in the

1 equations, the quotients that were used, the
2 multipliers, so it's added in there. It's like a
3 workpaper of Mr. Holliday, so that the report holds
4 together, so that an expert that might come up or
5 someone that might be sponsoring this on behalf of
6 the company, someone could still review the document
7 and see what was used in there.

8 The attachments also were prefiled in
9 October of 2014 of this initial case. That means
10 there was almost 11 months of opportunity for
11 discovery by all the parties and there was ample
12 discovery provided, ample questions asked,
13 Dr. Holliday was identified. There's been plenty of
14 opportunity for all these parties to understand what
15 is in this so far.

16 Also, as the witness indicated, WAA-3 was
17 already relied upon. And as I stated earlier,
18 pages 19 and 20 of ESP III order under the title of
19 Commission decisions, the Commission talks about
20 these dollars, what was relied upon in the previous
21 case. WAA-4, Mr. Allen instructed Mr. Holliday to
22 use the same parameters so there would be consistency
23 with what the Commission has already seen.

24 So to the concern that it's not
25 appropriate for the Commission to rely upon this, the

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1 Commission has already relied upon this model in the
2 past. It has been before it without concern; relied
3 upon it in its order. And the fact that WAA 4 was
4 done in the same manner was just to be consistent
5 with what was before. The fact that WAA-3 was
6 prepared for the ESP III, it's obvious why, the OVEC
7 part of this was asked for in that case and it's
8 consistent.

9 The parties had actually more than 11
10 months of discovery, they could have asked, and did
11 ask questions about the model back in the ESP III
12 proceeding as well.

13 So this clearly isn't hearsay, your Honor.
14 It's a company document, a document prepared by the
15 department that normally does this type of things by
16 the request of Mr. Allen, and Mr. Allen was involved
17 all along to make sure this was done properly, and he
18 is here today to answer questions. To the extent he
19 can't answer to the "nth" detail of what's in the
20 base economic model, you know, that just goes to the
21 weight of it, but it shouldn't be stricken.

22 Otherwise, we are changing the complete outset of how
23 we are going to do the hearings before the PUCO.

24 MR. DARR: May I address this, your Honor?

25 EXAMINER PARROT: Mr. Satterwhite, I

1 agree, and I am going to deny the motion to strike.
2 I believe Mr. Allen has demonstrated, both through
3 his prefiled testimony as well as responses to
4 Ms. Bojko's questions on voir dire, that he has the
5 necessary educational qualifications.

6 He did testify that he has, through some
7 of his course work, familiarity with economic
8 development issues. He also testified, I believe,
9 that the analysis was performed, excuse me, the
10 analysis that's attached to his testimony as Exhibits
11 WAA-3 and 4, that that was prepared under his
12 direction. With that, the motion to strike is
13 denied.

14 MR. SATTERWHITE: Thank you.

15 EXAMINER PARROT: Sierra Club?

16 Ms. Bojko?

17 MS. BOJKO: I am going to continue. Your
18 Honor, we would just like to be prepared to explain
19 that we do not believe this witness qualifies on the
20 record as an economic development or economic
21 theorist with regard to the models that were
22 presented in his testimony. He does not meet the
23 three-part test of Ohio law to be qualified as an
24 economist. I agree with you on other subject areas,
25 but he does not meet the three-part test of Evidence

1 Rule 702 to be qualified as an expert witness.

2 So for the remaining of my
3 cross-examination questions, I request that he be
4 treated as a lay witness with regard to economic
5 development. He is not an expert in the field. He
6 has admitted that he is not an expert in the field.

7 And I also request that in order to save
8 time for this court, that all of my voir dire
9 questions be placed into the cross-examination
10 section of the transcript in order for me -- or, be
11 accepted by the Bench as cross-examination in order
12 to not have to reask all those questions that were
13 asked on voir dire.

14 MR. SATTERWHITE: If I may, your Honor?

15 EXAMINER PARROT: You may.

16 MR. SATTERWHITE: I think she is just
17 arguing with the Bench now as far as the questions
18 coming in. I tried to object multiple times because
19 I think many were inappropriate. I didn't get the
20 opportunity to because I was told it was voir dire.

21 EXAMINER PARROT: I appreciate your offer
22 to move things along, Ms. Bojko, but I think we are
23 going to need to proceed through your -- I maybe
24 didn't state that explicitly in my ruling, but I
25 think it goes without saying, through your

1 cross-examination today as well as briefing in this
2 matter you will be able to raise these issues, and I
3 think that's the proper context in which you need to
4 do that. So I think we will need to go through those
5 questions again to make sure the company has the
6 opportunity to object to the extent they may not have
7 done that already in the voir dire process.

8 MS. BOJKO: Thank you, your Honor.

9 - - -

10 CROSS-EXAMINATION

11 By Ms. Bojko:

12 Q. Mr. Allen, again, the first series of my
13 questions are talking about you personally, your
14 personal experience and knowledge, and I am not
15 referencing AEP when I use the word "you" in the
16 first section. I will inform you when I switch over
17 to speaking of AEP the company or your department.

18 MR. SATTERWHITE: Your Honor, I'll object
19 to that instruction because I believe the witness is
20 here representing AEP Ohio, and based on what we
21 already talked about today, his views are on -- not
22 just himself but AEP Ohio, so they are one and the
23 same when he testifies.

24 MS. BOJKO: I can phrase every question,
25 your Honor, to be "you" personally, but that's going

1 to be quite cumbersome.

2 MR. SATTERWHITE: Again, I think, your
3 Honor, we're redefining how proceedings go before the
4 PUCO. Companies bring up their executives to speak
5 to the operations of the company as a whole.

6 MS. BOJKO: Your Honor, it's my
7 cross-examination. I can define the questions as I
8 choose.

9 MR. SATTERWHITE: If I may, your Honor, it
10 doesn't make it proper, you know, because she wants
11 to add something on there. It ignores the purpose of
12 PUCO proceedings, I believe.

13 EXAMINER PARROT: Let's take it one by
14 one, Ms. Bojko.

15 MS. BOJKO: All right. I don't think AEP
16 can answer the first one.

17 Q. (By Ms. Bojko) You have a Bachelor of
18 Science degree in nuclear engineering from the
19 University of Cincinnati; is that correct, sir?

20 A. That's correct.

21 Q. And, Mr. Allen, you have a master of
22 business administration from The Ohio State
23 University, correct?

24 A. That's correct.

25 Q. And you began your career, sir, with AEP

1 while you were still in school as an engineer in the
2 nuclear fuel safety analysis department, correct?

3 A. As it states on line 16 and 17 of my
4 testimony, that's correct.

5 Q. Okay. And, Mr. Allen, you then were hired
6 full time in that same department with AEP; is that
7 correct?

8 A. As it states on line 18, correct.

9 Q. You were then transferred to the nuclear
10 generation group as a financial analyst, correct?

11 MR. SATTERWHITE: At this point, I will
12 object, your Honor, as the witness has pointed out
13 this is all on page 1 and 2 of his testimony. If
14 Ms. Bojko wants to save time, that's already included
15 and she is asking what is already there.

16 MS. BOJKO: Your Honor, the whole point
17 off cross-examination is to -- is to ask the
18 questions that we want to ask in the record and to
19 make points in the record we choose. It's not an
20 opportunity for Mr. Satterwhite to testify or for AEP
21 to put in what testimony they feel necessary. That's
22 what redirect is for or cross-examination of other
23 witnesses is for.

24 MR. SATTERWHITE: If I may, your Honor, my
25 point is it's already here.

1 MS. BOJKO: Foundation. It's not all
2 here.

3 MR. SATTERWHITE: You have it.

4 EXAMINER PARROT: All right. I am going
5 to go ahead and allow you to proceed, Ms. Bojko.

6 MS. BOJKO: Thank you.

7 Q. (By Ms. Bojko) You were then transferred
8 to regulatory pricing and analysis as a regulatory
9 consultant; is that correct?

10 A. That's correct.

11 Q. And then you were transferred to the
12 corporate financial forecasting department as a
13 senior financial analysis, correct?

14 A. Financial "analyst," that's correct.

15 Q. Or "analyst," excuse me. And in that role
16 you were involved in long-term forecasts for AEP; is
17 that correct?

18 A. I was responsible for long-term and
19 short-term forecasting.

20 Q. And the forecasts you are speaking of is
21 regarding energy, demand and response needs, correct?

22 A. That would be one element of that. It
23 included all of the financial forecasts of the
24 company.

25 Q. And you were then promoted to director of

1 operating company forecasts, correct?

2 A. That's correct.

3 Q. Then you were transferred to regulatory
4 services department as director of regulatory case
5 management, correct?

6 A. Yes, that's correct.

7 Q. And currently you are managing director of
8 case management, correct?

9 A. That's correct.

10 Q. And isn't it true, sir, you have not taken
11 any specific classes on economic development?

12 A. I have taken classes that included
13 economic development elements but I have not taken
14 any specific courses with the title "Economic
15 Development" or with the sole purpose being economic
16 development.

17 Q. And isn't it true you have not studied
18 specific economic impact methodologies?

19 A. That's correct.

20 Q. And isn't it true you have not created --
21 you have not personally created or constructed any
22 economic or fiscal impact models?

23 A. I have created economic and fiscal impact
24 models for the earnings of the AEP subsidiary
25 companies.

1 Q. And other than general classes on
2 economics, when pursuing your engineering degree in
3 college or your MBA, you personally haven't
4 specifically studied economic development
5 methodologies and procedures for economic impact
6 studies; is that correct?

7 A. Other than as they were included in other
8 courses I took. I have not taken additional courses
9 beyond those -- in those degrees.

10 MS. BOJKO: I'm sorry, could I have the
11 answer reread?

12 Mr. Allen, your voice is kind of trailing
13 off at the end.

14 (Record read.)

15 Q. And, Mr. Allen, you personally haven't
16 taken any courses in labor economics, correct?

17 A. Not that I recall.

18 Q. And not -- you do not hold a bachelor's
19 degree in economics, correct?

20 A. That's correct.

21 Q. You do not have a master's or doctorate
22 degree in economics, correct?

23 A. That's correct.

24 Q. And you do not have a master's or
25 doctorate degree in city and regional planning,

1 correct?

2 A. That's correct.

3 Q. And you have never taught a course in
4 economic development or economic development models,
5 correct?

6 A. That's correct.

7 Q. And you did not create the economic
8 development reports and exhibits attached as WAA-3
9 and 4, you personally did not create those; is that
10 correct?

11 A. I reviewed the reports, had -- I gave
12 direction to Dr. Holliday who prepared the reports on
13 my behalf.

14 Q. So you did not personally draft them; is
15 that correct?

16 A. I was not the one sitting at the
17 typewriter, typing it in, but I did review the
18 reports and spoke with Dr. Holliday regarding those
19 reports.

20 Q. But you did not run the model; is that
21 correct?

22 A. I did not push the button that ran the
23 model, that's correct.

24 Q. And you stated Mr. Holliday is the person
25 responsible for running the model and drafting the

1 report, is that correct, Dr. Holliday?

2 A. Dr. Holliday was the individual that
3 drafted the report at my request. He ran the models
4 at my request.

5 Q. And Dr. Holliday actually conducted the
6 analysis underlying the reports; is that correct?

7 A. A portion of the analysis, some of the
8 analysis includes just collecting the actual
9 employment levels at the plants and the direct
10 economic impact, those analyses were prepared by
11 individuals within my group. They were collected and
12 Dr. Holliday then included those to apply the -- his
13 model to look at the extra effects that those have as
14 they go into the larger region beyond just the direct
15 jobs, so the economic multipliers would have been the
16 element that he conducted.

17 Q. And Dr. Holliday --

18 MR. SATTERWHITE: Objection, your Honor.
19 I don't know if the witness was done with his answer.

20 MS. BOJKO: I'm sorry. He is trailing
21 off. I didn't hear him.

22 MR. SATTERWHITE: Just wait for a pause
23 and watch his lips then.

24 MR. DARR: Objection, your Honor.

25 MS. BOJKO: Come on.

1 EXAMINER PARROT: All right, everybody.

2 Mr. Allen, were you finished?

3 THE WITNESS: Yes, I had just completed.

4 Q. (By Ms. Bojko) I did not mean to cut you
5 off, sir. And I am sorry, I am reading my paper not
6 looking at your lips moving.

7 Did Dr. Holliday choose the model to be
8 used?

9 A. Dr. Holliday did choose the model that he
10 employed.

11 Q. AEP did not run any other models and
12 compare the data; isn't that correct?

13 A. That's correct.

14 Q. And you did not personally run the model
15 or conduct the studies; is that correct?

16 A. I did not run the models or conduct the
17 studies, but, as I indicated, I did have input into
18 the studies, things like when we looked at OVEC and
19 looked at whether or not we would include the Indiana
20 plant in the analysis based on whether or not he had
21 any flowover effects into Ohio, I did have input into
22 some of that decision-making.

23 MS. BOJKO: Your Honor, I asked if he ran
24 the models. I move to strike everything after no, "I
25 did not run the models."

1 MR. SATTERWHITE: He is providing what he
2 did do.

3 EXAMINER PARROT: I believe it completes
4 his answer.

5 Q. WAA-3 was not drafted for the purposes of
6 Case No. 14- 14 -- 14-1693, correct?

7 A. It was drafted for Case 13-2385 and relied
8 upon by the Commission, and then we utilized this
9 same report in this filing, so it was not directly
10 created for this case.

11 MS. BOJKO: Okay. And, your Honor, I move
12 to strike. He could not tell what the Commission did
13 or did not rely upon. That is speculation.

14 MR. SATTERWHITE: Your Honor, I think --

15 MS. BOJKO: You cannot testify.

16 MR. SATTERWHITE: I'm sorry. The Order
17 speaks for itself, and what the witness is referring
18 to, as I confirmed earlier, is something from the
19 Commission decision under the Commission decision.
20 So he is referring -- he has knowledge of what's in
21 the Order, as I stated earlier, perhaps beyond what
22 Counsel has, because those impacts of that study
23 WAA-3 that was done for the ESP are cited in the
24 Commission decision.

25 MS. BOJKO: I object to Counsel's

1 statements about what Counsel does or does not know.
2 That was not my question. He cannot -- he can state
3 what he believes the order says but he cannot tell
4 the Commission what the Commission said or intended
5 to say or implied upon -- relied upon.

6 MR. SATTERWHITE: If I may, your Honor.
7 We are happy to let the Commission order speak for
8 itself and I believe the witness is just citing to a
9 section where the Commission was speaking for itself.

10 EXAMINER PARROT: Motion to strike is
11 denied.

12 Q. (By Ms. Bojko) WAA-3 was drafted around
13 October, 2013, correct?

14 A. That's correct.

15 Q. The underlying data about the OVEC plants
16 was obtained from OVEC and then provided to
17 Dr. Holliday; is that correct?

18 A. It was obtained by my department and
19 provided to Dr. Holliday, that's correct.

20 Q. It was obtained from OVEC, correct?

21 A. Yes, that's correct.

22 Q. Other data was obtained from the Bureau of
23 Labor Statistics, correct?

24 A. Yes, that's correct, as indicated in the
25 exhibits.

1 Q. Other data was obtained from the U.S.
2 Bureau of Economic Analysis, correct?

3 A. That's correct.

4 Q. You didn't personally obtain or verify the
5 data from the Bureau of Labor Statistics, correct?

6 A. I did not personally verify that
7 governmental data, that's correct.

8 Q. And you also did not personally verify the
9 data that came from OVEC and OVEC's books, correct?

10 A. It was collected by my department from
11 OVEC. I did no additional verification other than to
12 ensure that we obtained the information from reliable
13 sources within OVEC, that's correct.

14 Q. That's correct that you didn't personally
15 verify it; is that what you are saying "that's
16 correct" to?

17 A. With the clarification I provided, yes.

18 Q. And WAA-4 was drafted prior to October of
19 2014, correct?

20 A. It was prepared prior to our initial
21 filing in this case, that's correct.

22 Q. And you didn't personally verify the data
23 that was extracted from the books for the generating
24 units owned by AEP Generation, did you?

25 A. The data for AEP Generation Resources are

1 the books and records of the company and that's where
2 the data came from.

3 Q. Right. You personally did not verify AEP
4 Generation Resources' books to obtain the data; is
5 that correct?

6 A. I did not verify the accuracy of the books
7 and records of the company.

8 Q. You said "of the company." Of AEP
9 Generation, the unregulated affiliate, correct?

10 A. As an employee of the service corporation,
11 I view the books and records of AEP as one entity.
12 We have the same level of review and audit that's
13 done of all the various books and records of the
14 company. They are held in silos for who can look at
15 the data but the same controls are in place for all
16 those books and records.

17 Q. And I am asking if you went to AEP's
18 Generation's book and verified the data that was used
19 in WAA-4.

20 A. They were collected by individuals within
21 my group to provide to Dr. Holliday for use in this
22 report.

23 Q. So the answer is no, you personally did
24 not verify the data; is that correct?

25 A. I did not go out and count the employees

1 at the plants to make sure that the number of
2 employees at the plants matched the number of
3 employees listed in the books and records of the
4 company, that's correct.

5 Q. And you did not review the books; isn't
6 that correct?

7 MR. SATTERWHITE: Objection, your Honor.
8 I think it's asked and answered. He's discussed what
9 he relied upon with his staff gathering data from the
10 books.

11 MS. BOJKO: Your Honor, I asked if he
12 personally reviewed the actual books. He said he
13 didn't go count employees. He never answered the
14 question of whether he actually reviewed the books to
15 know if the numbers were transposed correctly.

16 MR. SATTERWHITE: Because he answered
17 question three times before of what he did do.

18 MR. DARR: And I would take it, your
19 Honor, we are relying on the prior voir dire
20 testimony based on counsel's statement?

21 MS. BOJKO: I know.

22 MR. SATTERWHITE: Not at all, your Honor.

23 EXAMINER PARROT: The objection is
24 overruled.

25 Let's try it one more time.

1 Q. (By Ms. Bojko) Do you need the question
2 reread? Have you looked personally -- did you
3 personally review the unregulated affiliate, AEP
4 Generation's books to obtain or verify the data?

5 A. I did not personally review the books.
6 They were collected on my behalf.

7 Q. Thank you.

8 And you are not an expert in the economic
9 theory model; is that correct?

10 A. I think you mean the economic base theory
11 model, the answer would be correct.

12 Q. Thank you.

13 And you do not know what industries
14 Dr. Holliday included in the basic sector, do you?

15 A. I do not.

16 Q. And you also do not know what industries
17 Dr. Holliday included in the non-basic sector, do
18 you?

19 A. Other than as indicated in Exhibit 30 to
20 WAA-4, I do not have specific knowledge of that,
21 correct.

22 Q. Assuming that those non-basic sectors are
23 provided in that WAA-4; is that correct? Is that
24 what you are saying?

25 A. That's correct.

1 Q. Okay.

2 A. Or in other discovery responses the
3 company prepared in response to requests from
4 parties.

5 Q. But my question is: You do not know what
6 industries Dr. Holliday actually included in this
7 study; is that correct?

8 A. That's correct.

9 Q. Okay. And you do not know if Dr. Holliday
10 categorized the industries by SIC, "SIC," codes for
11 purposes of the model; is that correct?

12 A. That's correct.

13 Q. And you do not know if Dr. Holliday
14 categorized industries by the NAICS code for purposes
15 of the model; is that correct?

16 A. That's correct.

17 Q. And you do not know the level of the NAICS
18 code that was -- excuse me. You do not know the
19 level of the NAIC code that was used to perform the
20 calculation, do you?

21 A. That's correct.

22 Q. And you don't know what percentage of a
23 given industry was assumed to be in the basic sector,
24 correct?

25 A. That's correct.

1 Q. And you don't know what percentage of a
2 given industry was assumed to be in the non-basic
3 sector, correct?

4 A. That's correct.

5 Q. And you don't know which location
6 quotients were utilized; is that correct?

7 A. That's correct.

8 Q. And you have no independent knowledge of
9 the specific elements included in the base economic
10 theory model used by Dr. Holliday for his economic
11 impact analysis, correct?

12 A. That's correct.

13 Q. And Exhibit 7 attached to WAA-3 and
14 Exhibit 30 attached to WAA-4 set forth the formula or
15 components of the model you just referenced; is that
16 correct?

17 A. That's correct.

18 Q. Okay. And Exhibit 7 and 30 were created
19 by Dr. Holliday; is that correct?

20 A. They were. His preparation of these
21 reports were at my request, yes.

22 Q. And isn't it true you did not review the
23 Krumme report cited in the studies regarding
24 multiplier derivations and regional economic base
25 theory prior to drafting and filing your testimony

1 and filing the studies?

2 A. That's correct.

3 Q. Okay.

4 MS. BOJKO: Your Honor, at this time I
5 would like to mark as OMAEG 11, a web page result
6 titled "Search the Learning Web and the WWW."

7 EXAMINER PARROT: So marked.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 Q. (By Ms. Bojko) Sir, do you have in front
10 of you what has been marked as OMAEG Exhibit 11?

11 A. I do.

12 Q. Okay. Let's turn to Exhibit 7 attached to
13 WAA-3. Exhibit WAA-3 attached to your testimony,
14 sir.

15 A. Exhibit WAA-3.

16 Q. Exhibit 7 is page 10 of 15.

17 A. I'm there.

18 Q. Are you there? And do you see in the
19 middle of the page it says http: backlash --
20 backslash -- //faculty.washington.edu/krumme/
21 systems/multiplier.html? Do you see that in the
22 middle of Exhibit 7?

23 A. I see that.

24 Q. Okay. Is Exhibit 7 identical to
25 Exhibit 30 attached to WAA-4?

1 A. They appear to be. I am not going to go
2 line by line. They appear to be.

3 Q. And you see the same reference to the
4 Krumme report for a description of multiplier
5 derivation contained in Exhibit 30 that's also in
6 Exhibit 7?

7 A. I see that.

8 Q. Okay. So if you look at the bottom of the
9 OMAEG Exhibit 11, do you see the same website address
10 [http://faculty.washington.edu/Krumme/systems/](http://faculty.washington.edu/Krumme/systems/multiplier.html)
11 [multiplier.html](http://faculty.washington.edu/Krumme/systems/multiplier.html)?

12 A. I see typing on the bottom of page that
13 says that.

14 Q. Okay. And when you go to this page in the
15 middle at the top, does it say "The page you tried to
16 access may have been deactivated due to the author's
17 inability to keep it appropriately updated"?

18 A. I see that, and I see that the date of
19 this printout is 10/4/2015, over a year after the
20 company's filing of this exhibit. It's a web link.
21 I have no expectation that over a period of a year
22 that web links may change. If there was a request by
23 the parties to get a copy of this, you could have
24 asked us for it. So the information was valid at the
25 time that we presented it. I am very diligent by

1 checking web links before I file data in cases to
2 make sure that they work. It did at the time.

3 MS. BOJKO: Your Honor, may I have my
4 question reread?

5 (Record read.)

6 MS. BOJKO: Your Honor, I move to strike
7 everything after "I see that." That was my question
8 and he said he saw it on the paper.

9 MR. SATTERWHITE: Your Honor, if she is
10 doing that she can move on because she's got the
11 exhibit potentially in the record. The question was
12 it may have been deactivated. He is explaining the
13 context of that of here is when I filed it, so that's
14 an explanation why that language might be there.

15 MS. BOJKO: Your Honor, Counsel is
16 interpreting my questions. I asked if the document
17 said that. I did not ask if it had been deactivated.

18 MR. SATTERWHITE: Your Honor, I am simply
19 talking about what the witness said and why it fits
20 with what the question was.

21 EXAMINER PARROT: Motion to strike is
22 denied.

23 Q. (By Ms. Bojko) Mr. Allen, is the basic
24 sector -- excuse me. Is the basic sector equal to
25 the export sector?

1 A. I don't know.

2 Q. Is the non-basic sector equal to the
3 service sector?

4 A. I don't know.

5 Q. Isn't it true, sir, you did not review the
6 Schaffer report cited in the studies regarding
7 regional economic base theory and location quotient
8 prior to drafting and filing your testimony and
9 filing the studies?

10 A. That's correct. It was relied on by
11 Dr. Holliday, clearly.

12 Q. And, sir, isn't it true that the Schaffer
13 report is from 2010?

14 A. It may be. I have no way to know.

15 MS. BOJKO: Your Honor, may we approach?

16 EXAMINER PARROT: You may.

17 MS. BOJKO: May I have marked as OMAEG 12,
18 this is Chapters 1, 2, and 3 referenced in the
19 Exhibit 7 and 30 provided by the company.

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

21 Q. Mr. Allen, do you have in front of you
22 what has been marked as OMAEG Exhibit 12?

23 A. I do, and I have not seen it before as I
24 indicated.

25 Q. Okay. And is it -- if you look at the

1 bottom you can see the URL link at the bottom, does
2 it match up with the same URL link that you provided
3 in Exhibit 7 and Exhibit 30, [http://www.rri.wvu.edu/
4 WebBook/Schaffer/index.html](http://www.rri.wvu.edu/WebBook/Schaffer/index.html)?

5 A. That's what it indicates on that page,
6 that's correct.

7 Q. And does it stay it is the "Regional
8 Impact Models" document by William A. Schaffer?

9 A. That's what it's entitled, that's correct.

10 Q. And does it say at the top it has a
11 copyright date of 1999?

12 A. That's the copyright indicated on this
13 page, that's correct.

14 Q. And if you look at the first paragraph
15 under "Regional Impact Models," the first written
16 paragraph that starts with "Dr. Schaffer," do you see
17 that?

18 A. I see that.

19 Q. In the second sentence, isn't it true that
20 he has directed major industry studies for the states
21 of Hawaii and Georgia and a province of Nova Scotia?

22 A. That's what it indicates.

23 Q. And isn't it true that the economic
24 basic -- excuse me. The economic base concepts
25 originated with the need to predict the effects of

1 new economic activity on cities and regions?

2 A. I don't know.

3 Q. Well, let's look at page 1, chapter 3.
4 It's not numbered consecutively, but it's page 1 of
5 chapter 3.

6 A. Okay.

7 Q. Are you there?

8 A. I see that.

9 Q. And the heading says "Economic-base
10 concepts." And it says "Economic-base concepts
11 originated with the need to predict the effects of
12 new economic activity on cities and regions"; is that
13 correct?

14 A. It does state that. And my expectation
15 would be that based on the knowledge I have from
16 various courses we talked about before is that the
17 impacts of existing facilities, if you remove them
18 from a community, have very comparable effects to
19 bringing new industry into those communities. What
20 this is stating is this is the origin of the
21 analysis. It doesn't say that its application is
22 limited to just new industries coming into a
23 community.

24 MS. BOJKO: Your Honor, I move to strike
25 everything after "It does state that."

1 MR. SATTERWHITE: Again, your Honor.
2 She's putting a document in front of him and trying
3 to create a perception, and the witness is saying why
4 this fits exactly with his testimony.

5 MS. BOJKO: Your Honor, I am not trying to
6 create any perception. I am trying to ask
7 cross-examination questions. And "yes" or "no"
8 questions have been typically required to be answered
9 "yes" and "no." We've experienced that in the
10 FirstEnergy 14-1297 case. We are asking for the same
11 treatment in this case.

12 MR. SATTERWHITE: Your Honor -- sorry.

13 EXAMINER PARROT: Go ahead.

14 MR. SATTERWHITE: The witness is allowed
15 to provide context to what the answer is. Whatever
16 connotation is being created by "yes" or "no," I
17 don't agree it always has to be a "yes" or "no"
18 answer. If it fits and is beneficial for the record,
19 which is the point of having this hearing and
20 developing that, it's appropriate for the witness to
21 say how it applies.

22 MS. BOJKO: Your Honor, that is not
23 Commission precedent, that has not been recent
24 rulings by the Commission. In fairness, we expect
25 the same treatment that's been afforded to us and

1 our witnesses which is requiring witnesses to answer
2 the questions posed to them and not requiring them to
3 expand. That is to be saved for any redirect that
4 counsel chooses to provide to the witness.

5 MR. SATTERWHITE: And we are not over in
6 the FirstEnergy hearing. It sounds like we are
7 citing something that's going on on over there.

8 MS. BOJKO: I am citing Commission record
9 and Commission rulings.

10 EXAMINER PARROT: I think if it's not
11 clear already, Ms. Bojko, my preference is to allow
12 the witness to explain their answer. I am going to
13 afford the same consideration to your witnesses when
14 they are testifying as well, and I fully will expect
15 that you all will be expecting me to do that and I am
16 going to do that. So I am not concerned about what's
17 going on in the room down the hall. The Bench you
18 have in this room is running things in this room. So
19 the motion to strike is denied.

20 MS. BOJKO: We appreciate that, your
21 Honor. We appreciate the fairness.

22 Q. (By Ms. Bojko) So if you read the next
23 sentence, doesn't it say a new plant -- say "a new
24 plant is located in our city." So this whole
25 analysis created was for an economic activity on

1 cities and regions, and I am talking about the
2 Schaffer report, Dr. Schaffer, that you cited to in
3 your exhibit. Isn't that correct? That's what this
4 report says. I am not talking about AEP. I am
5 talking what this report says the study is based
6 upon.

7 MR. SATTERWHITE: Objection, your Honor.
8 I think if you look at the note on Exhibit 7 which is
9 page 10 of 15 of WAA-3, this -- let me make sure I
10 have got the right citation here. Discusses -- it's
11 for discussion of location quotients. The question
12 is asking a broader question, and the small amount
13 that Dr. Holliday placed as an indicator of
14 background for location quotient.

15 MS. BOJKO: Actually, your Honor, he's
16 misrepresenting to the Bench. I am not looking at
17 the bottom citation. I am looking at the middle
18 citation which says "See [http://www.rri.wvu.edu/](http://www.rri.wvu.edu/WebBook/Schaffer/index.html)
19 [WebBook/Schaffer/index.html](http://www.rri.wvu.edu/WebBook/Schaffer/index.html) for a discussion regional
20 economic base theory." There's a typo. It says "for
21 a discussion" it should say "of." It --

22 MR. SATTERWHITE: I withdraw, your Honor.
23 I was looking at the wrong cite --

24 MS. BOJKO: -- says "for a discussion
25 regional economic base theory." My questions are

1 about economic --

2 EXAMINER PARROT: Ms. Bojko, he has
3 withdrawn his objection.

4 MS. BOJKO: I'm sorry. I didn't hear you.

5 Q. (By Ms. Bojko) There is a question
6 pending, sir.

7 THE WITNESS: Can you have the question
8 reread, please?

9 (Discussion off the record.)

10 MR. SATTERWHITE: While we are on a break,
11 can I talk to Ms. Bojko. I don't want to say it out
12 loud to everybody. I can say it out loud if you
13 want.

14 MS. BOJKO: No. Let's see what you --

15 (Discussion off the record.)

16 EXAMINER PARROT: Let's go back on the
17 record and reread the question, please.

18 (Record read.)

19 A. So to answer your question, the study
20 doesn't say it's based upon the statement "say a new
21 plant is located in our city." What it is providing
22 in the context of this answer -- or in this paragraph
23 is describing how the analysis is done. And so it's
24 saying if you have a new plant, you have to look at
25 all the indirect effects. It's not saying that the

1 analysis is limited in its application to new plants.
2 What it is saying when you look at the impact of a
3 plant, you have to go beyond just that plant to see
4 how it impacts the community.

5 Q. Right. And you said you didn't read this
6 report; isn't that correct?

7 A. I am reading it here and interpreting it
8 for you as we sit here.

9 Q. Have you read it before? So have you read
10 it from start to finish and you can understand what
11 the report says?

12 A. I have not read the report from start to
13 finish but I have --

14 Q. Thank you.

15 A. -- addressed things like this in other
16 courses I have taken, so I understand how to read and
17 interpret reports like this.

18 Q. Okay. And you -- and it does say that the
19 economic base concepts originated with the need to
20 predict the effects of new economic activity on
21 cities and regions; is that correct?

22 A. It states that's where they originated,
23 not where their application is limited, that's
24 correct.

25 Q. Right. And you do know that this report

1 was created during the Great Depression, do you not?

2 This theory, the economic base theory?

3 A. I don't know what year it was created.

4 Q. Isn't it true that this was created -- the
5 economic base theory was created in the 1930s?

6 A. The time period that a theory was
7 developed doesn't influence its accuracy, the fact
8 that it still exists today, even though it was
9 developed in the 1930s, tells me it has some support
10 and staying power.

11 Q. But you haven't spoken to any economic --
12 economic development experts to verify that they
13 actually use this report beyond Dr. Holliday, have
14 you?

15 A. I have reviewed, in the last month or so,
16 a document by the forest service that utilizes this
17 model and says it still has value today, this type of
18 model.

19 Q. Prior to filing your testimony in this
20 case, you had not reviewed that document that you
21 just referenced; isn't that true?

22 A. That's correct because I relied upon the
23 economists that work in our company to recommend an
24 approach that was both transparent and reasonable for
25 use in regulatory proceedings and this is the one

1 they recommended.

2 Q. And going back to this economic base
3 theory model being developed during the Great
4 Depression in the 1930s, that is why the theory was
5 what it was, to focus on the prediction of the
6 effects of new economic activity on cities and
7 regions; isn't that correct?

8 MR. SATTERWHITE: I will object now. Are
9 you asking something about this document or are you
10 asking about the model in general? Because the
11 witness stated earlier --

12 MS. BOJKO: Your Honor, the question --

13 MR. SATTERWHITE: The objection is the
14 witness reading it on the stand. He relied on
15 Dr. Holliday who gave the background. So if she
16 wants him to read the entire book and then discuss
17 what's intended by this book; he can do that. I
18 haven't objected yet but -- because she accosted him
19 earlier for saying you are just reading that now, and
20 now she is asking questions again about what it
21 means. I think it would be appropriate to make it
22 clear for the witness.

23 MS. BOJKO: I was actually talking about
24 the economic base theory model because this
25 particular document, Counsel, was not created in the

1 1930s as we have pointed out. It has two different
2 creation dates, 1999 and 2010, depending on where you
3 obtain it from. So it was not created in the 1930s.

4 So my question was about the economic base
5 theory that the witness is the sponsoring witness to
6 testify to. So he can answer if he knows. If he
7 doesn't know, then he doesn't need Counsel testifying
8 for him or interjecting objections that aren't true
9 objections under the Ohio Rules of Evidence.

10 MR. SATTERWHITE: Your Honor, all I asked
11 for was a clarification of what she was talking
12 about.

13 EXAMINER PARROT: And I think she's
14 clarified.

15 So let's answer the question, please,
16 Mr. Allen.

17 THE WITNESS: I apologize. I am kind of
18 lost.

19 EXAMINER PARROT: I don't doubt it. So we
20 will reread it.

21 (Record read.)

22 A. I wasn't around in the 1930s and I don't
23 know what the genesis for developing this approach
24 was.

25 Q. And you are not an economic expert that

1 has studied this economic base theory model prior
2 to -- or in your education; isn't that correct?

3 A. I am not an economist but the economic
4 base theory model and approaches like this are very
5 basic in their nature to understand what's happening.
6 What they are trying to do is look at how employment
7 in a facility like a manufacturing facility or a
8 power plant has impacts beyond just the direct impact
9 of those employees.

10 We all know that when an employee works at
11 a power plant, he earns a wage, he takes that wage,
12 and he spends it in service industries within those
13 communities. That has a multiplier effect. That's
14 what the economic base theory is doing is trying to
15 understand that when you have one employee working at
16 a power plant or any other type of facility, that the
17 dollar doesn't just stop there, that you have to look
18 at the downstream effects on the economy. That's
19 what this is doing.

20 MS. BOJKO: Your Honor, can I have my
21 question reread? I asked him if he studied this in
22 his education. I did not ask him about the plants
23 of -- that are subject to the PPA. We will get to
24 that. I asked him if he studied this particular
25 model in his education.

1 THE WITNESS: And I apologize. What I was
2 trying to explain was how my knowledge fits for my
3 education.

4 MR. SATTERWHITE: Your Honor, I believe
5 what Mr. Allen was saying was, based on his
6 education, how he would explain the model.

7 EXAMINER PARROT: And I am going to allow
8 the answer to stand. I think the question was broad
9 enough --

10 MS. BOJKO: Okay.

11 EXAMINER PARROT: -- in his responses.

12 MS. BOJKO: Are you done?

13 EXAMINER PARROT: Yes. Thank you.

14 Q. (By Ms. Bojko) In your formal education
15 did you study economic base theory model?

16 A. And I think I've explained this. We
17 didn't discuss this specific model but the concepts
18 that are analogous to this model are things that are
19 discussed in MBA programs across the country and it
20 was discussed in my program.

21 MS. BOJKO: May I have one moment, your
22 Honor, for citation?

23 EXAMINER PARROT: You may.

24 Q. Could you turn to page 88 of your
25 deposition, please. Answers --

1 A. Can you wait, Ms. Bojko?

2 Q. I'm sorry.

3 A. You said page 88, what line?

4 Q. Yes. Line 6, question beginning on
5 line 6. "How many different economic impact
6 methodologies have you studied?"

7 "I haven't studied economic -- specific
8 economic impact methodologies, but I am aware of
9 general approaches to evaluating the economic impact
10 of jobs within regions and the like."

11 A. I think that's what we just discussed,
12 yes.

13 Q. And do you know whether economic base
14 models focus on the demand side of the economy?

15 A. I don't know.

16 Q. And isn't it true that economic base
17 models ignore the supply side or productive nature of
18 investment?

19 A. I don't know.

20 Q. And so they are called short-run in
21 approach, isn't that correct?

22 A. I don't know.

23 Q. The assumption in the studies that you
24 performed is that the plants would continue to
25 operate; is that correct?

1 A. The assumptions that we used included two
2 binary solutions; one, that the plants existed and
3 ran; and one, that they didn't run. So we looked at
4 the impacts of the plants not existing.

5 Q. Well, you looked at the plants, the wages
6 and the coal and the fuel as if the plants were still
7 running; isn't that true?

8 A. That's the economic impact on those
9 communities today, that's correct.

10 Q. And the model is a snapshot of one point
11 in time; isn't that correct?

12 A. Yes.

13 Q. You did not look forward and evaluate the
14 economic impact of the units in future years,
15 correct?

16 A. I didn't think it was necessary because my
17 belief is the economic impact would be comparable.

18 Q. Did you consider any of the new future
19 generating facilities that were going to be built in
20 the model?

21 A. It would not have been appropriate to
22 include in this model so I did not include that.

23 Q. The model assumes that employment levels
24 remain constant; isn't that true?

25 A. The models are based on current employment

1 levels so they don't assume changes over time.

2 Q. If could you turn to page 270 of your
3 deposition.

4 A. Which line, please?

5 Q. 17. "I broke up my question to make it
6 clear for you" is the question. "I'm sorry. I'm
7 asking, do you know -- are you assuming that
8 employment levels remain constant in the model?"

9 "Answer: This model isn't evaluating the
10 economic impact of the units in the individual future
11 years. It's identifying the economic impact of these
12 units today based on -- or in 2013, based on the jobs
13 that existed at the point in time." Did I read that
14 correctly?

15 A. It appears you did.

16 Q. And your analysis -- strike that.

17 So the October, 2013, was the date for the
18 OVEC study; is that correct?

19 A. That sounds correct.

20 Q. And then you used October of 2014 as the
21 date for the Pennsylvania units; is that correct?

22 A. Probably would have been slightly ahead of
23 that because we filed on October 1, but approximately
24 that date, that's correct.

25 Q. Could you turn to 274, please. Line 24

1 page -- "Question: Page 1. When did Dr. Holliday
2 prepare this report?"

3 "Answer: This would have been prepared
4 sometime prior to October of 2014. I don't recall
5 the exact date." Did I read that correctly?

6 A. I think that's exactly what I testified to
7 just now.

8 Q. And for the impacts to be valid in any
9 future years, the 2013 employment revenue coal mining
10 data for OVEC, and the 2015 data for the PPA units
11 would have to remain constant; is that correct?

12 A. No, because what we are trying to do is
13 look at the impact to those communities from today's
14 date, to what the impact would be if those jobs were
15 removed from those communities.

16 So if those jobs are removed a few at a
17 time, gradually, as we shut a plant down, the end
18 result is what we are looking for. So what he wanted
19 to say, today, this is the employment, and when you
20 take them away, this is the economic impact. So
21 knowing the status at an intermediate time isn't
22 necessary to understand the economic value of these
23 plants to their communities.

24 Q. Right. But if you wanted to know the
25 economic impact at a future time, you would have to

1 rerun the model based on the future data; isn't that
2 correct?

3 A. No, because the premise, as I described,
4 is as compared to today.

5 Q. You just testified that you're not looking
6 at future years, that this model was done for one
7 point in time and you are not projecting future
8 years; isn't that correct?

9 A. Maybe I am not being clear. The model
10 looks at the economic impact of these plants on the
11 communities today. If those plants no longer exist,
12 that impact goes to zero. So the impact in any
13 future year is that they have zero economic impact.
14 Today they have an economic value to those
15 communities as I have stated in my testimony.

16 Q. Well, the data is from 2013 and '14; is
17 that correct?

18 A. That's correct.

19 Q. So you are looking at what the economic
20 impact of the 2013-'14 data as it exists today; isn't
21 is that right?

22 A. Well, it's the data that existed at the
23 time we made the filing so it's the employment levels
24 and the consumption in those years.

25 Q. And that would change over time. If you

1 look -- if you go out to 2019, that employment level
2 would have changed, the fuel usage would have
3 changed, the economics would have changed; isn't that
4 correct?

5 A. If I am changing the analysis to say
6 what's the impact of shutting down the plants in 2020
7 as compared to the economic value they provide in
8 2019, that's a different analysis. The analysis that
9 we presented here is what's the economic impact of
10 shutting down the plants in a future year as compared
11 to the value they provide today.

12 Q. And isn't it true the economic base theory
13 model makes gross assumptions?

14 MR. SATTERWHITE: Objection, vague.

15 MS. BOJKO: It's actually -- yeah, it's
16 actually an economist term, your Honor. It's not
17 vague. It's a term of art used by economists in the
18 economic base theory model.

19 EXAMINER PARROT: The objection is
20 overruled.

21 A. I don't know.

22 Q. And it -- and this model only divides
23 economic activity into two sectors and doesn't
24 compare relationships or regional economies; isn't
25 that correct?

1 A. I think there's two questions there. The
2 first question is does it look at two sectors. I
3 think the answer to that is yes. And the second is
4 does it look at differences in regional economies,
5 and I don't know.

6 Q. And the economic model that you used did
7 not look at whether employees could find different
8 jobs in the region or in Ohio if the plants did, in
9 fact, retire, correct?

10 A. It wouldn't have been appropriate to do
11 that so we cannot include that.

12 Q. In looking at WAA-4, page 1, are you
13 there?

14 A. I'm there.

15 Q. Isn't it true that the report looked at
16 the total number of employees for the AEP Generation
17 units regardless of where they reside? Excuse me,
18 let me rephrase that question. I move to strike that
19 question.

20 Isn't it true -- excuse me. The economic
21 development report that you provided looked at the
22 total number of employees for the AEP Generation
23 units regardless of where the employees reside; isn't
24 that correct?

25 A. I would have to look at the details

1 because I know when we looked at the OVEC units, we
2 isolated the employees between the Indiana employees
3 and the Ohio employees. And these plants I know are
4 a little more central in the state, maybe -- may have
5 less overflow into neighboring states.

6 Q. Could you look at page 275 of your
7 deposition.

8 A. I'm there.

9 Q. If you look at the question on 15
10 "Regardless of where they" live -- "reside?"

11 The answer: I'd have to look at the
12 underlying data but it appears that that's total
13 workers. It doesn't limit those as workers employed
14 in the State of Ohio." Did I read that correctly?

15 A. I think that's what I just stated.

16 Q. And isn't it true that there is, in fact,
17 an AEP generating unit in Jefferson County which is
18 on the border of Pennsylvania and Ohio?

19 A. The Cardinal plant in Brilliant, Ohio.

20 Q. Right. Is located in Jefferson County
21 which is on the border of West Virginia and
22 Pennsylvania; isn't that correct?

23 A. I apologize. My knowledge of where
24 Jefferson County is is a bit limited.

25 Q. It's on the right side of the map you

1 provided on page 10 of 50 in Exhibit 1 to WAA-4.

2 A. It doesn't identify Jefferson County on
3 there. I apologize.

4 Q. So you don't know that the Cardinal plant
5 is located in Jefferson County where the Sammis plant
6 is located?

7 A. I know it's located in Jefferson County
8 because that's what it states. I just don't know
9 where Jefferson County is on the map specifically. I
10 assume it's on the Ohio River.

11 Q. And on your map on page 10 of 50, it's a
12 fair assumption that the Cardinal region that you
13 have highlighted that is -- that is affected by the
14 impacts of your study, borders the states of
15 Pennsylvania and West Virginia?

16 A. It does, and that's one of the factors
17 that's included in the economic study is that it
18 looks at leakage of dollars that enter a community
19 and how they exit those communities. So when we look
20 at state impacts for the State of Ohio for plants
21 that sit on the borders of those states there is
22 going to be more leakage out of the Ohio economy, and
23 they will have a smaller impact on Ohio than one that
24 would be located, say, the Conesville plants that's
25 located much closer to Columbus which is central to

1 the state.

2 Q. And that's why you wouldn't want to do an
3 economic development study that would include the
4 total number of employees regardless of where they
5 lived; isn't that correct?

6 A. No, that's not correct. What I was
7 indicating is you have to look at how those dollars
8 leak out of the state and that's one of the factors
9 that gets included in this study.

10 Q. And the dollars --

11 A. That's why, for instance, when we looked
12 at the OVEC units and we looked at Clifty Creek
13 that's in Indiana, one of the questions we asked, is
14 there leakage into the State of Ohio because those
15 employees reside somewhat close to Cincinnati.

16 But what we determined when we looked at
17 that, they were just a little too far away and those
18 counties typically don't have employees that would be
19 residing in Ohio or traveling much to Ohio to spend
20 their dollars so we limited that analysis. So that's
21 the same type of analysis we are doing is making sure
22 that we limit the state impact to those dollars that
23 stay within the state.

24 Q. All right. And dollars can be spent out
25 of the state; isn't that correct?

1 A. Absolutely.

2 Q. And isn't it true that you don't know what
3 criteria was used to determine the predominant
4 economic impact of the region?

5 A. That's correct. I would have relied on
6 Dr. Holliday for that.

7 Q. And Exhibit 35 of WAA-4, line 8.

8 A. I'm sorry. Which exhibit?

9 Q. 35.

10 A. Okay. I'm there.

11 Q. Isn't it true that line 8, state wage and
12 salary payments was not used in the calculation
13 performed on Exhibit 35?

14 A. That's my understanding.

15 Q. And let's go -- oh, strike that.

16 And as I understand the studies in the
17 exhibits, you looked at numbers -- excuse me.
18 Dr. Holliday looked at numbers around wages of the
19 plant employees, coalminers, and added a state
20 employment multiplier in order to get the number and
21 wages of indirect suppliers; is that correct?

22 A. That's a long question but that sounds
23 correct, yes.

24 Q. And you did not consider the effects that
25 an increase in electricity prices would have on

1 manufacturing and productivity if the PPA rider was a
2 charge; is that correct?

3 A. That would not have been an element of
4 this analysis.

5 Q. And you didn't analyze the effect that
6 increase in electricity prices would have on a
7 manufacturer's decision to reinvest in their own
8 business or in the community if the PPA rider was a
9 charge, correct?

10 A. We did evaluate the price-stabilizing
11 benefits of the PPA rider and that that has a --
12 generally viewed as a beneficial impact on employment
13 and jobs in a state, so we considered that. We
14 didn't do a quantification of that impact.

15 Q. And the model did not analyze the effect
16 that an increase in electricity prices would have on
17 a manufacturer's decision to reinvest in the Ohio
18 economy if the PPA rider is a charge; is that
19 correct?

20 A. Again, maybe we are confused here. This
21 analysis looks at the economic benefits of these
22 plants. It doesn't look at the economic benefits of
23 the PPA or the PPA rider. The PPA rider is addressed
24 separately and that's included in the exhibits of
25 Company Witness Pearce. He describes what the

1 economic benefit of the PPA rider is.

2 Q. I am actually just asking you what the
3 model either looked at or didn't look at. So the
4 model, as you've with agreed me, did not look at the
5 effect an increase in electricity prices would have
6 on a manufacturer's decision to reinvest in the Ohio
7 economy; is that correct?

8 A. It's not a question of whether it included
9 it or not. It's not something that you would ever
10 included in this type of model. It's not designed to
11 do that and that wasn't its intent.

12 Q. And that model also did not analyze the
13 effect that an increase in electricity prices would
14 have on a manufacturer's competitiveness in Ohio or
15 the global economy if the rider turns out to be a
16 charge for maintaining the operation of these plants;
17 isn't that correct?

18 A. I wouldn't agree with your premise that
19 it's going to necessarily result in a charge but that
20 wasn't the purpose of the analysis.

21 Q. And is it true that the economic base --
22 excuse me. Strike that. He answered that.

23 Have you ever used the IMPLAN model, sir?

24 A. I have not.

25 Q. Do you know that it is a model used by

1 economists to predict economic development in
2 regions?

3 A. I don't know.

4 Q. And do you know what the inputs of an
5 IMPLAN model are?

6 A. I do not.

7 Q. I am assume you don't know that the IMPLAN
8 model is an input-output model; is that correct?

9 A. That's correct.

10 Q. I am assuming that you don't know that the
11 IMPLAN model is a fixed-coefficient model; is that
12 correct?

13 MR. SATTERWHITE: At this point I will
14 object. He said he doesn't know what it is, and she
15 can list 15 things that are associated with it. He
16 stated he doesn't know what it is.

17 EXAMINER PARROT: I'll allow the question.

18 THE WITNESS: Can you repeat the question,
19 please?

20 (Record read.)

21 A. That's correct.

22 Q. And isn't it true, prior to drafting your
23 testimony and economic development exhibits and
24 testimony, you did not read a "Case for Coordinating
25 Economic Development Planning with Energy Planning"

1 by Lord and Ruble in "South Carolina Journal of
2 International Law and Business"?

3 A. I did not read that journal article.

4 Q. And isn't it true you have not published
5 any books, treatises, dissertations on economic
6 development theory?

7 A. That's correct.

8 Q. And isn't it true you have not published
9 any books, treatises, dissertations on economic
10 development studies and the underlying methodology
11 and procedures employed in those studies?

12 A. That's correct.

13 MS. BOJKO: Your Honor, I am at a subject
14 change if the witness is in need of a break.

15 MR. SATTERWHITE: It's been two hours.

16 EXAMINER PARROT: Let's take a 10-minute
17 break.

18 (Recess taken.)

19 EXAMINER PARROT: All right. Let's go
20 back on the record.

21 Ms. Bojko.

22 MS. BOJKO: Thank you, your Honor.

23 Q. (By Ms. Bojko) Mr. Allen, let's turn to
24 the PPA rider that the company's proposing in this
25 case.

1 A. Yep.

2 Q. The Commission approved the PPA rider
3 mechanism in the ESP III case; is that correct?

4 A. That's correct.

5 Q. And the Commission did not approve the
6 specifics around the rider as to whether it would be
7 adjusted annually or quarterly; is that correct?

8 A. That's correct. That's my understanding.

9 Q. And the company's proposal is that it
10 would be adjusted annually; is that correct?

11 A. The company's original proposal is an
12 annual true-up, but as I indicate in my testimony on
13 page 9, line 11, that the company is up -- is open to
14 updating the rider on a quarterly basis.

15 MS. BOJKO: Okay. And, your Honor, may I
16 have marked as OMAEG 13, OEG Interrogatory 2-002.

17 EXAMINER PARROT: So marked.

18 (EXHIBIT MARKED FOR IDENTIFICATION.)

19 Q. Mr. Allen, do you have in front of you
20 what has been marked as OMAEG Exhibit 13?

21 A. Yes.

22 Q. And does that appear to be an
23 interrogatory response of the company to OEG
24 Interrogatory 2-002? Did I state that wrong? Let me
25 strike that.

1 Does it appear to be an interrogatory
2 response from the company to OEG, titled "OEG
3 Interrogatory 2-002?

4 A. Yes.

5 Q. And doesn't this interrogatory state that
6 the costs or credits associated with the PPA rider
7 units would begin flowing through the PPA rider
8 October 1, 2015?

9 A. That was the company's proposal based on
10 the schedule we were hoping to have in this
11 proceeding, yes.

12 Q. AEP is not intending to have an effective
13 date of the rider prior to a Commission order; is
14 that correct?

15 A. Oh, absolutely, that's correct.

16 Q. And the company is not intending to go
17 back and make the rider effective October 1 after the
18 Commission issues an order in this case, assuming
19 that the Commission approves such a rider with --
20 populated with dollars?

21 A. That's correct. The rider would be
22 prospective based upon the implementation of the PPA
23 itself.

24 Q. And on page 3 of your testimony you refer
25 to the Apples to Apples chart. Do you see that?

1 A. No. You will have to give me a line
2 number. You said page 3?

3 Q. I'm sorry. Page 6, please, bottom,
4 beginning on line 18.

5 A. Yes, I see that.

6 Q. The Apples to Apples chart that you
7 reference on page 6 of your testimony only provides
8 residential offers and maybe a few small commercial
9 offers; is that correct?

10 A. The analysis related to residential
11 offers, but the Apples to Apples website does also
12 include some commercial offerings but my analysis was
13 limited to the residential offerings.

14 Q. Okay. And other than the few limited
15 small commercial offers on the Apples to Apples
16 chart, it does not provide offers for most commercial
17 customers; isn't that correct?

18 A. Yes, that's correct.

19 Q. And it is also not an inclusive list, is
20 it? The Apples to Apples chart is not an inclusive
21 list of every offer out there; is that correct?

22 A. I don't know.

23 Q. And you did not review commercial customer
24 contracts as you were preparing your testimony; is
25 that correct?

1 A. That's correct.

2 Q. And you did not review governmental
3 aggregation contracts either; is that correct?

4 A. I have reviewed governmental aggregation
5 contracts.

6 MS. BOJKO: Your Honor, may I have marked
7 as OMAEG 14, Ohio Power Company's response to
8 ELPC-INT-2-010?

9 EXAMINER PARROT: So marked.

10 (EXHIBIT MARKED FOR IDENTIFICATION.)

11 Q. Mr. Allen, do you have in front of you
12 what has been marked as OMAEG Exhibit 14?

13 A. I'm sorry, state that question again. I
14 was trying to read the response.

15 Q. Do you have in front of you what was
16 marked OMAEG Exhibit 14?

17 A. I do.

18 Q. And you are the party responsible for
19 this?

20 A. I am.

21 Q. Does this interrogatory response say that
22 the analysis that you performed was not based on
23 governmental aggregation programs? It was only based
24 on the Apples to Apples page regarding direct
25 residential retail offerings?

1 A. That's correct.

2 Q. Doesn't it also say that governmental
3 aggregation offers are not available to the majority
4 of residential customers in the AEP service
5 territory; is that correct?

6 A. That's correct. I think my memory is
7 about 8 percent of AEP Ohio are served under
8 governmental aggregation.

9 Q. And that's based on your understanding of
10 what provisions of GAGs are out there today; is that
11 correct?

12 A. No. What the analysis that I talk about
13 that was in response to this discovery request deals
14 with the analysis I did which looked at direct
15 residential offerings on the Apples to Apples
16 website.

17 In response to your other question, what I
18 am stating is that we have looked at governmental
19 aggregation offerings, but those aren't included in
20 this analysis. They are separate.

21 Q. Right. And I was saying your
22 understanding of the market today for governmental
23 aggregation programs is based upon your belief. It's
24 not filed as part of this case; is that correct?

25 A. That's correct. It's was based upon my

1 review of docketed governmental aggregation programs.

2 Q. Page --

3 A. PUCO docketed, for clarity.

4 MS. BOJKO: He paused and his lips stopped
5 moving, so I apologize.

6 THE WITNESS: You're fine.

7 MR. SATTERWHITE: Thank you for watching.

8 Q. Let's turn to page 6 of your testimony.

9 A. I'm there.

10 Q. On lines 8 and 9 you state that the PPA
11 rider will have no impact on the SSO auction; is that
12 correct?

13 A. Yes, that's correct.

14 Q. And that's because the PPA rider will be a
15 charge or a credit on top or additional to the
16 customer's fixed rate established by the SSO
17 auctions; is that correct?

18 A. Yeah, I would say separate from, yes.

19 Q. Well, if it is a charge, the customers
20 will receive an additional charge in addition to
21 their fixed SSO rate; isn't that correct?

22 A. If it's a charge, it would be in addition
23 to. If it was a credit, it would be a reduction
24 from, yes.

25 Q. But separate, not a reduction, to their

1 SSO rate; is that correct?

2 A. That's correct. That's why I stated
3 "separate from."

4 Q. And also on page 6, line 9, you state that
5 it won't have an impact on CRES providers to compete.
6 Do you see that?

7 A. I see that, yes.

8 Q. And this is a reference to competing with
9 the SSO auction; is that correct?

10 A. That's correct.

11 Q. And if a customer enters into a long-term
12 contract with the supplier, the PPA rider will be a
13 charge or a credit separate from and on top or
14 additional to the customer's fixed rate established
15 by the CRES contract; is that correct?

16 A. It would be a charge or credit separate
17 from what they receive from their CRES provider.

18 Q. And, sir, you have not done an analysis to
19 determine how favoring one generator over another by
20 ratepayers paying for one generator's operating cost
21 will affect the competitive market, have you?

22 A. We've evaluated, and I do not believe that
23 the PPA that the company's proposed in this case has
24 any impact on the competitiveness of the AEP Ohio
25 units or their impact, I'm sorry, the PPA units,

1 their impact on the competitive markets.

2 Q. You have not done an analysis to determine
3 how providing AEP Generation cost base rate recovery
4 will affect the competitive market, have you?

5 A. I don't believe it has any impact on the
6 competitive market.

7 Q. You are aware that the Independent Market
8 Monitor in this case has filed testimony saying that
9 it will actually, in fact, affect the competitive
10 wholesale market; isn't that true?

11 A. And I believe he is wrong, that's true.

12 Q. And you also believe that the -- strike
13 that.

14 Turn to WAA-1 of your testimony --
15 attached to your testimony, please.

16 A. I'm there.

17 Q. This is the revenue calculation for the
18 PPA rider; is that correct?

19 A. It's actually the calculation of the PPA
20 rider credit or charge. It's not just a calculation
21 of the revenue.

22 Q. And you're familiar with the term sheet
23 that was attached to Dr. Pearce's testimony; is that
24 correct?

25 A. I am generally familiar with the term

1 sheet. Dr. Pearce is the expert on that term sheet
2 though.

3 Q. And you are also familiar with the
4 purchase power agreement contract that was provided
5 in discovery in this case; is that correct?

6 A. Once again, I am generally familiar with
7 it, but Dr. Pearce is the expert on that document.

8 Q. Which line items on Exhibit WAA-1 contain
9 the buyer's monthly payment, that are contained on
10 page 2 of the term sheet or the pricing section under
11 section 5 of the PPA agreement?

12 A. Can you reread that question, please?

13 Q. Sure. Which line items on Exhibit WAA-1
14 contain the buyer's monthly payment, so AEP Ohio's
15 monthly payment to AEP Generation that are determined
16 on page 2 of the term sheet or the pricing under
17 section 5 of the PPA agreement?

18 A. It would generally be items 5 and 6 and
19 there may be elements of line 7 as well.

20 Q. And where would the rate of return fall on
21 items 5 and 6 that's provided to AEP Generation on
22 top of the costs of the plants?

23 A. Well, first, rate of return is an element
24 of the cost of the plants and those costs would be
25 included generally in line 5.

1 Q. And is it your understanding that the PPA
2 contract would not be signed until the Commission
3 approved the prudence of AEP Ohio entering into the
4 PPA and its inclusion in the PPA rider?

5 A. That's my expectation, yes.

6 MS. BOJKO: And, your Honors, if we may
7 approach. May I have marked as OMAEG Exhibit 14 --

8 EXAMINER SEE: 15.

9 MS. BOJKO: I'm sorry?

10 EXAMINER PARROT: 15.

11 MS. BOJKO: 15, it would be AEP's
12 discovery response to ELPC-INT-2-013.

13 EXAMINER PARROT: So marked.

14 (EXHIBIT MARKED FOR IDENTIFICATION.)

15 Q. Do you have in front of you what's been
16 marked as OMAEG 15?

17 A. I do.

18 Q. Is it the company's response to
19 interrogatory of ELPC-INT-2-013?

20 A. Yes, it is.

21 Q. And are you the responsible party for
22 this -- one of the responsible parties?

23 A. Along with counsel, yes.

24 Q. And the Commission's review and access to
25 the books and operations of the plant, AEP will give

1 the Commission the information that is available to
2 AEP Ohio; is that correct?

3 A. Yes, that's correct.

4 Q. Could you turn to page 5 of your
5 testimony, please.

6 A. I'm there.

7 Q. Lines 15 and 17. Lines 15 and 17 you talk
8 about AEP Ohio filing a request "to amend its
9 corporate separation plan and to allow the OVEC
10 contractual entitlements to remain with AEP Ohio."
11 Do you see that?

12 A. Yes.

13 Q. And then you state that the Commission
14 approved it on line 17; is that correct?

15 A. Yes.

16 Q. And isn't it true, sir, that in the recent
17 Opinion and Order in the ESP case issued in
18 13-2385-EL-SSO on February 25, 2015, the Commission
19 described the intent of the Commission's entry in the
20 corporate separation docket that you mentioned in
21 12-1126?

22 A. You would have to refresh my memory on
23 that.

24 MS. BOJKO: Your Honor, at this time may I
25 market as OMAEG 16, the Opinion and Order filed in

1 Case No. 13-2385-EL-SSO, et al., dated February 25,
2 2015.

3 EXAMINER PARROT: So marked.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 Q. Sir, do you have in front of you what has
6 been marked as OMAEG Exhibit 16?

7 A. I do.

8 Q. Does that appear to be the Opinion and
9 Order you just referenced that was issued in the ESP
10 13-2385 case?

11 A. It appears to be the initial Opinion and
12 Order, yes.

13 Q. And if you could turn to page 26 of this
14 order. Are you there?

15 A. I'm there.

16 Q. Does this refresh your recollection that
17 the Commission described its intent with regard to
18 the corporate separation docket, on page 26, last
19 paragraph, Commission -- or the Order states "Despite
20 AEP Ohio's contention to the contrary, it was not the
21 Commission's intent, in the 'Corporate Separation
22 Case,' to exempt the Company from further pursuing
23 the divestiture or transfer of the OVEC contractual
24 entitlement." Did I read that correctly?

25 A. I'm sorry. Which line are you on? I'm

1 sorry.

2 Q. Page 26, last paragraph, sentence --
3 second sentence.

4 A. Okay.

5 Q. Did I read that correctly?

6 THE WITNESS: If you could reread that, so
7 I can --

8 (Record read.)

9 A. You did.

10 Q. And the "Corporate Separation Case" that's
11 highlighted in the order on page 26 is the same
12 corporate separation case that you cite in your
13 testimony on page 5, line 17 that was lines 15
14 through 17, regarding the October 4, 2013, filing,
15 and the December 4, 2013, entry approving the
16 request?

17 A. Yeah, that's correct, the sentence you
18 read follows the sentence that concludes that this
19 "does not preclude the company from seeking recovery
20 of its OVEC costs in a future filing." That's what
21 we are doing here.

22 Q. No, I am talking about the intent of the
23 divestiture that you refer to on lines 15 and 17. I
24 am not talking about OVEC costs right now. Do you
25 see the intent of the divestiture language? In the

1 order?

2 A. I do, and there is several statements in
3 the Commission's order that recognizes that the
4 divestiture is not a requirement, that there may be
5 other alternatives, and as it states in the sentence
6 towards the end of that page, it says "In light of
7 the need to facilitate the timely completion of the
8 corporate separation, the Commission approved AEP
9 Ohio's request to retain the OVEC contractual
10 entitlement, until it could be transferred to AEP
11 GenCo or otherwise divested, or until otherwise
12 ordered by the Commission."

13 When I read "otherwise ordered by the
14 Commission" and I read we can ask for "OVEC costs in
15 a future filing," I don't believe that the Commission
16 is directing that the company must divest its OVEC
17 assets.

18 Q. Okay. Let's turn to page 27, the first
19 full sentence that states, does it not, "To the
20 extent that it is necessary to do so, the Commission
21 clarifies that our intent in the 'Corporate
22 Separation Case' was not to direct or encourage AEP
23 Ohio to forgo any further efforts to transfer or
24 divest its OVEC interest. Accordingly, we direct AEP
25 Ohio to continue to pursue transfer of the OVEC

1 contractual entitlement to AEP GenCo or to otherwise
2 divest the OVEC asset." Does it say that?

3 A. It does.

4 Q. And doesn't it also require AEP to file a
5 status report regarding the transfers of the OVEC
6 assets by June 30 of each year?

7 A. It does state that.

8 Q. So it does require AEP to continue to seek
9 or pursue transfer of the asset; is that correct?

10 A. My view of this is that it directs the
11 company to pursue transfer but it doesn't direct the
12 company to transfer the assets. Those are very
13 different things.

14 And so pursuing the transfer, in my mind,
15 means looking at the economic impact of doing that
16 and making a decision, at the company, of whether
17 it's something we should do or should not do and
18 reporting to the Commission on that. It is not a
19 clear directive that we shall divest of that. If the
20 Commission intended the company to divest, as a
21 requirement, the Commission would have ordered us to
22 do so, in my view.

23 Q. Okay. And doesn't -- the last sentence in
24 the paragraph say "AEP Ohio should file a status
25 report regarding the transfer of the OVEC asset," not

1 efforts to transfer. It says "regarding the transfer
2 of the OVEC asset." Isn't that true?

3 A. It's a status report on the transfer. So
4 if there's nothing that's happened, the status report
5 would say we have not transferred the asset. It's
6 not a directive to transfer the asset by a date
7 certain.

8 Q. And so you -- did you not make these
9 arguments in the ESP III case and that is directly
10 what the Commission is responding to and saying to
11 the extent that it is necessary to do so, the
12 Commission clarifies that our intent in the corporate
13 separation case was not to direct or encourage AEP to
14 forego any further efforts to transfer or divest its
15 OVEC interests?

16 A. Yeah, I think those are two different
17 things. Foregoing efforts to divest and directing
18 the company to divest are very different things.
19 It's looking at the entirety of the corporation and
20 making a decision if this is a commercially-opportune
21 time to divest of the assets or if there are other
22 better uses for the assets. And what the company has
23 presented here is a better use for the assets or
24 entitlements.

25 Q. And to your knowledge did the company file

1 a letter on June 30, 2015, that said that the company
2 is not actively pursuing such options?

3 A. I don't recall specifically seeing the
4 document but I know we had discussions around that
5 and that wouldn't surprise me that we made that
6 filing.

7 MS. BOJKO: Your Honor, at this time I
8 would like to mark OMAEG 17, a document dated
9 June 30, 2015, which is a letter to your Honor,
10 Examiner Parrot, in Case No. 12-1126-EL-UNC.

11 EXAMINER PARROT: So marked.

12 (EXHIBIT MARKED FOR IDENTIFICATION.)

13 Q. On page 2, isn't it true that it says
14 "while AEP has not foregone any opportunities to
15 divest the OVEC asset, the Company is not actively
16 pursuing such options while rehearing on the issue
17 remains open"; is that true?

18 A. I think the statement starts with the
19 first word of the sentence, it says "Accordingly,
20 while AEP has not foregone any opportunities to
21 divest the OVEC asset, the Company is not actively
22 pursuing such options while rehearing on this issue
23 remains open." And we are talking about the
24 rehearing issues previously. So Case 13-2385 is
25 still open in front of the Commission for rehearing

1 and we have brought -- and we talked about it in the
2 first paragraph on page 1 --

3 Q. Right.

4 A. -- about some of those issues.

5 Q. And to your knowledge the Commission's
6 decision on December 4, 2013, that you cite to on
7 line 17, that docket does not remain open; is that
8 correct?

9 A. I don't recall if it's open on rehearing.
10 It may be at the Supreme Court for all I know.

11 Q. You don't know.

12 A. I don't know if it's still open.

13 Q. And isn't it true that this letter was
14 filed in Case 12-1126-EL-UNC, which is titled "In the
15 Matter of the Application of Ohio Power Company for
16 Approval of Full Legal Corporate Separation and
17 Amendment to its Corporate Separation Plan"?

18 A. Yes.

19 MS. BOJKO: If I can have one minute, your
20 Honor.

21 EXAMINER PARROT: You may.

22 MS. BOJKO: Your Honor, at this time, I
23 have nothing further at this time, your Honor. I
24 would request, though, at this time to be permitted
25 to recross assuming that there is any redirect, only

1 because I have to leave to attend the FirstEnergy
2 hearing. I wanted to reserve that opportunity right
3 now.

4 EXAMINER PARROT: Okay. Thank you.

5 MS. BOJKO: Thank you.

6 MR. SATTERWHITE: Just to be clear that if
7 we are in the normal flow, we are not going to stop
8 the hearing and wait another day for recross or
9 something, correct?

10 EXAMINER PARROT: The Bench in this room
11 will coordinate with the Bench in the other room. We
12 don't want to preclude any parties to have their
13 rights to recross or cross, whatever the
14 circumstances may be, in light of the fact that the
15 two hearings are going on at the same time. We'll
16 accommodate that and try to do it within the current
17 day.

18 MR. SATTERWHITE: Like on October 27, the
19 recross date or something?

20 EXAMINER PARROT: I would prefer not to do
21 that.

22 MS. BOJKO: I will not come back on
23 October 27 to recross, Mr. Allen, I promise. Thank
24 you, your Honor.

25 MS. HENRY: So I just -- I probably have

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1 two hours, maybe an hour and a half. Do you want to
2 break early for lunch or what's your thoughts? I
3 have got a short amount.

4 EXAMINER PARROT: Let's go off the record.
5 (Discussion off the record.)

6 EXAMINER PARROT: Let's go back on the
7 record, Ms. Henry.

8 MS. HENRY: Thank you.

9 - - -

10 CROSS-EXAMINATION

11 BY MS. HENRY:

12 Q. Good morning, Mr. Allen.

13 A. Good morning.

14 Q. My name is Kristin Henry. I represent
15 Sierra Club in this matter. I want to define a few
16 terms with you before we start today; is that okay?

17 A. Sure.

18 Q. Okay. If I refer to the applicant in this
19 proceeding, Ohio Power Company, as "AEP Ohio," will
20 you understand what I mean?

21 A. Yes.

22 Q. Okay. And if I refer to AEP Generation
23 Resources, Incorporated as "AEP Generation," will you
24 understand what I mean?

25 A. I prefer to use "AEP Generation

1 Resources," that would make it easier.

2 Q. I know, but I am such a -- I'm not an
3 acronym person. Do you think we could avoid the
4 acronym usage and just say "AEP Generation" if
5 possible?

6 A. We have another entity that has that name,
7 so it makes it a little confusing.

8 Q. Okay. I'll see if I can convert them all.
9 If I refer to American Electric Power Company simply
10 as "AEP," will you understand what I mean?

11 A. Restate that again.

12 Q. If I refer to AEP Electric Power Company,
13 Incorporated, the parent company, simply as "AEP,"
14 will you understand what I mean?

15 A. Yes.

16 Q. Okay. And if I refer to the purchase
17 power agreement between AEP Ohio and AEPGR as the
18 "affiliate PPA," will you understand what I mean?

19 A. Yes.

20 Q. And if I refer to the agreement between
21 Ohio Valley Electric Corporation and the sponsoring
22 companies as the "OVEC intercompany power agreement,"
23 will you understand what I mean?

24 A. Yes.

25 Q. And if I refer to AEP's request to include

1 the net impacts of the affiliate PPA and the OVEC
2 intercompany power agreement in the PPA rider as the
3 "PPA rider," will you understand what I mean?

4 A. Generally. I would view those as two
5 slightly different things. The PPA rider is a
6 mechanism and the other is a complete concept, but
7 will try.

8 MS. HENRY: I'm sorry, there is a lot of
9 commotion.

10 MS. BOJKO: I'm sorry.

11 MS. HENRY: Can I have the answer read
12 back.

13 (Record read.)

14 Q. Is a complete concept?

15 A. Yes.

16 Q. You only hold one undergraduate degree,
17 correct?

18 A. Yes, in nuclear engineering.

19 Q. And your master's in business
20 administration, it did not have a specific
21 specialization or focus, correct?

22 A. That's correct.

23 Q. And that's the only graduate degree you
24 hold, correct?

25 A. Yes.

1 Q. Your current position is managing director
2 of regulatory case management, correct?

3 A. Yes, that's correct.

4 Q. Okay. And you report to Richard, and I am
5 going to probably mispronounce his name, Munczinski.

6 A. Munczinski. M-u-n-c-z-i-n-s-k-i.

7 Q. And you report to Mr. Munczinski, correct?

8 A. Yes.

9 Q. And as the manager -- as the managing
10 director of regulatory case management, you are
11 primarily responsible for the supervision, oversight,
12 and preparation of major filings in the state utility
13 commissions in and around federal -- Federal Energy
14 Regulatory Commission, correct?

15 A. As I state on lines 12 and 13 of my
16 testimony on page 2, yes.

17 Q. And do you oversee Appalachian Power's
18 Integrated Resource Planning Report that was filed
19 with Commonwealth of Virginia state that was filed on
20 July of 2015?

21 A. I would have been involved in aspects of
22 that case. It's not a major filing. Individuals
23 within my department would have managed it.

24 Q. Okay. And do you take responsibility for
25 the adequacy of AEP's Ohio filing in this proceeding?

1 A. I, along with other individuals and
2 counsel, yes.

3 Q. And who are the other individuals who
4 would take responsibility for the adequacy of this
5 filing?

6 A. I would say Company Witness Vegas.

7 Q. Okay. So you and Mr. Vegas. Anyone else?

8 A. Those would be the ones that would be
9 responsible for the overall filing. Other witnesses
10 clearly would be responsible for their elements of
11 the filing.

12 Q. Now, you, Mr. Vegas and Mr. Munczinski and
13 counsel identify what elements AEP Ohio needed to
14 address in its application, correct?

15 A. That was the general group. There may
16 have been others at times but that was the general
17 group, yes.

18 Q. Okay. And during your deposition you
19 referred to that group of individuals, that included
20 these three gentlemen plus counsel, as a "team,"
21 correct?

22 A. In a generic sense.

23 Q. So if I refer to these three gentlemen
24 plus counsel as the "team" in the general sense in
25 the next couple of questions, will you understand

1 what I mean?

2 A. I may have to clarify my response, but
3 we'll work through it.

4 Q. Okay. So this team was created sometime
5 prior to the October, 2014, filing, but you don't
6 recall exactly when; is that correct?

7 A. The team wasn't created. We are
8 individuals that are responsible for specific areas
9 and we work together on the filing. There is no date
10 that a team was created.

11 Q. Okay. So when these individuals plus
12 counsel started talking about -- started talking
13 about this eventual filing, you don't recall exactly
14 when this group of individuals plus counsel started
15 having those conversations, correct?

16 MR. SATTERWHITE: Your Honor, I will just,
17 a word of caution, objection, to the extent that
18 anything involves privileged communications between
19 counsel, I ask that we avoid those areas.

20 MS. HENRY: I believe we covered a lot of
21 this through your deposition.

22 MR. SATTERWHITE: And, your Honor, just
23 because something was covered in a deposition doesn't
24 mean it's proper to provide in a hearing, so I just
25 want to make sure that's clear.

1 Q. To the extent you feel comfortable
2 answering, sir.

3 A. I don't recall when we had those
4 discussions.

5 Q. Okay. So it was in discussions with
6 Mr. Vegas, and Mr. Munczinski and counsel that you
7 first heard about the affiliate PPA and the
8 associated PPA rider, correct?

9 A. That's where we discussed the affiliate
10 PPA. It's in my testimony in Case 2385 as well,
11 13-2385.

12 Q. And your involvement began early on, so
13 there was only the concept of the affiliate PPA and
14 no actual term sheet developed yet, correct?

15 A. That's correct.

16 Q. And your involvement was part of the
17 regulatory team which was the team dealing with AEP
18 Ohio and the proposal to the Commission, correct?

19 A. I would have been focused on the
20 regulatory aspects of the filing.

21 Q. Now, you, Mr. Vegas, Mr. Munczinski and
22 counsel provided direction on the topics or direction
23 you want each witness to include in his or her
24 testimony, correct?

25 A. We would have had discussions about the

1 list of witnesses and the overall topics that we
2 wanted to cover in the case. So, generally, we think
3 about the elements of a case we would want to file
4 and then identify witnesses within the company or
5 external to the company that have expertise in those
6 specific areas.

7 Q. And then you would communicate that with
8 the witnesses that you selected to present the areas
9 identified, correct?

10 A. We work with counsel to have those
11 communications.

12 Q. Now, then, the individual witnesses would
13 have evaluated how best to support the -- support
14 those positions, correct?

15 A. Individual witnesses --

16 Q. I can refer you to your deposition on
17 page 16.

18 A. I will answer the question, please, before
19 you interrupt. Individual witnesses would have -- we
20 would have had discussions with them, identify what
21 the general concept of the case is, what items we
22 thought would be useful to include in their
23 testimony, and they would provide input to us on ways
24 that they thought they could support the filing.

25 Q. And this team that provided kind of this

1 direction on the topics or positions that you wanted
2 each witness to include in their testimony, you gave
3 this direction for both the October, 2014, and the
4 May, 2015, filings, correct?

5 A. Yes.

6 Q. And you reviewed all the testimony that
7 was filed in this case before it was actually filed,
8 correct?

9 A. Yes.

10 Q. As the manager -- as the managing director
11 of regulatory case management, is it your
12 understanding that AEP Ohio's position is that it's
13 not required to obtain Commission approval to enter
14 into at affiliate PPA, correct?

15 A. The company is not required to -- my
16 understanding is the company is not required to
17 obtain Commission approval, but we are seeking
18 Commission determination that it's prudent to enter
19 into the contract.

20 Q. Okay. So -- you are not sure whether the
21 Commission needs to renew or reauthorize the PPA
22 rider as a legal matter in the -- in May of 2018; is
23 that correct?

24 A. Clearly, as a legal matter, I am not a
25 lawyer so I can't make a determination about whether

1 the Commission would have to approve renewal as part
2 of the next ESP, but it's the company's expectation
3 from a regulatory perspective that if the Commission
4 approves entering into this contract as prudent and
5 its inclusion in the PPA rider in this proceeding,
6 that the Commission would continue to support its
7 inclusion in the PPA rider and future ESP
8 proceedings.

9 Q. And you had never actually considered what
10 would happen if the Commission discontinued the PPA
11 rider in May of 2018, correct?

12 A. That's correct.

13 Q. Because the company's proposal is that the
14 PPA rider mechanism will continue for the term of the
15 affiliate PPA, correct?

16 A. The company's expectation is if the
17 Commission approves inclusion of the PPA and the OVEC
18 entitlement in the PPA rider in this proceeding that
19 the Commission would continue to support its
20 inclusion in future ESP proceedings, yes.

21 Q. Can you refer to your Amended Direct
22 Testimony on page 10. And then I am going to refer
23 you to lines 19 and 20, sir.

24 A. Okay.

25 Q. Lines 19 and 20.

1 A. I'm there.

2 Q. It is AEP Ohio's position that legacy
3 costs to be recovered through the PPA rider would be
4 accepted as part of the Commission's upfront prudence
5 review, correct?

6 A. That's the company's proposal in this
7 proceeding, yes.

8 Q. Okay. And the purpose of this upfront
9 prudence review is to make a determination that the
10 costs incurred prior to the signing of the
11 contracts -- prior to the signing of the affiliate
12 PPA and the contracts that were in existence prior to
13 the signing of the affiliate PPA are deemed prudent
14 and that subsequent review of those costs would not
15 occur by the Commission, correct?

16 A. That's a long question. So it's the --
17 the proposal is that costs incurred up until the
18 signing of the contract would be deemed prudent, and
19 any of the contracts that were signed prior to that
20 date would also be deemed prudent at that point and
21 wouldn't be subject to further Commission review for
22 prudence.

23 The Commission would still have the
24 ability, for things such as coal contracts, to review
25 those contracts to ensure that AEP Ohio was taking

1 advantage of their appropriate contract rights. So
2 the Commission would be able to review action under
3 the contracts that existed previously, but the actual
4 contract that existed would be deemed prudent.

5 Q. Okay. So it's AEP Ohio's position that
6 the Commission reviews the prudence of those legacy
7 costs which are in those actual contracts only once
8 during this proceeding, only once, and that's during
9 this proceeding, correct?

10 A. It's beyond just the contracts. It's all
11 of the capital costs and the like that exist at the
12 time of the contract signing, yes.

13 Q. But that prudence review occurs only just
14 once, correct?

15 A. It happens once just as typical in most
16 regulatory proceedings. Commissions make one
17 determination on the prudence, because you have to
18 understand prudence is based upon the decision-making
19 at the time that something was entered into. And so
20 to re-review prudence at a later date wouldn't make
21 any sense. The Commission really needs to make that
22 determination today.

23 Q. Now, legacy costs are the existing capital
24 costs of the units, the existing debt associated with
25 the units, the net book value of the units, existing

1 contracts such as labor and fuel contracts, correct?

2 A. It's all of the elements of costs that
3 exist today and any existing contracts.

4 Q. Can I refer you to your deposition on
5 page 52, starting on line 19 and then going on to
6 page 53 through line 19.

7 A. What were those line numbers, please?

8 Q. Sure. 52, line 19, and then you can go on
9 to the next page, line 19.

10 A. I see my responses.

11 Q. Yeah. So I was just going to reread the
12 question.

13 A. Okay.

14 Q. Because I understand that it was
15 everything that's signed, but sometimes we were just
16 trying to define those categories. So my question
17 was legacy costs are -- exist in capital costs of the
18 units, the existing debt associated with the units,
19 the net book value of the units, existing contracts
20 such as labor and fuel contracts; is that correct?

21 A. It would also include retirement-related
22 costs as we described, and I think my answer there
23 was that it's those types of things. It's not an
24 exhaustive list, but it's pretty close.

25 Q. Okay. But those are the main categories,

1 in your opinion, correct?

2 A. Yes.

3 Q. Okay. Now, AEP Ohio has not provided one
4 single document that contains a complete list of the
5 specific decisions or commitments or contracts or
6 capital expenditures that are included in this legacy
7 cost category, correct?

8 A. In this proceeding the company's responded
9 to over a thousand data requests, and those legacy
10 costs and those contracts are included in the
11 responses to those discovery requests. The company
12 didn't go out and separately identify every legacy
13 cost. Those exist. We provided those in discovery
14 as we have done in this proceeding.

15 Q. There is not one document that is a
16 compilation of all of the expenses or all of the
17 obligations that would be under that category; am I
18 correct?

19 A. There is not and I wouldn't expect there
20 to be one.

21 Q. And you don't have a specific estimate of
22 the legacy costs; is that correct?

23 A. The legacy costs are included as an
24 element of the forecasted costs that are included in
25 the analysis presented by Company Witness Pearce in

1 Exhibit KDP-2. So those legacy costs exist within
2 that forecast.

3 Q. Okay. And I believe during your
4 deposition you said the legacy costs create a large
5 part of the costs in Dr. Pearce's KDP-2 cost
6 estimate; is that correct?

7 A. I don't know if I said it in my
8 deposition, but the legacy costs, because they relate
9 to all of the historical capital investment in those
10 plants, would be a major component of the costs
11 included in Exhibit KDP-2.

12 Q. Okay. And can I refer you to your
13 deposition at 53, line 20.

14 MR. SATTERWHITE: Your Honor, I guess I
15 will just object and ask in the future a question to
16 be asked instead of saying we talked about something
17 before.

18 MS. HENRY: It's related. I used the term
19 "large portion" of because I was just referring -- he
20 said he wasn't sure if he used the term "large
21 portion." I was just letting him know that was where
22 the term came from.

23 MR. SATTERWHITE: I appreciate that, your
24 Honor. I just don't want to get to a point where
25 there's other conversation, inside conversation

1 that's not in this record that might relate to
2 information provided.

3 Q. Okay. But you would agree that the legacy
4 costs created, as we said, a large portion of the
5 costs in Dr. Pearce's KDP-2 exhibit?

6 A. That was my answer I just gave, yes.

7 Q. Okay. All right. So I'm going to refer
8 to Sierra Club -- to OCC Exhibit 1 in this hearing
9 which was the Exhibit KDP-2-2 of Dr. Pearce's
10 testimony. And I know that was from the first day of
11 the hearing, so I brought extra copies for people.

12 A. So I can keep it straight you are
13 referring to this as OCC Exhibit 2?

14 Q. Yeah. It was attached to Dr. Pearce's
15 testimony as Exhibit KDP-2. I believe you were just
16 referring to it, sir.

17 A. I was, yes.

18 Q. OCC had it as an exhibit in the hearing
19 and they referred to it as an OCC Exhibit 1.

20 A. Exhibit 1. Okay. Thank you.

21 MR. SATTERWHITE: Just so we're clear,
22 it's attached to Mr. Pearce's testimony, so you can
23 also find it as KDP-2 to his testimony, right?

24 MS. HENRY: Yeah.

25 MR. SATTERWHITE: Got you.

1 Q. (By Ms. Henry) Okay. So if you look at
2 the weather normalized case which is the base
3 characterization, correct? Dr. Pearce projects that
4 the costs that will flow through the PPA rider
5 through just 2024 are \$11.6 billion; is that correct?

6 A. First, I don't know that I would agree
7 that it's a base case, because I don't know that the
8 weather normalized cases represents the most-likely
9 outcome of the proceeding -- or of the scenarios we
10 have here.

11 The weather normalized case in the total
12 column has several values. One is the PJM revenues,
13 excluding PJM capacity performance, that's
14 \$11,000,644,000; those are revenues. And then it has
15 costs of \$11,000,613,000, for a net customer credit
16 of \$31 million over that period.

17 MS. HENRY: Your Honor, I ask to strike.
18 We are only looking at costs.

19 We are going to take each one of them in
20 turn, if that's okay with you, sir.

21 So I am asking right now, we are talking
22 about the costs. So my question is looking at
23 Dr. Pearce's KDP-2. So I would like to strike all of
24 the elements of his answer that weren't responsive to
25 my question.

1 MR. SATTERWHITE: If I may, your Honor.
2 She pointed him to a weather normalized case, made an
3 assumption about that being a certain type of case,
4 so he had to correct her on that about the base case
5 or not. And then he was referring to the numbers on
6 the side and what was represented to what he was
7 looking at, so I think it's appropriate.

8 EXAMINER PARROT: All right. I'm going to
9 deny the motion to strike. But let's, as we walk
10 through this, let's kind of take it one piece at a
11 time. I think that will help me.

12 THE WITNESS: Okay.

13 Q. Okay. So if we are just looking at the
14 cost side of things, sir, and the weather -- absent
15 the weather normalized case, Dr. Pearce projects
16 \$11.6 billion in costs that would pass through the
17 rider through 2024?

18 A. No. The rider passes through the net, so
19 the rider would pass through the \$31 million net.

20 Q. And in that calculation the costs that
21 would be part of that is the \$11.6 billion; is that
22 correct, sir?

23 A. That would be the cost element of the
24 calculation, but it's not passed through the rider.

25 Q. Okay. All right. Now, if we look at the

1 average high and low case, that has a cost estimate
2 of \$11.2 billion; is that correct?

3 A. The line "Agreement Costs, including CO-2
4 tax" is 11 billion 275 million.

5 Q. So AEP is requesting a prudence
6 determination for passing through a large portion of
7 that 11.6 or 11.2 billion dollars that Dr. Pearce
8 estimates ratepayers would be part -- would be part
9 of the PPA rider; is that correct?

10 A. No, that's not correct.

11 Q. Okay. I thought we just established that
12 the legacy costs were a large portion of the costs
13 identified in Dr. Pearce's KDP-2; is that correct?

14 A. We talked about that they were a large
15 portion of the costs that would be included in his
16 analysis, yes.

17 Q. And the costs in Mr. Pearce's analysis
18 are -- are the costs identified in Mr. Pearce's
19 analysis the 11.2 and the 11.6 values we just
20 discussed?

21 A. And that's where I struggle when I look at
22 this. We talked about legacy costs. When I think
23 about the impact of legacy costs in his analysis and
24 being a large component, they're a large component of
25 the starting point which is the 2016 data. As we

1 move forward and new capital investments are made,
2 new coal contracts are entered into, new O&M
3 decisions are made about spending, each one of those
4 types of things will be subject to Commission
5 prudence review.

6 So in 2016, a large portion of the row
7 titled "Agreement Costs" would be related to legacy
8 costs because most of those decisions related to
9 those costs have already been made.

10 As we move out in time after that, many of
11 those decisions have not been made like -- like O&M
12 for instance. O&M decisions are made on an annual
13 basis. We will come up with a new O&M budget. So
14 none of those decisions would be subject to this
15 initial prudence review.

16 Q. And do you think those O&M costs would be
17 considered a large portion of this?

18 A. O&M cost is a portion of the operation of
19 a coal plant, absolutely.

20 Q. Okay. How much, sir?

21 A. You would have to look at Mr. Pearce's
22 workpapers, but O&M costs for a coal plant can be
23 pretty substantial.

24 Q. Do you know what portion of the costs are
25 legacy costs for 2020?

1 A. I do not.

2 Q. In Mr. Pearce's, what portion are legacy
3 cost, sir?

4 A. I don't have that calculation as we sit
5 here today.

6 Q. Let's look at 2022, sir. What portion of
7 those are legacy costs?

8 A. Those portions -- those legacy costs would
9 be the legacy costs we described. What the value of
10 each one of those is each year out, is data that's
11 available to the parties. We can look at it. It's
12 an analysis that could be performed. I don't know if
13 a party asked for it in discovery. I can't do that
14 calculation as we sit here on the stand. It is
15 clearly a calculation, with the experience I have, I
16 could do if it was necessary, but nobody asked for it
17 in the past. And I don't have it, as we sit here, to
18 identify that calculation.

19 But it's really just taking that capital
20 that exists today, locking that down, looking at what
21 it's depreciated value is over time, the debt
22 component associated with that carrying cost,
23 depreciation of the like, identifying that element,
24 and then looking at the coal contracts that already
25 exist, separating that out, that's a piece.

1 But I don't have a specific analysis that
2 can tell you in 2020, \$600 million of the costs are
3 related to legacy costs, but there is an element and
4 it's a calculation that could be performed.

5 Q. So you are requesting -- I mean, AEP Ohio
6 is requesting an upfront prudence review of legacy
7 costs, correct?

8 A. We are.

9 Q. Yes. And my question to you, sir, is when
10 we had a conversation about how can I estimate what
11 those legacy costs are, you said a large portion of
12 the costs are presented in Dr. Pearce's Exhibit
13 KDP-2, correct?

14 A. It's a large portion of the starting point
15 for 2016.

16 Q. I believe -- was that qualifier provided
17 when -- during your deposition, sir?

18 MR. SATTERWHITE: Objection, your Honor.
19 We are asking again about what happened at the
20 deposition. And I'll also point out we are asking
21 about numbers --

22 MS. HENRY: Was that qualifier provided?

23 MR. SATTERWHITE: May I finish my
24 objection? I would appreciate it. We are talking
25 about the deposition again, which really isn't a

1 proper question for today. And we are getting into
2 deeper numbers that are in Mr. Pearce's testimony,
3 and Mr. Allen is trying to explain what he
4 understands of this, but if we get closer and closer
5 to what's exactly in those numbers, that's a question
6 to Mr. Pearce.

7 EXAMINER PARROT: Ms. Henry, I think you
8 were starting to rephrase your question.

9 Q. Let's go about it this way. Do you think
10 AEP Ohio has an obligation to actually tell the
11 Commission the number, the actual number that they're
12 seeking preapproval for? I would like preapproval
13 for \$11 billion. Do they have an obligation to
14 actually let them know what they want preapproval
15 for?

16 A. I'm sorry. Is there a question there?

17 Q. Yeah. Is there -- do you believe that AEP
18 Ohio has an obligation to let the Commission know the
19 value or the number assigned to the legacy cost
20 category that they are seeking preapproval for?

21 A. We've done that in this providing. We've
22 provided the coal contracts would be part of the
23 legacy and we've also provided the net book values on
24 the books and records of the company for the
25 Commission to make that review. So you are asking do

1 we have an obligation to let the Commission know what
2 those costs are in those legacy costs, and we've done
3 that.

4 Q. And am I correct that -- am I correct that
5 there are -- that there are no labor contracts in the
6 record, sir?

7 A. I don't know what all has been presented
8 in the thousand discovery responses. I apologize.

9 Q. Can you verify that every single legacy
10 cost has been presented as a discovery response?

11 A. The company has responded to the discovery
12 requests of the parties in the case.

13 Q. And I am asking you a different question,
14 sir. My question is: Has the company actually
15 provided -- can you verify that they have provided
16 every single contract that's part of this legacy cost
17 category?

18 A. We responded to, as I indicated, over a
19 thousand discovery responses. I don't know
20 everything that we provided. I know we provided coal
21 contracts. And I know we provided the net book value
22 of the plants and responded to different requests of
23 all the parties.

24 Q. Okay. So if I look at your application, I
25 see that it requests preapproval of those legacy

1 costs; is that correct?

2 A. I have to look at the application but what
3 we are seeking is a prudence decision and approval of
4 those legacy costs, yes.

5 Q. Okay. And does this state how much those
6 legacy costs are estimated to be?

7 MR. SATTERWHITE: Objection, your Honor.
8 Now we are just arguing with the witness.

9 MS. HENRY: I'm asking about the
10 application --

11 MR. SATTERWHITE: Can I finish my
12 objection when I speak each time and I am sure the
13 Bench will give you an opportunity to respond to what
14 I say.

15 Your Honor, we are arguing now with the
16 witness. He stated what's been provided, his
17 understanding of what has been provided in discovery,
18 if anybody had a question about anything that was
19 provided, he had an answer to it. Now he is just
20 going back and forth asking the same question,
21 rehashing 15 questions.

22 EXAMINER PARROT: Response?

23 MS. HENRY: I believe we were talking
24 about his testimony. Now I am referring to AEP
25 Ohio's application. AEP Ohio's application asked for

1 preapproval of these costs. I wanted to see, does
2 application -- is the application transparent in the
3 sense that the Commissioners could read this and know
4 what's the value of this legacy cost category that
5 they are seeking preapproval for.

6 EXAMINER PARROT: I am going to overrule
7 the objection.

8 And you can answer, Mr. Allen.

9 A. The application along with the included
10 testimony and the rest of the record in the case,
11 including the discovery responses that had been
12 provided to staff for their review, provides the
13 Commission with sufficient transparency to see what
14 costs and contracts the company is seeking an upfront
15 prudence review of, related to the legacy costs, yes,
16 it does.

17 Q. Okay. And have you run or calculated what
18 the legacy costs would be for any year of the PPA?

19 A. I have not.

20 Q. Now, if I look at KDP-2.

21 A. Okay.

22 Q. So the way that I read this, essentially
23 that in exchange for AEP Ohio and its ratepayers
24 agreeing to take on that 11.2 or \$11.6 billion
25 obligation over the next nine years and three months,

1 they could possibly make up for that with revenues
2 and those revenues are projected to give a
3 \$574 million net to customers, correct, and that's in
4 nominal dollars.

5 A. No, they are not taking on that
6 obligation. What this proposal is about is the
7 company is signing a PPA with AEP Generation
8 Resources. There are costs associated with that PPA.
9 In exchange for that contract, AEP Ohio will have the
10 energy, capacity, ancillary services associated with
11 those units that they can sell into the market to
12 provide a physical hedge -- or a hedge for rates for
13 customers.

14 Q. And, again, sir, my question is if I am
15 looking at KDP-2 my understanding of the rider is
16 there is the costs and there is the revenues and then
17 the difference goes to the customers, correct?

18 MR. SATTERWHITE: Objection. She stated
19 the exact same question and the witness said no,
20 you're wrong, and here is how it works so.

21 MS. HENRY: And I believe that --

22 MR. SATTERWHITE: She is just saying my
23 understanding is, just like she said before, my
24 understanding is this, and the witness has already
25 said you're wrong and here is the application of it.

1 Q. Let's look on your testimony, sir. Let's
2 look at Attachment 1.

3 A. I'm there.

4 Q. Okay. So the net PPA rider credit or
5 charge is calculated based on this exhibit, correct?

6 A. Yes.

7 Q. Okay. Now, if I was going to look at
8 the -- at lines 5 through -- 5 through 7 and totaled
9 on 8, sir. Do you see that?

10 A. Yes.

11 Q. Were those -- would those be kind of the
12 costs of keeping the PPA units operating? Can I just
13 generally refer to those as the costs?

14 A. They are the costs associated with
15 operating and dispatching the units into PJM.

16 Q. Okay. And if I refer to lines 1 through 3
17 which are totaled on line 4, those would be the
18 revenues, correct?

19 A. Those are the revenues associated with
20 that same dispatch into PJM, yes.

21 Q. And the way that the net rider is
22 calculated is that you look at the revenues and you
23 look at the costs and then the net rider impact is
24 the difference between the two, correct?

25 A. The PPA rider is the net between those

1 two, yes.

2 Q. Okay. Now, if I am looking at Mr. -- at
3 KDP-2, I believe that the way that -- if I am looking
4 at -- if I am looking at this and let's choose --
5 let's choose the average high and low forecast, am I
6 correct?

7 A. That's a good forecast, yes.

8 Q. Okay. So I'm seeing that the -- the first
9 line "PJM revenues, excluding PJM Capacity
10 Performance," that projects \$11.8 billion in revenue,
11 correct?

12 A. Yes.

13 Q. Okay. And then the "Agreement Costs" they
14 project \$11.2 billion in costs; is that correct?

15 A. Those are the costs associated with the
16 revenues that you see on the line above, yes.

17 Q. Yes, okay. So my question is that the
18 customers are taking on those obligations to incur
19 those costs with the expectation that the revenues
20 will exceed those costs, based on these projections,
21 correct?

22 A. There's two pieces there. One, there is
23 an expectation that the revenues will exceed the
24 costs. The piece that I think you're missing is that
25 the agreement costs are a function of the revenues.

1 They are not separate and apart from each other. The
2 costs -- a large portion of those costs only exist
3 because of the revenues generated on the line above.

4 Q. Okay. So if I am looking at Dr. Pearce's
5 thing, you look at the revenues and then you look at
6 the costs and that's how he comes up with the
7 574 million, correct?

8 A. Yes.

9 Q. And that's the projected net benefit of
10 it, correct?

11 A. That's correct.

12 Q. Okay. So I'm assuming that because AEP --
13 AEP Ohio's expectation is that AEP Ohio and AEP Ohio
14 ratepayers are going to assume that the PPA -- that
15 we are going -- that those costs that they would pay
16 would be offset by those revenues, correct?

17 A. No, that's not correct. So let me step
18 back because I think we have confusion here.

19 When you run a power plant, okay, we will
20 go back to how the real world works. When we run a
21 power plant, you only incur costs for things like
22 fuel and large portions of the O&M if the units are
23 dispatching and creating revenues. So the revenues
24 are what create the dispatch, okay, that dispatch
25 revenues, that's what creates the costs. The costs

1 flow with the revenues. You can't have -- I can't
2 assume these costs without putting them in the
3 perspective of the revenues that are creating those
4 costs.

5 Q. Understood, sir.

6 MR. OLIKER: Could I have the answer read
7 back, please? I'm sorry.

8 (Record read.)

9 Q. Sir, if you look -- let's look at the PJM
10 revenue -- I'm sorry. If you look at the agreement
11 costs for the high case, what are the agreement costs
12 for the high case there?

13 A. The costs in, say, 2016 are --

14 Q. Total.

15 A. -- \$1,000,058,000 related to the revenue
16 of \$1,271,000,000 on the line above.

17 Q. All right. Let's do this. If I look at
18 the agreement costs including CO-2 tax for the
19 5-percent higher load forecast, the total is 11.9 --
20 \$11.946 billion, correct, sir?

21 A. That's the cost associated with the
22 revenues above, yes.

23 Q. Now, let's go down to the next line, the
24 agreement costs under the average high and low load
25 forecasts including CO-2 price for the total for 2024

1 is 11.2 -- \$11.271 billion, correct?

2 A. That's the cost associated with the
3 revenues on the line above, yes.

4 Q. Correct. Now, let's go down to the next
5 one. So the weather normalized case. You see there
6 that the agreement costs including CO-2 tax for the
7 weather normalized case is \$11.6 billion; is that
8 correct, sir?

9 A. Those are the costs associated with the
10 revenues above, yes.

11 Q. Okay. So when we were just having a
12 discussion about how costs are -- is linked to
13 revenue, it's kind of how the costs change under each
14 different forecast, correct, sir?

15 A. No.

16 Q. Why are these costs changing with the
17 different forecasts?

18 A. The costs are changing with the different
19 forecasts because the total dispatch, so there's a
20 delta in dispatch between these two scenarios, that
21 delta in dispatch is what creates the delta in
22 agreement costs. The costs are driven by the
23 underlying dispatch so there is a certain level of
24 dispatch that's occurring in all these scenarios and
25 that's what the revenues are creating. Each one of

1 these scenarios is moving the price marginally up or
2 down.

3 To the extent that those prices in the
4 market don't change the hours that a unit dispatches
5 in a year or in a day or a month, to the extent those
6 changes in market prices don't change that dispatch,
7 it has a very small impact on the cost of operating
8 those units.

9 So the -- these units operate a large
10 number of times because they're below the market,
11 their costs. And that same set of hours is existing
12 in many of these scenarios. But it's important to
13 recognize you can't incur the costs if PJM doesn't
14 dispatch the units, and that's the revenues in the
15 line above.

16 Q. And only a portion of the costs are
17 variable costs, correct, sir?

18 A. Fuel, which is a very large component of
19 the costs for a coal plant, would be one of those and
20 there is a variable component of O&M, yes.

21 Q. Okay. And a significant portion of the
22 costs are fixed costs and that would be incurred
23 regardless of whether the units operate, correct?

24 A. A portion of the costs are fixed in the
25 long-term and a portion of the costs are fixed in the

1 short run, but variable in the long term.

2 Q. And, Dr. Pearce's modeling, it looked at
3 the variations in fuel costs, his modeling looked at
4 all of these different variables, correct?

5 A. It did. It would have incorporated the
6 effects of the variable cost of fuel and O&M.

7 Q. And that's what projected here in these
8 different variations, sir?

9 A. His analysis is included here, yes.

10 Q. Now, if I am looking at KDP-2 -- KDP-2
11 under the average high and low forecasts, that's
12 where the projection is that the ratepayers would
13 make 574 million, correct?

14 A. That would be the net benefit over the
15 period, yes.

16 Q. Okay. Now, that's based on the 2013
17 fundamental forecast, correct?

18 A. Yes.

19 Q. Okay. Now, you worked with Mr. Bletzacker
20 when he was preparing his testimony that was filed in
21 May of 2015, correct?

22 A. Yes.

23 Q. And you asked him if he had done a new
24 fundamental forecast when you were working with him
25 in preparing his testimony, correct?

1 A. Yes. And his answer was that one had not
2 been completed.

3 Q. What was his full answer, sir?

4 A. That one had not been completed.

5 Q. Isn't it correct that you knew he was
6 updating the fundamental forecast but you don't
7 recall when the forecast was completed?

8 A. You know, Karl is always -- I'm sorry,
9 Company Witness Bletzacker is always evaluating his
10 forecast. And he's looking at when to update a
11 forecast. And as a normal course of the process when
12 we do regulatory, it would be a practice to go ask
13 Mr. Bletzacker if he completed a new forecast, and he
14 indicated he was working on one but it wasn't
15 complete yet. That would be the normal course of
16 business.

17 When he told me it was, you know,
18 partially complete or when he was working on it, I'm
19 sorry, I don't know. It's not complete until it's
20 blessed by senior management as the forecast. And
21 when we made the filing or when we were completing
22 the filing, it was not final.

23 Q. Okay. So when you -- let me refer you to
24 your deposition, sir.

25 A. Which page?

1 Q. It is going to be 105.

2 A. I am there.

3 Q. Okay. And if I -- if I review lines 3
4 through 10.

5 A. I see that.

6 Q. Okay. So you're saying that your
7 recollection is that it wasn't a completed forecast,
8 correct?

9 A. That's what I just stated here, yes.

10 Q. And then you state that if one had been
11 completed before testimony was filed, you didn't
12 know, correct?

13 A. That's correct.

14 Q. And it may have been completed and -- it
15 may have been completed but it was -- but you weren't
16 sure.

17 A. No. I don't think I said it may have been
18 completed. I said if it had been completed, just
19 prior to the filing, we may not have incorporated it
20 because we had a filing schedule that we were
21 addressing.

22 Q. Sir, it says if he completed one --

23 MR. SATTERWHITE: Objection, your Honor.
24 She's again -- she's asking the witness the question
25 but saying did we talk about something before and is

1 this what you said. Ask the witness the question and
2 see if -- see what the answer you get is. If it's
3 different, maybe then it's proper to use the
4 deposition, which I don't think these are
5 inconsistent so I don't think it's proper.

6 Q. So you're not sure if he completed it
7 before the May 15 filing deadline -- or the May 15
8 day that the testimony was filed, correct?

9 A. As we sit here today, I know that he
10 didn't complete the forecast before the filing. When
11 we were preparing the filing, I would have asked him
12 at some time before the filing and asked him, "Do you
13 have a completed forecast?"

14 The answer is "No."

15 So we went forward, did our filing. But I
16 can tell you as I sit here today, there was not a
17 completed fundamentals forecast at the time we filed
18 this case.

19 Q. Sir, I mean I was here for
20 Mr. Bletzacker's cross-examination. I don't remember
21 him recalling when the fundamental forecast was
22 finalized.

23 MR. SATTERWHITE: Objection. That's not a
24 question.

25 Q. Is your recollection different?

1 EXAMINER PARROT: Let's try that again,
2 Ms. Henry.

3 Q. Were you here when Mr. Bletzacker
4 testified?

5 A. I was in and out of the room at different
6 times.

7 Q. Are you aware that Mr. Bletzacker
8 testified he doesn't recall when the fundamental
9 forecast was finalized?

10 A. I don't know what he stated.

11 Q. Do you know the date that the fundamental
12 forecast was finalized?

13 A. I know that the first filing that we
14 utilized the fundamentals forecast was the APCo
15 integrated resource plan. Until we use a
16 fundamentals forecast, and senior management has
17 reviewed the impact of that fundamentals forecast on
18 different scenarios like we were looking at an IRP,
19 it's not complete.

20 When we look at those, as an example, when
21 we were doing the recent IRP, we looked at the data
22 from our prior IRP to the new one, and it pushed out
23 all of the solar facilities we were looking to build.
24 We, as a management team, step back and said that's a
25 training result. We need to understand what's

1 causing that.

2 When things like that happen, we look at
3 the fundamentals to see if there is something wrong
4 with those fundamentals. So until senior management
5 looks at the results of a fundamentals forecast and
6 how it impacts things like resource planning, it's
7 not final.

8 MS. HENRY: So my question was -- I move
9 to strike. It was nonresponsive. I asked him if he
10 knew when and he said -- he did not answer it.

11 MR. SATTERWHITE: Your Honor, she is
12 trying to say where you here when Mr. Bletzacker was
13 here.

14 MS. HENRY: I asked the question --

15 MR. SATTERWHITE: If I can finish again, I
16 would just appreciate it. She's confused what
17 happened with Mr. Bletzacker because I think the
18 record will show he is consistent with what Mr. Allen
19 said. Mr. Allen is explaining how a forecast is -- a
20 fundamental forecast becomes finalized and when it's
21 used. It's right on point for the question and she's
22 jumping around here.

23 MS. HENRY: I believe I specifically said
24 can you tell me the date that it was finalized and I
25 don't believe he could.

1 MR. SATTERWHITE: No, I believe she said
2 were you here when Mr. Bletzacker, couldn't say, and
3 Mr. Bletzacker --

4 MS. HENRY: And then --

5 MR. SATTERWHITE: Again, let me finish.
6 As the testimony says, he did say it was finalized
7 after May 15. She is misrepresenting the testimony
8 of that previously and trying to get this witness to
9 say something. This witness has discussed what he
10 knows and what the process is to provide that context
11 for the Commission.

12 MS. HENRY: I believe that Attorney
13 Examiner Parrot asked me to rephrase and I rephrased
14 it and asked a very simple question. Can you, sir,
15 tell me the date that it was finally identified.

16 EXAMINER PARROT: I am going to deny the
17 motion to strike, but I am going to direct you,
18 Mr. Allen, to answer. That's a very direct question
19 that was put to you, so let's get a direct answer in
20 response, please.

21 A. The fundamentals forecast would have been
22 completed on or about the date that the company's
23 Virginia IRP was completed which I think was July 1.

24 Q. That's the best of your -- that's the best
25 of your knowledge, sir?

1 A. Generally we would finalize an analysis
2 like that maybe two to three weeks before an IRP
3 filing. If we were to find a mistake that we needed
4 to correct, it would take about that amount of time
5 to get it incorporated. So it would be sometime
6 fairly near to when we made that IRP filing.

7 You know, senior management within AEP is
8 very busy. We do lots of cases. So oftentimes we
9 are getting to these at the last minute. So we are
10 finalizing these as we get closer to the filing
11 dates. We are not doing it six months ahead of the
12 filing.

13 Q. During your deposition, you and I had a
14 lengthy discussion about whether the new fundamental
15 forecast that was being developed should have been
16 included in AEP's application. Do you remember that,
17 sir?

18 A. It was a pretty long deposition.

19 Q. Do you happen to remember having a
20 discussion with me about the 2015 fundamental
21 forecast and whether AEP Ohio should have
22 incorporated it into its testimony?

23 MR. SATTERWHITE: Objection, relevance.
24 When a conversation was had in a deposition doesn't
25 matter.

1 MS. HENRY: I am asking him -- I can
2 refresh his memory if you would like.

3 EXAMINER PARROT: I am going to allow this
4 particular question but we will see where it goes. I
5 remember discussion of a 2015 forecast in the
6 fundamentals forecast, but I don't recall the
7 specifics.

8 Q. Okay. During your deposition you provided
9 a number of reasons why AEP Ohio should not have
10 updated its analysis to reflect the new fundamentals
11 forecast; is that correct?

12 MR. SATTERWHITE: Your Honor, objection.
13 If she is going to refer to it as a cross document,
14 she needs to give the witness at least -- it's
15 improper but she could at least give the witness a
16 page number.

17 Q. Sure. Can you look at your deposition,
18 pages 105 to 112.

19 MR. SATTERWHITE: If she is going to ask a
20 question about seven pages, maybe he needs a chance
21 to read that.

22 A. I mean I can read it or we can just ask
23 questions about it.

24 Q. I am going to ask questions about it, but
25 you can refer to those pages, sir. I can always give

1 you line and page citations if you like.

2 So you provided a number of reasons in
3 this deposition. I just want to kind of talk about
4 each of them, in turn, okay? So I am going to refer
5 to your deposition on page 105, lines 11 through 24.
6 Are you okay?

7 A. Yes.

8 Q. And is it correct that you believe that
9 AEP Ohio did not have to incorporate a new
10 fundamentals forecast because the data from the prior
11 forecast had already been provided to the parties who
12 had moved along the path of understanding the
13 company's proposal, correct?

14 A. It's based on a false assumption that it
15 had been completed in April of 2015.

16 Q. And so my question is if we have a new
17 fundamental forecast that could impact the rider,
18 does AEP have an obligation to consider that and
19 present that information?

20 A. The company did present that information
21 in response to discovery, yes, we did.

22 Q. You have not done a detailed analysis of
23 the differences between the 2013 and 2015 fundamental
24 forecast, correct?

25 A. That's correct. That probably would be

1 better for Company Witness Bletzacker.

2 Q. And you assume -- can you refer to your
3 deposition on page 247, lines 1 through 12.

4 A. Yes.

5 Q. And you assumed that the 2015 forecast was
6 within a reasonable range based on your discussions
7 you had with Mr. Bletzacker and Mr. Pearce, correct?

8 A. Yes.

9 Q. Okay. And can you refer to your
10 deposition on page 106, line 24, through page 112?

11 A. Sorry. You are going to have to mention
12 those.

13 Q. Page 106, starting on line 24.

14 A. Okay.

15 Q. Okay. And we were talking about whether
16 the company has an obligation to incorporate
17 significant changes in capacity and energy prices in
18 their testimony, correct?

19 A. Can you reread the question, please?

20 Q. Sure. I can state it this way: You
21 believe that the company does not necessarily need to
22 incorporate a significant change in capacity and
23 energy prices in its testimony, correct?

24 A. The company's filing was made a year ago
25 at this point and then in May, so the company's not

1 obligated to update all of the analyses and its
2 testimony and its case every time a single element
3 changes. But the company, as is the normal course,
4 we do provide the data that would be informative to
5 the other parties in discovery and we did that in
6 this case.

7 MS. HENRY: Okay. I would like to mark as
8 Sierra Club Exhibit 30 the Rebuttal Testimony of
9 William A. Allen in Support of AEP Ohio's Electric
10 Security Plan, Case Nos. 13-2385 and 13-2386 on June
11 20, 2014.

12 EXAMINER PARROT: So marked.

13 (EXHIBIT MARKED FOR IDENTIFICATION.)

14 Q. Is this -- is this your rebuttal testimony
15 in support of AEP Ohio's Electric Security Plan which
16 was filed in Case Nos. 13-2385 and 13-2386?

17 A. It appears to be.

18 Q. And are you familiar with this testimony?

19 A. I wrote it. So yes.

20 Q. Would that be a "yes"? So this is the
21 testimony that you presented to the Commission in the
22 ESP III, case, correct?

23 A. In case 2385, yes.

24 Q. Can you refer to page 6 lines 9 through
25 11.

1 A. I see that.

2 Q. Okay. And you critique OCC's Witness
3 Wilson's use of a certain forecast under -- as a new
4 forecast as part of the record; is that correct?

5 A. Yes. And you have to read a little more
6 detail of that one, as it's continued on lines 8
7 through 10 on page 7. The critique is dealing with
8 the use of most current forecast data available at
9 the time of the filing. That's the distinction here.
10 The company didn't have any fundamentals forecast
11 when we made the filing. In this case, Witness
12 Wilson did have that data available to him at the
13 time he prepared his testimony and he failed to
14 incorporate it. That's what my critique is.

15 Q. Now, you state -- now, let's --

16 MS. HENRY: Motion to strike the
17 additional information. We are going to get there in
18 turn. I asked one question.

19 MR. SATTERWHITE: Your Honor, she asked
20 you critiqued him because a new forecast was part of
21 the record. He said here is the reason why I
22 critiqued him. So it was an open-ended question.

23 EXAMINER PARROT: I agree,
24 Mr. Satterwhite. The motion is denied.

25 Q. You say that OCC Witness Wilson was aware

1 of the new forecast because it was issued in
2 discovery, correct?

3 A. It was issued in discovery prior to when
4 he prepared his testimony, yes.

5 Q. Okay. And you state that OCC Witness
6 Wilson's failure to use the current forecast resulted
7 in an overstatement of the PPA rider over the term of
8 the ESP, correct?

9 A. Based on him not using the data that was
10 available to him that was final and complete, yes.

11 Q. Okay. And here, AEP Ohio similarly failed
12 to use the current forecast, correct?

13 A. The company prepared our case -- I'm
14 sorry. Which case are you talking about? Let's
15 start over. I'm sorry.

16 Q. This docket, sir. The one that we are
17 talking about today --

18 A. No. The company did use the most
19 currently available data at the time we made our
20 filing.

21 Q. Okay. I believe that you say you don't
22 know if Mr. Bletzacker finalized it before the
23 testimony was filed.

24 A. No. As we sit here today, I do know that
25 he did not finalize it until after we filed our case.

1 When we prepared our testimony, I wasn't sure if he
2 may have finalized it at the last minute. And as we
3 went through the deposition, I wasn't aware of
4 whether he had finished it after we had our
5 discussion.

6 Subsequent to my deposition, I've had
7 discussions with individuals within the company,
8 looked at data available, saw different things that
9 folks had brought up about when the data was used in
10 the Virginia IRP and things, and I now know for
11 certain-y that that data was not finalized prior to
12 the company filing this case.

13 Q. So you are changing your testimony from
14 the deposition, sir?

15 MR. SATTERWHITE: Objection, your Honor.

16 EXAMINER PARROT: Overruled.

17 A. I am not changing my deposition testimony
18 at all. The statements I made in my deposition were
19 true and accurate at the time you took my deposition.
20 Subsequent to my deposition I went and verified when
21 these had been completed and it was completed after
22 the company filed our case.

23 Q. And can you produce a document that shows
24 when that fundamental forecast was finalized?

25 A. I don't have a document that identifies

1 the date. What I do know is it was completed after
2 the company finalized this case. It would have
3 been -- or after the company filed this case. It
4 would have been near to the time that the company
5 filed our Virginia IRP. There's not a specific date
6 that the company, you know, puts out a press release
7 that says we've updated our fundamental forecast on
8 June 9.

9 The fundamental forecast exists as a
10 draft. People review it and critique it. At a
11 certain point it begins to be used as the final
12 forecast of the company and the one that the
13 company's relying on. At the time we made the
14 filing, the fundamental forecast for 2015 had not
15 achieved that state and was not final.

16 Q. You think that the company -- do you think
17 that AEP Ohio should have evaluated whether the new
18 fundamental forecast -- let's assume it was finalized
19 after you filed your testimony, okay? Let me
20 rephrase. Let's assume it was finalized after, okay?
21 Do you think AEP Ohio should have updated its
22 testimony to talk about the net impact on the
23 expected value of the rider?

24 A. No.

25 Q. Why?

1 A. The company is obligated, as it goes
2 through the process, to make sure it provides
3 information informative to the other parties as we go
4 through the process. And what we did, we provided
5 that information that was informative to the parties
6 which is the discovery requests. We provided that to
7 those parties.

8 Q. So in this case AEP Ohio is requesting
9 proceed -- a prudency determination for a large value
10 of money, correct?

11 A. We're requesting a prudence decision
12 related to the costs and contracts that we requested
13 in this case. Whether it's large or small is in the
14 eye of the beholder.

15 Q. Would you consider an \$11 million dollar
16 -- in the range of \$11 million over 10 years to be
17 considered large?

18 MR. SATTERWHITE: Objection, your Honor.
19 The witness has already testified he can't accept the
20 one figure without the other. She is trying to take
21 an isolated number and not accept the testimony he's
22 already stated about the revenues that were
23 associated with it.

24 MS. HENRY: I am going to connect them in
25 my next question.

1 MR. SATTERWHITE: We'd just appreciate
2 that since they are connected in the beginning, that
3 they are connected from the start.

4 EXAMINER PARROT: I am going to direct you
5 to answer, Mr. Allen, and you may answer as you need
6 to.

7 A. The \$11 billion figure you reference is
8 not the legacy costs that the company is seeking
9 prudence approval in this case.

10 Q. There are costs -- there are -- Dr. Pearce
11 presents a cost projection for -- correct?

12 A. He does.

13 Q. And that cost projection would be offset
14 by the revenues generated by these units, correct?

15 A. As I indicated before, the revenues are
16 what create the costs.

17 Q. Okay. And the revenues created by this
18 cost, they were based on a 2013 fundamentals
19 forecast, correct?

20 A. I think you got it flipped around a little
21 bit, but the revenues that we present in this case
22 are related to the fundamentals forecast that we
23 include in the case which is the 2013 fundamentals as
24 well as the underlying costs for those units that
25 also had the same data from the fundamentals forecast

1 so you have to recognize these things go hand in
2 hand. These costs for these units include elements
3 like coal costs. Those coal costs come from the
4 fundamentals forecast. The market prices come from
5 the fundamentals forecast.

6 You have to make sure you keep these
7 forecasts "tightly joined," as Mr. Bletzacker likes
8 to say, so that all of the elements of the forecasts
9 are consistent with each other so that you have got
10 the same vintage and underlying elements of a
11 fundamentals forecast driving your costs as you do
12 driving your revenues.

13 Q. Do you think given what's at stake with
14 this proceeding that AEP Ohio should have updated its
15 testimony to reflect the 2015 fundamental forecast?

16 A. The company isn't obligated to update its
17 testimony late in the process but the company does
18 provide responsive discovery responses to the parties
19 so the parties can incorporate that analysis as they
20 see fit.

21 Q. So the AEP Ohio's only obligation is to
22 respond to discovery that satisfies the obligation?

23 A. I'm not a lawyer so I am going to speak in
24 a regulatory perspective that is the company's
25 obligation in the vast majority of states we operate

1 in. It's not to rerun analysis based upon the whims
2 of the parties. It's to make sure that we provide
3 the data that the company has that the other parties
4 can utilize it in evaluating and the Commission in
5 evaluating the company's proposal and we have
6 provided all of that data in discovery.

7 MS. HENRY: Okay. I would like to mark as
8 Sierra Club Exhibit 31 a copy of the order from
9 Kentucky Public Service Commission, "In the Matter of
10 an Examination of the Application of the Fuel
11 Adjustment Clause of Kentucky Power Company from
12 November 1, 2013 through April 30, 2014," and Case
13 No. 2014-00225.

14 EXAMINER PARROT: So marked.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 Q. Kentucky Power Company is an AEP regulated
17 subsidiary, correct?

18 A. It is.

19 Q. Okay. I've just handed you an order from
20 a proceeding before the Kentucky Public Service
21 Commission. Were you a witness in this proceeding?

22 A. I was.

23 Q. Okay. And the Kentucky Commission had
24 previously approved Kentucky Power's acquisition of
25 the Mitchell station, correct?

1 A. Yes.

2 Q. Okay. And the Kentucky Commission's
3 approval was based in no small part on the
4 stipulation that the Mitchell acquisition would
5 result in significant fuel savings to Kentucky
6 ratepayers, correct?

7 A. Which it did, yes.

8 Q. Okay. Now, Kentucky Power claimed that
9 the small impact was a function of the then-claimed
10 \$16.75 million in annual fuel savings, correct?

11 A. It was based on an estimate of the fuel
12 savings as calculated at the request of the Kentucky
13 Commission staff --

14 Q. Okay.

15 A. -- using the methodology that they
16 requested specifically.

17 Q. And this number was later revised to show
18 a \$38.252 million annual costs once the no-load costs
19 were included; is that correct?

20 A. No, that's not correct.

21 Q. Let's look to, I am looking on page 9.

22 A. I'm there.

23 Q. Does it say in the first paragraph that
24 "the revised exhibit shows 38.25 million in 'annual
25 no-load costs' related to the Mitchell station"?

1 A. It does state that.

2 Q. Okay. And you agree with that?

3 A. I agree that that's the number that was
4 included in the revised exhibit. The revised exhibit
5 was not a, what I would say a complete view of the
6 fuel cost impact. It was an isolated impact of the
7 no-load costs without looking at the extra benefits
8 that were received by avoiding market purchases by
9 Kentucky Power customers at that period.

10 Q. So let's refer to page 9. The second full
11 paragraph and then let's look at footnote No. 25.

12 A. I see that.

13 Q. Isn't it correct that the Kentucky
14 Commission criticizes Kentucky Power for not
15 disclosing this information even though Witness
16 William Allen testified that he had been aware of the
17 no-load cost allocation for years and had
18 participated in the settlement discussions in the
19 Mitchell case, correct?

20 MR. SATTERWHITE: Your Honor, I'll now
21 object to the assertion that she can say what the
22 Commission was thinking. The words can speak for
23 themselves, but to the extent the question talks
24 about criticizing, that's inappropriate.

25 EXAMINER PARROT: I am going to overrule

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1 the objection.

2 A. The Commission stated that they were
3 unaware of these no-load costs. You know, I hate to
4 bad talk a Commission especially in open court, but I
5 will. The former rate director for Kentucky Power
6 was at the negotiating table with Kentucky Power. He
7 represented the Commission's staff in that proceeding
8 because that's where he worked at the time. He was
9 the one that specifically requested the analysis
10 methodology that the company proposed. This
11 individual that has been with the company for nearly
12 40 years clearly was aware of no-load costs, as was
13 I.

14 The intent of the analysis we presented
15 was to give the Commission a sense of the fuel cost
16 savings that would exist for the totality of the
17 period that the Mitchell asset was transferred which
18 is beyond when Big Sandy was there.

19 I know this is going to bore folks, but I
20 want to make sure the record is clear on this.

21 The Commission misapplied the data that
22 had been presented to them. They misunderstood the
23 data. I can't fix that.

24 In that hearing I presented testimony,
25 along with others, that showed that the customers got

1 a greater benefit than what we had talked about in
2 the settlement. It was a win-win. Ms. Cohn's
3 clients were there. They were winners in this case.

4 So the fact that the Commission misstated
5 what they -- or misunderstood things is something I
6 can't fix. Is it something that we think is
7 important to make sure that commissions trust the
8 transparency of everything we do? Absolutely.
9 That's something I'm responsible for. I take care of
10 that. I make sure it happens.

11 Subsequently, we appealed this ruling.
12 The Commission staff and the Commission accepted that
13 settlement which provided significant benefits to the
14 company in exchange with -- in exchange for
15 withdrawing the appeal in this case. So you may want
16 to point out this piece of paper and say that the
17 Commission had a perception that the company wasn't
18 transparent.

19 The company was 100-percent transparent.
20 We continue to be. We have a very good relationship
21 with this Commission today in Kentucky. And I just
22 settled a case with them recently. The Commission
23 relied on me significantly in that.

24 Q. Are you the same William Allen the
25 Commission is referring to in footnote No. 25?

1 A. I am.

2 Q. On page 9? And did the Commission find,
3 and I am going to quote here, "It is incomprehensible
4 to the Commission how information this significant,
5 resulting in costs of this magnitude could have been
6 overlooked by Kentucky Power in the Mitchell Case,"
7 correct?

8 A. That's what they state but they were
9 wrong.

10 Q. So you disagree with the Commission's
11 order, I understand that, but --

12 A. Absolutely.

13 Q. Okay. Now, the Commission went on to
14 hold, am I correct, that transparency is critical and
15 indeed one of the touchstone principles in the
16 regulatory process, correct?

17 A. It is.

18 Q. Okay. And the Commission also went on to
19 hold that the failure of Kentucky Power to disclose
20 this information in the Mitchell case is a matter of
21 great concern to the Commission, correct?

22 A. That was their statement but they were
23 wrong.

24 Q. Now, what amount of money were we dealing
25 with this fuel -- with this no load fuel cost?

1 A. It kind of depends on how you think about
2 it. It was a transfer of a -- if I remember, a
3 \$600 million asset.

4 Q. I believe they were talking about the
5 \$38.252 million annual no-load and the \$16.75 million
6 in annual fuel savings, so we are dealing with a less
7 than \$50 million cost; is that correct?

8 A. Those are numbers that they state in
9 their -- in their order.

10 Q. Okay. So the numbers that they state are
11 those numbers, correct?

12 MR. SATTERWHITE: I will object, your
13 Honor, for clarification. I think she is referring
14 to the fuel cost of this case, but the testimony --
15 or the Commission order that she has been reading has
16 been talking about a previous Mitchell case. So I am
17 not sure what you are talking about. Are you talking
18 about the fuel adjustment clause proceedings or are
19 you talking about what was at issue in the prior
20 case?

21 MS. HENRY: I am talking about what's at
22 issue with their lack of transparency. It's the
23 difference between 62.75 -- the difference that they
24 are talking about is the \$16.75 million in annual
25 fuel savings that was originally presented versus the

1 new number of the 38.252 million.

2 A. No. You are misstating it. And it's a
3 very complicated case. We can rehash it. If you
4 want to sit here for an hour, we can talk about the
5 details of it. But I don't know that it's relevant
6 to what we are talking about here today.

7 Q. The court found that -- that if we are
8 looking on page No. 12 -- sorry, page 13. Does it --
9 does the Commission state that the four months of the
10 Overlap Period that fall in the review period of
11 January of 2014 through April of 2014, the amount of
12 the disallowance for Mitchell no-load costs is 13
13 million; is that correct?

14 A. It is.

15 Q. Okay. And the Commission when they --
16 when they -- when they criticized your actions for a
17 lack of transparency, they were criticizing it for
18 the overlap period, correct? Of how the -- how that
19 cost was treated during the overlap period; is that
20 correct?

21 A. No. And this is why I have real problems
22 with the Commission's order in this case is that
23 we've been using the same allocation methodology for
24 I think it's 50 years. The fact that during the
25 polar vortex, the period we are talking about right

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1 here, that because of the way those units operated,
2 costs were incurred by customers, their rates went
3 up, Kentucky Power earned a significant amount of
4 money, but at the same time customers paid much less
5 than they would have paid if the Mitchell assets had
6 not been transferred. Those are the facts that
7 existed at the time.

8 What this relates to is that the
9 Commission, at the end of the day, I am just going to
10 guess what happened, but the result is that the deal
11 that we had in settlement where the company, Kentucky
12 Power, took on a significant amount of risk related
13 to markets for a 17-month period, that deal was
14 re-traded, and the Commission disallowed a
15 significant amount of costs so that customers weren't
16 harmed at the time that the polar vortex costs were
17 coming through to their customers, and Kentucky Power
18 would have earned significant amounts of money.

19 And in the settlement, the company wasn't
20 expecting to earn those kinds of dollars, and none of
21 the parties expected it. So what this order did is
22 really tried to put the parties to the case back in
23 the place they expected when they made the
24 settlement, not related to the actual terms of the
25 settlement where individual parties were taking on

1 different levels of risk.

2 Q. And just to confirm, sir, the Commission
3 did not agree that Kentucky Power's actions were
4 reasonable, correct, in its order?

5 A. It may state that, but if you are going to
6 point to transparency, the Commission based on the
7 last settlement discussions we had with the
8 Commission and the order we got, the Commission does
9 not believe that Kentucky Power is not a transparent
10 company.

11 What this really relates to is a
12 misunderstanding of facts and results that were
13 different than folks would have expected. I couldn't
14 have forecasted the polar vortex and come up with an
15 impact in that as we sat in the settlement discussion
16 six or eight months prior to that.

17 Q. Could you refer to page 11, and when you
18 are looking at No. 1, it says "For the entire
19 17-month Overlap Period, the disallowance will total
20 approximately \$54 million"; is that correct?

21 A. Yes.

22 Q. And this is -- this is the amount that the
23 Commission -- if you refer back to page 9, I'm sorry,
24 page 10 -- actually, I meant to refer you to page 9,
25 the last sentence where it says "It is

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1 incomprehensible to the Commission how information
2 this significant, resulting in costs of this
3 magnitude, could have been overlooked by Kentucky
4 Power" company. The costs that are of that
5 magnitude, that's the \$54 million they are referring
6 to in this opinion, correct?

7 A. Those -- no, they are not. Actually what
8 this is referring to in the -- on page 9 is the total
9 no-load cost which included both the Mitchell and Big
10 Sandy units. What the Commission disallowed was the
11 no-load costs related to the Mitchell unit.

12 What's important to recognize is that in
13 the current fuel proceedings in Kentucky, the
14 Commission allows the no-load costs for Mitchell. So
15 the Commission recognizes that what the company was
16 doing was appropriate before we entered into the
17 settlement and after we entered into the settlement.
18 There was an impact to rates that were unexpected by
19 the Commission and the Commission disgorged some of
20 the profits of Kentucky Power at that time. That's
21 what happened.

22 Q. Do you think -- do you think the handling
23 of the disclosure of the new fundamental forecast
24 that was done in this case meets the tenets of
25 transparency that the Kentucky Commission found was

1 the touchstone principle of the regulatory process?

2 A. Absolutely.

3 Q. Why?

4 A. Because we provided the data to all the
5 parties in the case so they could review it and make
6 their own judgments about its importance and the
7 Commission staff has access to it.

8 Q. So providing that information on a
9 September 1 discovery response, that's the only
10 obligation that AEP Ohio has?

11 A. The company wasn't hiding the data. The
12 company presented it to the parties when they asked
13 for it. That's the obligation we have and we shared
14 it. And there are parties -- I will finish -- that
15 presented testimony in this case that had different
16 views of the market than our fundamentals forecast.
17 So there is nothing by the company's completing a
18 fundamentals forecast after the filing of our case
19 that we presented in discovery that in any way
20 disadvantaged the parties from making their own view
21 of what they thought the markets were going to be in
22 the future.

23 Q. And I am saying that since -- my
24 understanding is that AEP Ohio wants to enter into a
25 regulatory compact with AEP Ohio ratepayers and my

1 question is do you think that you should have
2 analyzed -- do you think that your level of
3 transparency should have been increased given the
4 length of time of this PPA and what's at stake?

5 MR. SATTERWHITE: Your Honor, I am going
6 object now. We are just arguing with the witness.
7 We have asked this question I believe in each segment
8 we have gone through here.

9 EXAMINER PARROT: I'll allow this one, but
10 I am kind of agreeing here. I think we are beating a
11 dead horse at this point. So let's answer this and
12 kind of move on, I think.

13 MR. SATTERWHITE: Would you have the
14 question reread, please.

15 EXAMINER PARROT: Do you want the question
16 reread?

17 (Record read.)

18 A. I think the company's presented completely
19 transparent data to the parties and the Commission.

20 Q. You were here when Mr. Vegas testified,
21 correct?

22 A. I may not have been here for the entirety
23 but most of it.

24 Q. Do you remember that Mr. Vegas testified
25 that he did not hear about the existence of the new

1 fundamentals forecast until the Thursday before the
2 hearing started here, sir?

3 A. I don't know with specificity that he made
4 that statement.

5 Q. Do you know when Mr. Vegas became aware of
6 this new fundamental forecast?

7 A. I do not.

8 Q. Did you tell Mr. Vegas about this new
9 fundamental forecast?

10 A. Not that I recall.

11 Q. Now, Mr. Vegas represents the buyer in the
12 affiliate PPA, correct?

13 A. Yes.

14 Q. Don't you think you should have let
15 Mr. Vegas know about the new fundamental forecast
16 considering that he is the buyer in this situation?

17 MR. SATTERWHITE: Objection, your Honor.
18 The horse is not only dead, it's like de-limbed and
19 everything else. We are happy to have the witness
20 answer substantive questions about what we are
21 dealing with in this case. We are kind of retreading
22 the same old ground of what was important and who
23 told somebody when. I think it's inappropriate at
24 this point. She could have asked Mr. Vegas certain
25 questions.

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1 MS. HENRY: I did ask Mr. Vegas. He said
2 he didn't know about the forecast until the Thursday
3 beforehand. My question to him was whether --

4 MR. SATTERWHITE: Let me finish.

5 MS. HENRY: -- that was appropriate.

6 MR. SATTERWHITE: This witness has already
7 testified why the data that was provided was
8 relevant, why the data that was provided in discovery
9 was relevant to the parties, and now she is just
10 arguing with the witness, trying to, I guess, assert
11 her brief, right now, with her arguments. It's not
12 adding anything to the record at this point.

13 MS. HENRY: I would just add that my --
14 before I was talking about ratepayers. Now I am
15 talking about the buyer, AEP Ohio, and whether you
16 should have told AEP Ohio about this new fundamental
17 forecast that you --

18 MR. SATTERWHITE: Your Honor, I will ask
19 her to address the Bench and not the witness.

20 MS. FLEISHER: Your Honor, if I could just
21 add in one issue that's relevant to this case is
22 Ohio's corporate separation requirements and whether
23 the proposed PPA agreements are consistent with
24 those. And as part of that, I think it's certainly
25 important to know whether the interaction between the

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1 corporate units of AEP, you know, reflected the
2 requirements of Ohio law and whether there is full
3 knowledge among all the AEP corporate entities
4 regarding relevant facts.

5 MR. SATTERWHITE: Your Honor, I am not
6 sure -- that issue doesn't even apply here, I don't
7 think. So I am not sure how that enters into it.

8 I think the question is do we need to talk
9 about who knew what at what point. This witness has
10 testified what he thinks the relevance of the 2015
11 forecast is. Why the 2013 was appropriate. What was
12 provided in discovery. And we seem to be just going
13 down the tentacles of the same question over and over
14 again, just introducing a new preface.

15 EXAMINER PARROT: I think I am going to
16 allow the question that's on the table at this point.

17 MR. SATTERWHITE: Thank you.

18 EXAMINER PARROT: See where we go.

19 THE WITNESS: Can you reread it, please?

20 (Record read.)

21 A. Mr. Vegas is not my supervisor. It's not
22 my responsibility in my normal course of business to
23 identify data that's coming from our corporate
24 group's that Mr. Vegas may or may not be aware of and
25 what he needs to be brought up to speed about it.

1 And so I didn't know whether he had it or not. We
2 had presented it in discovery. You know, he may have
3 seen it in some of the transactions there. I don't
4 sit in on all the same meetings that Company witness
5 Vegas does to know if he had that information
6 already.

7 Q. Did you or somebody from AEP Service
8 Corporation preface your dealings with Mr. Vegas with
9 a "buyer beware" warning?

10 MR. SATTERWHITE: Objection, your Honor.
11 Now, we are arguing -- again, we are back to the
12 point they are trying to establish, which is
13 inappropriate, making judgments about the different
14 forecasts. There's no evidence that "buyer beware"
15 would be necessary here. He has already testified
16 what his role was interacting with AEP Ohio and the
17 access AEP Ohio has and he is not responsible for
18 holding everyone's hand.

19 EXAMINER PARROT: I am going to allow the
20 question.

21 THE WITNESS: Can you reread the question,
22 please.

23 (Record read.)

24 A. It would have been inappropriate to do
25 such and we did not. And unnecessary.

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1 MS. HENRY: Your Honor, I am done with
2 this section. If you want, I can begin my next
3 section or we can break for lunch.

4 MR. SATTERWHITE: How much more do you
5 think you have?

6 EXAMINER PARROT: How much longer?

7 MS. HENRY: Maybe half an hour. It's up
8 to you.

9 MR. SATTERWHITE: Are we off the record?

10 EXAMINER PARROT: Let's go off the record.

11 (Discussion off the record.)

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

14 Go ahead, Ms. Henry.

15 Q. (By Ms. Henry) Okay. Can you refer to
16 your amended direct testimony on page 12, lines 4
17 through 7.

18 A. I'm there.

19 Q. Okay. You state that the "premature
20 retirement of these units included in the Affiliate
21 PPA...would need to modify and upgrade the
22 transmission system in Ohio and surrounding states at
23 a cost of \$1.6 billion, correct?

24 A. I'm sorry. I think you may have had the
25 line numbers wrong, but that's lines 19 through 21.

1 Q. I might have. Let me check. Yes, I'm
2 sorry, sir, lines 19 through 21.

3 A. I'm there.

4 Q. Okay. So on page 12, lines 19 through 21,
5 you state that the "premature retirement of these
6 units included in the Affiliate PPA...would need to
7 modify and upgrade the transmission system in Ohio
8 and surrounding states at a cost of \$1.6 billion,"
9 correct?

10 A. Yes, that's correct.

11 Q. Okay. And you rely on Mr. Bradish's
12 testimony in his transmission modeling as the basis
13 of your belief that the 1.6 billion in transmission
14 system upgrades would be needed, correct?

15 A. That's correct.

16 Q. You did not review Mr. Bradish's modeling,
17 correct?

18 A. I did not. He's a relied-upon expert
19 within the company.

20 Q. You don't have -- you don't have any
21 experience with modeling of transmission grid
22 reliability, correct?

23 A. Correct.

24 Q. And you do not have any experience
25 assessing what specific investment may be needed to

1 address transmission reliability, correct?

2 A. Correct.

3 Q. And the numbers that you provided today as
4 updates to your testimony, do you remember those,
5 sir?

6 A. I do.

7 Q. And all of those updates that you gave are
8 based on Mr. Bradish's \$1.6 billion cost estimate,
9 correct?

10 A. They are based on his \$1.6 billion cost
11 estimate, correct.

12 Q. Okay. Now, you were involved in deciding
13 which units were taken offline in Mr. Bradish's
14 transmission reliability study, correct?

15 A. I was involved in those discussions, yes.

16 Q. Okay. So that was you, Mr. Vegas, and
17 Mr. Munczinski and legal counsel, as a group you
18 provided Mr. Bradish with requests about which units
19 to assume retire in your reliability analysis,
20 correct?

21 A. We had discussions about which units to
22 include in the reliability analysis, that's correct.

23 Q. Okay. And did you, Mr. -- did you,
24 Mr. Vegas and Mr. Munczinski and legal counsel as a
25 group also provide Mr. Bradish with direction on what

1 year to assume that those units retire?

2 A. I don't recall if we assumed -- if we
3 directed or gave direction on which year, but it
4 would have been 2019.

5 Q. Okay. So Mr. Bradish assumed that all the
6 PPA rider units were retired in 2019, correct?

7 A. Yes.

8 Q. And there was no discussion to do a
9 reliability analysis that looked at a subset of the
10 PPA rider units, correct?

11 A. That's correct.

12 Q. Now, AEP Generation, they only exclusively
13 own Cardinal units 1 and Conesville units 5 and 6,
14 correct?

15 A. That sounds correct.

16 Q. Okay. And the other PPA rider units,
17 Kyger Creek units 1 through 5, Clifty units 1 through
18 6, Stuart units 1 through 4, and Zimmer unit 1, they
19 are all co-owned, correct?

20 A. That's correct.

21 Q. And AEP Generation or AEP Ohio could not
22 unilaterally decide to retire any of those co-owned
23 units, correct?

24 A. They can't unilaterally dictate that the
25 units be retired but in some cases they can prevent

1 the retirement of those units.

2 Q. So any retirement decisions regarding
3 co-owned units, they are going to be made jointly with
4 the other co-owners, correct?

5 A. That's a difficult question. It's -- a
6 decision to retire requires all of the owners, is my
7 understanding, but any one owner can prevent the
8 retirement.

9 Q. Okay, okay. Now, if the Commission does
10 not approve inclusion of the affiliate PPA in the
11 rider, you don't know for sure whether AEP Generation
12 would retire any of the PPA units, correct?

13 A. That's correct. The probability
14 increases, but it is not a certainty.

15 Q. Okay. And if the Commission does not
16 approve the rider, you don't know whether AEP
17 Generation would sell any of the PPA units, correct?

18 A. The company's made public statements about
19 our intent, but that's all that I know.

20 Q. So do you know which units AEP Generation
21 plans to sell if the rider is not approved?

22 A. I think there have been public discussions
23 that the company's evaluating the sale of all of the
24 units.

25 Q. Okay. So if the Commission does not

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1 approve the OVEC entitlement in the PPA rider do you
2 know whether OVEC would retire any of the OVEC units?

3 A. I don't know. A large portion of OVEC is
4 addressed in this rider and the companion rider that
5 FirstEnergy is proposing, so you would have two large
6 owners that could have an influence on that vote.

7 Q. In reaching the \$1.6 billion figure,
8 Mr. Bradish assumed that the PPA units were retired,
9 correct, all of them?

10 A. Yes.

11 Q. Okay. And in reaching this \$1.6 billion
12 Mr. Bradish also assumed that an additional 11,800
13 megawatts were retired for compliance with the Clean
14 Power Plan, correct?

15 A. I don't know with specificity. He was
16 here to testify on those matters.

17 Q. You know generally though that
18 Mr. Bradish's analysis included a retirement of the
19 Clean Power Plan units, correct?

20 A. Yes. As a baseline to see what the impact
21 would be of retiring these units, yes.

22 Q. Okay. You state that the premature
23 retirement of these units included -- and the
24 affiliate PPA would need to modify and upgrade the
25 transmission system in Ohio and surrounding states at

1 a cost of \$1.6 billion, correct? You state that in
2 your testimony.

3 A. I do.

4 Q. And your testimony does not identify the
5 fact that this \$1.6 billion figure is also based on
6 the assumption that 11,800 megawatts of generating
7 units would retire in 2019 due to the Clean Power
8 Plan, in addition to the retirement of the PPA units,
9 correct?

10 MR. SATTERWHITE: Objection, your Honor.
11 Mr. Bradish -- I know Ms. Henry wasn't here, but
12 Mr. Bradish discussed this at length as to reasons
13 why that was included in his testimony. I think it's
14 inappropriate to ask this witness those level of
15 details.

16 MS. HENRY: This witness, on page, if I
17 may, your Honor, on page 12, lines 4 through 7, has a
18 direct quote where he states the premature
19 retirement. These units included in the affiliate
20 PPA would need to modify and upgrade the transmission
21 system in Ohio and surrounding states at a cost of
22 \$1.6 billion. And my question asked about his
23 testimony.

24 MR. SATTERWHITE: My point, your Honor,
25 this was at issue yesterday with Mr. Bradish and he

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1 was the appropriate witness. She wasn't here she can
2 read the transcript and see what the answer is. I
3 don't think this witness is the one to respond to it.

4 EXAMINER PARROT: To the extent you can
5 answer the question, Mr. Allen, please do so.

6 A. Okay. So we'll take it up to the
7 50,000-foot level and I know Witness Bradish spoke
8 about it in detail. When he did his modeling, he
9 started with the scenario that the Clean Power Plan
10 retirements would happen and then he said what is the
11 cost impact of retiring these PPA units and the cost
12 impact of that was 1.6 billion.

13 What his analysis didn't do, and this may
14 be some of the confusion that I am hearing, the
15 1.6 billion isn't related to resolving all of the
16 transmission issues related to the Clean Power Plan
17 retirements. Some of those are from Presque Isle in
18 Michigan and things.

19 What his analysis was doing was looking at
20 the impact of these specific retirements with the
21 starting point that the Clean Power Plan units were
22 retired so we had a grid that was in a certain state
23 when these units retired. It's not the cost of the
24 Clean Power Plan retirements, it's the cost related
25 to these units.

1 Q. But your testimony did not identify what
2 the starting point was for this estimate, correct?

3 A. That's what was described by Company
4 Witness Bradish and I have given you my testimony
5 today explaining it. We have answered it in
6 discovery so people can see what the premise is.

7 You have to look at what the real
8 transmission grid looks like or an assumption of what
9 that transmission grid is going to look like at the
10 point in time you retire units to understand the
11 impact of those units retirements.

12 The transmission upgrades that are
13 necessary related to a unit retirement change
14 depending upon what the underlying assumptions are
15 about other units in the area that may have retired
16 and the loadings are that are on the system at that
17 time.

18 So you have to look at the reality of
19 retiring plants that are expected to be retired
20 first. And then you overlay this to see what the
21 impact of this incremental retirement is on the grid
22 and that's what we've done.

23 Q. And do you know when -- final compliance
24 with the Clean Power Plan is 2030, correct?

25 A. It has initial implementation in 2022 with

1 some -- I think there are some credits for early
2 actions that can happen in the 2020 timeframe.

3 Q. And the final compliance period is 2030,
4 correct?

5 A. There's -- we had Company Witness McManus
6 that could talk about it in detail. When I look at
7 the fact that the EPA has requirements starting in
8 2020, that's when I have to start taking action.
9 From a regulatory perspective, 2022 is the date that
10 I am thinking about. And when we filed it would have
11 been 2020 which is the date that the -- that the EPA
12 had in their initial filing or in their initial draft
13 rules.

14 Q. Let's start with economic development,
15 sir. Through your coursework and through your work
16 experience you've learned how important it is to look
17 at consequences both positive and negative of
18 decisions in order to fully analyze the impact of
19 those decision, correct?

20 A. I think we all do that, yes.

21 Q. Okay. And identifying those negative
22 consequences you said is based on judgment and
23 experience, correct?

24 A. Yes.

25 Q. Okay. And when you were at school, you

1 were taught to handle uncertainty, when doing an
2 economic analysis, is to identify a range of
3 potential outcomes, correct?

4 A. In uncertain analysis, a range of outcomes
5 is a reasonable way to look at it and that's what we
6 did in KDP-2.

7 Q. Right. Now, you directed Dr. Holliday to
8 look at the economic impact of the PPA units and the
9 OVEC units on the Ohio economy, correct?

10 A. Yes, I did.

11 Q. Okay. And you did not direct Dr. Holliday
12 to consider the negative consequences associated with
13 the rider because you did not think it was necessary,
14 correct?

15 A. I don't believe that there are negative
16 consequences with the rider; I think positive
17 consequences. But Dr. Holliday's analysis was
18 focused on the economic impact of those plants in
19 those communities and in the State of Ohio. It
20 wasn't intended to look at the PPA rider. The
21 analysis of the PPA rider and its benefits are
22 included in other testimony that we have in this
23 case.

24 Q. And hypothetically speaking if the net
25 impact of the PPA rider over a 10-year analysis

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1 period would lead to a \$2 billion cost to ratepayers,
2 you don't believe that this would have impacted
3 Dr. Holliday's economic analysis, correct?

4 A. As I just indicated, that's not an element
5 that is included in Dr. Holliday's analysis, but if
6 you're looking at the PPA rider being a cost as
7 compared to what the company's included in KDP-2,
8 what you have to recognize is that the same time that
9 that rider is becoming a cost, customers are also
10 seeing the benefit of low energy prices in the
11 market. That's what's creating a cost for the PPA
12 rider. So customers are receiving a benefit through
13 lower energy prices that is slightly offset by a PPA
14 charge, so there would be a benefit in that scenario.

15 Q. And you believe there are no negative
16 consequences that would impact Dr. Holliday's
17 economic analysis, correct?

18 A. I can't think of a positive benefit, okay,
19 to retiring coal plants and the loss of those jobs
20 that those families and communities are relying upon.
21 I cannot think of a positive consequence of that.

22 Q. Okay. And can you think of a negative
23 consequence that would impact Dr. Holliday's economic
24 analysis?

25 A. Well, the negative consequences that

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1 Dr. Holliday analyzed for me is the impact of
2 shutting the plants down. That's the negative
3 consequence. If you shut the plants down, there's a
4 substantial harm to these communities in the State of
5 Ohio.

6 Q. How customers respond to increased rates
7 depends on the price elasticity of demand, correct?

8 A. Yes.

9 Q. And the price elasticity is defined as the
10 change in demand per unit change in price, correct?

11 A. Sounds right.

12 Q. Okay. And elasticity essentially measures
13 how much customers respond to changes in demand based
14 on changes in price, correct?

15 A. Yes.

16 Q. So hypothetically speaking, if the net
17 impact of the PPA rider over a 10-year period would
18 lead to a \$2 billion cost to ratepayers, you would
19 not have had Dr. Holliday measure the price -- the
20 price elasticity of demand, correct?

21 A. First, we will start with the premise. I
22 don't believe there is a \$2 billion cost. But
23 Dr. Holliday's analysis, and I don't know how many
24 times to say it, wasn't focused on this element. It
25 was looking at the economic benefit of having these

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1 plants continue to operate. It's not based on the
2 PPA rider. That's an analysis that is included in
3 Company Witness Pearce's testimony that I talk about
4 when I do the customer rate impact on page 13 of my
5 testimony.

6 Q. So you don't think it would have been
7 important to look -- to look at or measure the price
8 elasticity of demand from a possible rate increase,
9 correct?

10 A. Not in this case, no.

11 Q. And you don't think it would have been
12 important information to present to the Commission
13 about the price elasticity of demand from a possible
14 rate increase, correct?

15 A. Not in this case, no.

16 Q. And you did not -- you did not analyze or
17 direct Dr. Holliday to analyze the price elasticity
18 of demand for AEP's Ohio largest rate customers,
19 correct, largest industrial customers, correct?

20 MR. SATTERWHITE: Objection, your Honor.
21 I think the witness has stated over and over again
22 the limited scope and purpose of what Mr. Holliday
23 has done. Now, I mean, she can ask the question, he
24 didn't ask Mr. Holliday to look at the sales of
25 Dr. Suess's book in kindergarten classes in this

1 plant, did you? It has the same amount of relevance
2 to what this witness has said the purpose of his
3 testimony was for.

4 MS. HENRY: I take offense that price
5 elasticity of demand is entirely related to rate
6 increases; whereas, Dr. Suess's books are not related
7 to increases in rates.

8 MR. SATTERWHITE: Your Honor, if I may,
9 that shows she has completely missed the point. The
10 witness has said multiple times the purpose of
11 Dr. Holliday's study was to see the impact of the
12 plants if the plants were not there in those
13 communities. She is trying to take that analysis
14 that Dr. Holliday did and apply it to something else
15 in the case and that's inappropriate and that's the
16 basis of my objection.

17 MS. HENRY: Then I am going to show how
18 that could actually impact all of this.

19 MS. BOJKO: Your Honor, I have an
20 objection if you would -- if I may be heard.

21 EXAMINER PARROT: What?

22 MS. BOJKO: I think that when you do an
23 economic development impact study, which is the exact
24 thing that Dr. Holliday purports to do and Mr. Allen
25 is supporting over our objections, asking whether a

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1 witness considered certain inputs and outputs of an
2 economic development model is very germane and very
3 important to this case including the effects of what
4 the company's proposal will and will not have on
5 other economic activities in the region and in the
6 state.

7 MR. SATTERWHITE: And, your Honor, I think
8 all of those just proved the point of what I am
9 saying, they are trying to apply this to the limited
10 factor and not what it was intended to be applied to.
11 We keep getting these questions trying to apply in
12 other areas. My objection is I don't think we need
13 to keep going down that road.

14 MS. HENRY: And Mr. Allen has said he
15 doesn't believe that they need to look at them.
16 There is no negative consequences, and I hope to
17 establish through a series of questions there are
18 possible negative consequences that would impact the
19 end result.

20 MR. SATTERWHITE: They could have provided
21 their own witness to do their own economic analysis
22 to go beyond the economic analysis that was done in
23 this case.

24 EXAMINER PARROT: I am going to overrule
25 your objection, Mr. Satterwhite. Do you need -- I'm

1 sorry. Do you need us to read the question again at
2 this point?

3 THE WITNESS: Yes, please. Thanks.

4 (Record read.)

5 A. That's correct, for the reasons I stated
6 before.

7 Q. If AEP Ohio's largest industrial customers
8 saw a large rate increase, is it possible that
9 negative consequences could flow?

10 A. Yes. And that's the purpose behind the
11 company's PPA rider proposal is to help mitigate
12 those price spikes that some of our largest customers
13 could see in that if the PPA rider didn't exist.

14 Q. And the negative consequences include
15 having to sell their product for more money or
16 earning less money, correct?

17 A. I am losing what the negative consequences
18 are related to. It sounds like a partial question.
19 Sorry.

20 Q. I'm -- we can strike that one. It's fine
21 for now. Do you know how much AEP Ohio's largest
22 industrial customers pay in taxes annually?

23 A. I do not.

24 Q. Okay. Do you know how -- do you know if
25 AEP Ohio -- you don't know if AEP Ohio's largest

1 industrial customers would install cogeneration in
2 response to a rate increase, correct?

3 A. I don't know.

4 Q. Okay. You did not analyze or direct
5 Dr. Holliday to analyze the price elasticities of
6 demand of AEP Ohio's largest commercial customers,
7 correct?

8 A. I did not.

9 Q. You don't know how many people are
10 employed by AEP Ohio's largest commercial customers,
11 correct?

12 A. That's correct.

13 Q. And you don't know the median income of
14 Ohio's largest customers, correct?

15 A. That's correct.

16 Q. And you don't know how much AEP Ohio's
17 largest commercial customers pay in taxes annually,
18 correct?

19 A. That's correct.

20 Q. And hypothetically speaking if there were
21 a \$2 million rate increase that would flow through
22 the PPA rider, you do not believe -- you believe that
23 the only obligation that AEP Ohio has to these rate
24 classes is to provide them with the new forecasts in
25 discovery, correct?

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1 A. AEP Ohio's largest customers, commercial,
2 industrial, or residential customers, are all
3 represented here in this proceeding and the
4 Commission's staff is looking out for the customers
5 of the company. That is what the regulatory process
6 is about is to bring together proposals by the
7 company that we think provide benefits to our
8 customers and to the State of Ohio and the parties
9 can evaluate those on behalf of their clients, those
10 representatives are here today, and the Commission
11 can evaluate that to make a decision about whether or
12 not the proposal has a total benefit to customers,
13 the company, which is important, and the State of
14 Ohio, those are all very important things. The
15 Commission has to weigh all of those, and the
16 obligation of the company is to present data to those
17 individuals that are here today and the Commission so
18 they can make informed decisions.

19 As part of the regulatory process, we
20 don't expect every one of our customers to review the
21 data in our filings. That's why we have groups like
22 the Ohio Consumers' Counsel to help residential
23 customers so they can do that and that's what we are
24 doing here today. So I think we've met our
25 obligation to make sure that the data necessary for

1 our customers to have a positive long-term result I
2 think we have done what we need to do here.

3 Q. Now, Dr. Holliday analyzed the economic
4 benefits to the Ohio economy associated with coal
5 consumed by OVEC and AEP Generation units, correct?

6 A. Yes.

7 Q. Do you know -- you don't know which mines
8 OVEC buys its coal from, correct?

9 A. I do not.

10 Q. You do not know which mines AEP Generation
11 buys its coal from, correct?

12 A. I would be speculating.

13 Q. All right. And you don't know if these
14 mines sell their coal to any other buyers, correct?

15 A. No.

16 Q. And can you refer to page 3 of Exhibit
17 WAA-3.

18 A. Okay.

19 Q. Actually I might have the wrong number.
20 Let me just check. And if I look on page 3, last
21 sentence, last paragraph, Dr. Holliday states that
22 "without the coal purchases by OVEC the unemployment
23 rate for these counties would be higher and economic
24 well-being for these counties would be diminished,"
25 correct?

1 A. That's exactly the point of what this
2 analysis is trying to show is that significant
3 economic impact of shutting down these plants, yes.

4 Q. And Dr. Holliday assumed in his analysis
5 that if OVEC did not buy the coal -- did not buy this
6 coal, that no other buyer would buy this coal,
7 correct?

8 A. You have to recognize and the reason you
9 would assume that nobody else bought that is that
10 there is a finite set of plants that consume coal.
11 So there's not necessarily an additional buyer out
12 there if OVEC chooses not to buy coal from these
13 mines. And, additionally, coal is not a basic
14 commodity that can be transferred from one plant to
15 another. There are different specs of coal so the
16 coal mined in certain areas, those plants are
17 designed to burn local coal. Their boilers are built
18 that way so just because OVEC shuts down and is no
19 longer buying coal from those mines does not mean
20 there is another buyer out there to take advantage of
21 coal from those mines.

22 MS. HENRY: Motion to strike,
23 nonresponsive.

24 MR. SATTERWHITE: Your Honor, if I may.

25 EXAMINER PARROT: You may.

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1 MR. SATTERWHITE: She asked the question
2 if OVEC did not buy the coal, would another person
3 buy the coal.

4 MS. HENRY: I did not ask that. My
5 question was did he assume that if OVEC did not buy
6 the coal --

7 MR. SATTERWHITE: No other buyer would buy
8 the coal, right. And that's exactly what this is
9 about and talked about what that means. He provided
10 greater context of what was within the report and
11 what the purpose of the report would be.

12 EXAMINER PARROT: Motion to strike is
13 denied.

14 Q. All right. Let's go to your deposition on
15 page 121, lines 7 through 13.

16 A. Sorry. You are going to have to mention
17 that page number again, please.

18 Q. I will have to get there myself. And I am
19 going to refer to line 7 through --

20 A. I'm sorry, what page number, please?

21 Q. Oh, page 121 of the deposition.

22 "Question: Okay. Did you assume in your analysis if
23 OVEC did not buy this coal, that no other buyer would
24 buy this coal?

25 "Mr. Michael: Objection.

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1 "Answer: The analysis assumes that if
2 OVEC did not procure the coal, that the coal wouldn't
3 be procured by another entity, that's correct."

4 A. Yes, that was what I stated.

5 Q. You directed Dr. Hol -- if another entity
6 bought the PPA units, they would probably be required
7 to pay property tax, correct?

8 A. I assume the state would request that,
9 yes.

10 Q. Okay. And you reviewed Mr. Wittine's
11 direct testimony that was filed in this docket,
12 correct?

13 A. Yes.

14 Q. And you are aware that Mr. Wittine
15 discussed the status of six generation plants that
16 are being developed in Ohio, correct?

17 A. I think he talked about construction sites
18 where they are attempting to build plants, yes.

19 Q. Okay. And I didn't -- and you do not --
20 and you do not know or Dr. Holliday does not know how
21 many employees would work at each of these six
22 generation plants; is that correct? I guess let's
23 start with you. You do not know how many employees
24 would work at each of these six generation plants,
25 correct?

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1 A. No.

2 Q. And you do not know what the average
3 salary would be for an employee at each of these six
4 generating plants, correct?

5 A. That's correct.

6 Q. Okay. And you don't know how much the
7 owners of these six generating plants would pay in
8 property tax, correct?

9 A. That's correct.

10 MS. HENRY: No further questions.

11 EXAMINER PARROT: Okay. At this point we
12 will take a break and reconvene at 2:30. Off the
13 record.

14 (Thereupon, at 1:47 p.m., a lunch recess
15 was taken until 2:30 p.m.)

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1 Tuesday Afternoon Session,

2 October 6, 2015.

3 - - -

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

6 Mr. Michael.

7 MR. MICHAEL: Thank you, your Honor.

8 - - -

9 WILLIAM A. ALLEN,
10 being by me first duly sworn, as hereinafter
11 certified, deposes and says as follows:

12 CROSS-EXAMINATION

13 By Mr. Michael:

14 Q. How you are, Mr. Allen?

15 A. Good.

16 Q. You did not direct Dr. Holliday what model
17 to use for the economic impact discussion, correct?

18 A. I did not direct which specific model and
19 software to use, that's correct.

20 Q. Okay. And you did not direct that models
21 other than the economic base theory model be used to
22 forecast the economic impact, correct?

23 A. That's correct.

24 Q. And you did not direct Dr. Holliday to
25 assume that 100 percent of an industry was basic,

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1 right?

2 A. That's correct.

3 Q. And you did not direct Dr. Holliday to
4 assume that 100 percent of an industry was non-basic,
5 correct?

6 A. That's correct.

7 Q. And you did not direct Dr. Holliday to
8 include certain counties in the OVEC economic region,
9 right?

10 A. We did have discussions about which plants
11 and counties to use for the OVEC economic analysis.

12 Q. Okay. But did you not direct Dr. Holliday
13 to include certain counties in the OVEC economic
14 region, right?

15 A. I did not direct him to select specific
16 counties but we discussed them.

17 Q. Okay. And you didn't direct Dr. Holliday
18 to include certain counties in the Cardinal region,
19 right?

20 A. That's right.

21 Q. And you didn't direct Dr. Holliday to
22 include certain counties in the Conesville region,
23 right?

24 A. That's correct.

25 Q. And you didn't direct Dr. Holliday to

1 include certain counties in the Stewart, Zimmer
2 region, right?

3 A. That's correct.

4 Q. And you didn't direct Dr. Holliday to
5 model that 100 percent of the PPA units shutting
6 down, right?

7 A. Make sure I answer the question right
8 because there is a couple negatives in there. I
9 directed Dr. Holliday in his analysis to look at the
10 economic impact of the operation of all of the PPA
11 units and OVEC units.

12 Q. Okay. So you didn't direct him to model
13 less than 100 percent shutting down, right?

14 A. I didn't direct Dr. Holliday to do any
15 analysis assuming the shutdown of the units. What I
16 asked Dr. Holliday to do is analyze the economic
17 impact of the operation of the units.

18 Q. And he -- for the purposes of the economic
19 impact, the implication is that if 100 percent shut
20 down, 100 percent of the benefits wouldn't be
21 available to the local communities anymore, right?

22 A. That's correct. If the plants shut down,
23 the economic benefits that those plants provide would
24 no longer exist.

25 Q. Okay. But you didn't direct him to assume

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1 that less than a hundred percent of the plants shut
2 down over the course of time, right?

3 A. I didn't direct him to do anything with
4 shutdowns, so that would be correct.

5 Q. Okay. You don't consider yourself to be
6 an economist, right, Mr. Allen?

7 A. I am not an economist, but I have dealt
8 with economic issues.

9 Q. Okay. But you don't consider yourself to
10 be an economist, right?

11 MR. SATTERWHITE: Objection, asked and
12 answered.

13 Q. Turn to page 228 of your deposition,
14 Mr. Allen, please, lines 16 through 18.

15 A. I have got a big stack of paper up here so
16 let me organize it.

17 Q. Yeah, take your time.

18 A. 228?

19 Q. Yes, sir. Line 16.

20 A. I'm there.

21 Q. "Question: Okay. Thank you. And are
22 you -- do you consider yourself an economist?"

23 "No."

24 Did I read that correctly?

25 A. You did.

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1 MR. MICHAEL: Okay. I have no further
2 questions, your Honor. Thank you.

3 EXAMINER PARROT: Mr. Oliker?

4 MR. OLIKER: Sure. Thank you, your Honor.

5 - - -

6 CROSS-EXAMINATION

7 By Mr. Oliker:

8 Q. Good afternoon, Mr. Allen. Just a few
9 questions for you today.

10 A. Okay. Good afternoon.

11 Q. Your testimony, and let me try to give you
12 a reference. On page 3, line 19, you indicate "The
13 Company's PPA rider is designed to stabilize customer
14 rates by providing a hedge against market
15 volatility." Now, you would agree that there are
16 circumstances that may exist that would cause the PPA
17 to not necessarily provide a credit as market prices
18 rise.

19 A. The scenarios that I believe would be
20 reasonable would have the PPA rider move in the
21 opposite direction of changes in market prices.

22 MR. OLIKER: Could I have that answer read
23 back, please, Karen.

24 (Record read.)

25 Q. Could you please turn to page 235 of your

1 deposition, Mr. Allen. Let me know when you are
2 there.

3 A. I'm there.

4 Q. And starting on line 11, the question
5 reads: "Would you agree that there are circumstances
6 that may exist that would cause the PPA to not
7 necessarily provide a credit as market prices rise?"

8 "Answer: There are scenarios, but the
9 design is that it moves counter to the market."

10 MR. SATTERWHITE: Your Honor, I'll object,
11 and ask that the whole question be read. He started
12 halfway through it.

13 EXAMINER PARROT: Your response,
14 Mr. Olikar?

15 MR. OLICKER: I can do that, your Honor,
16 but I don't think it's necessary to complete the
17 context of the question.

18 MR. SATTERWHITE: Your Honor, it parrots
19 the exact answer he gave before which he evidently
20 left out.

21 EXAMINER PARROT: All right. Let's go
22 ahead and read the whole question.

23 Q. Okay. Let's start on line 8. "-- you
24 indicate that, as proposed, the PPA Rider should rise
25 in value in a manner that is counter to the market

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1 and as such will increase rate flow for customers," I
2 believe is what it reads. And then "Would you agree
3 that there are circumstances that may exist that
4 would cause the PPA to not necessarily provide a
5 credit as market prices rise?"

6 "Answer: There are scenarios, but the
7 design is it moves counter to the market." Did I
8 read that correctly?

9 A. Yes.

10 Q. Okay. Thank you.

11 And would you agree that if the PPA rider
12 is a charge and the cost of producing electric energy
13 at the PPA-related units rises at the same level as
14 market prices, it will stay a charge, all else being
15 equal?

16 A. Yes.

17 Q. Okay. And I'm sorry to jump around,
18 Mr. Allen. But you had a conversation with Ms. Bojko
19 earlier for the OMA about long-term offers that may
20 exist in the market. Do you remember that
21 conversation?

22 A. I don't recall. Ask the question. We can
23 go through it.

24 Q. Okay. First, you agree not all offers
25 from competitive retail electric service providers

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1 are on the Apples to Apples website? I think we've
2 established that, right?

3 A. I think my response was that I don't know
4 whether they are all included there or not, but from
5 a residential perspective. Commercial and industrial
6 are not there.

7 Q. Okay. Fair enough. Thank you for that
8 clarification.

9 You agree that FirstEnergy Solutions
10 previously offered a seven-year fixed-price offer to
11 residential customers?

12 A. Yes, as a generation owner, it has a
13 physical hedge like we are proposing in the PPA.
14 FirstEnergy did include a seven-year offer which they
15 no longer offer today.

16 Q. Okay. And that was a long-term stable
17 offer, correct?

18 A. No. I think, as there are complaints in
19 front of the Commission today, as I know from
20 personal experience, it may have been portrayed as a
21 long-term stable offer, but it was not stable for a
22 lot of customers that saw charges, during the polar
23 vortex, from FirstEnergy Solutions.

24 Q. Turn to page 240 of your deposition. Let
25 know me know when you are there.

1 A. I'm there.

2 Q. And starting on line 2, question: "Are
3 you aware that FirstEnergy Solutions used to offer a
4 seven-year fixed-price offer?

5 "Answer: Yes.

6 "Question: Would you consider that a
7 long-term stable offer?

8 "Answer: It would be on the longer term
9 and it was stable, so yes." Did I read that
10 correctly?

11 A. I think that's just what I indicated a
12 moment ago --

13 Q. Without your qualification regarding --

14 A. -- how they implemented, correct.

15 Q. Okay. And there are some aggregation
16 contracts that are for seven years; is that correct?

17 A. There are some older aggregation contracts
18 that had longer terms. My review of the Commission
19 website and what's out there for current aggregations
20 that are available to communities is that those are
21 shorter term in nature. The longer-term deals that
22 I've seen are really aligned with some of the
23 long-term deals FirstEnergy Solutions, with a
24 generation hedge obviously, offered to aggregation
25 communities and the 2008, '9, '10 timeframe, but

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1 those offers, I haven't seen those recently.

2 Q. Okay. And sorry to jump around,
3 Mr. Allen, but would you agree you have had no
4 involvement in decisions related to retirement of
5 power plants that operate in a competitive market?

6 A. That's correct.

7 MR. OLIKER: If I could have a minute,
8 your Honor.

9 EXAMINER PARROT: You may.

10 MR. OLIKER: I believe that's all the
11 questions I have. Thank you, Mr. Allen.

12 EXAMINER PARROT: Mr. Darr.

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

14 - - -

15 CROSS-EXAMINATION

16 By Mr. Darr:

17 Q. Let's take a step back. Up to May, 2015,
18 AEP Ohio and AEP Generation Resources were under
19 contract for the provision of power by AEPGR and
20 capacity by AEPGR to AEP Ohio, correct?

21 A. The capacity portion of that arrangement
22 ended in May. The energy portion of that ended in
23 December of 2014, correct.

24 Q. And under that contract, AEPGR received a
25 capacity payment for load related to shopping

1 customers of \$188.88, correct, per megawatt-day?

2 A. Received that payment from AEP Ohio,
3 that's correct.

4 Q. And under that arrangement, AEP Generation
5 Resources also received a payment for what is
6 referred to under the retail rates for AEP Ohio as
7 the "base generation charge"?

8 A. As part of that arrangement, it received
9 all of the base generation revenues, correct.

10 Q. And in addition, for the standard service
11 offer load that was not subject to the auction, AEPGR
12 also received as fuel costs, correct?

13 A. That's correct.

14 Q. And as you indicated, the fuel component
15 of that ended on January 1, 2015, because at that
16 point, all fuel-related charges were covered or
17 energy-related charges of the SSO were covered by the
18 SSO auctions, correct?

19 A. I would say that it ended on December 31st
20 because of the energy coming from the auctions
21 started January 1st. So, other than that, I would
22 agree.

23 Q. And in -- up until May 31, 2015, AEP Ohio
24 was deemed an FRR entity; is that correct?

25 A. AEP Ohio is a member -- as part of the AEP

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1 family of companies was an FRR entity in PJM along
2 with APCo, Kentucky Power, and I&M.

3 Q. And this payment agreement between AEPGR
4 and AEP Ohio was the subject of a FERC-approved
5 contract, correct?

6 A. It was a FERC contract. I can't remember
7 if it was FERC approved, but it's a FERC contract,
8 yes.

9 Q. Subsequent to May 31, 2015, AEP Ohio is no
10 longer deemed to be an FRR entity, correct?

11 A. AEP Ohio, as a non-generating entity,
12 other than its OVEC entitlement, participates both
13 its load and its OVEC entitlement in the RPM market.
14 FRR entities are limited to entities that have both
15 generation and demand.

16 Q. And is AEP Generation Resources subject to
17 the FRR plan of AEP?

18 A. No.

19 Q. So following May 31, 2015, AEP Generation
20 Resources is also participating in the PJM market,
21 correct?

22 A. It's participating in the PJM RPM market,
23 that's correct.

24 Q. Is it also participating in the PJM energy
25 market?

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1 A. It historically has operated in the energy
2 market and continues to operate in that energy
3 market, yes.

4 Q. Is it also participating in the PJM
5 ancillaries market?

6 A. Yes.

7 Q. So as we stand here today, AEP Generation
8 Resources' revenue streams are the result of whatever
9 revenues it realizes out of the PJM capacity, energy,
10 and ancillary markets, correct?

11 A. That's generally correct. They may have a
12 bilateral contract. I don't know but generally it
13 would be related to the PJM market.

14 Q. As far as you're concerned -- as far as
15 you know, the revenue streams available to AEP
16 Generation Resources are limited to those available
17 through the PJM capacity, energy, and ancillary
18 markets, correct?

19 A. I don't think that they're limited to
20 those sources. They may have bilaterals. Those are
21 bilateral contracts. Those are available to them.

22 Q. I understand that.

23 A. I don't know whether or not they have
24 entered into any contracts though.

25 Q. As we sit here today, you are not aware of

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1 any contracts entered into by AEP Generation

2 Resources that are of a bilateral nature, correct?

3 A. I'm neither aware or unaware whether they
4 have the bilateral contracts.

5 Q. It reminds me of a comment a Commission
6 witness said, it was "not unreasonably reasonable."

7 MR. MICHAEL: It's "implicitly explicit,"
8 I think we heard that too.

9 Q. Now, AEP Ohio is currently a sponsoring
10 party of the intercompany agreement with the Ohio
11 Valley Electric Corporation, correct?

12 A. I think they are the sponsoring company.
13 They are a participant in the ICPA, correct.

14 Q. Currently under an obligation to make
15 payments under the ICPA, correct?

16 A. Yes.

17 Q. And this payment includes a demand cost as
18 defined by Article V, correct?

19 A. I can't identify the articles without
20 looking at the actual ICPA.

21 MR. DARR: Counsel, do you have a copy of
22 I believe it's Sierra 3?

23 MR. SATTERWHITE: I don't know.

24 Yes, we do. Let me see if I have another
25 one.

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1 MR. DARR: If you don't and you want to
2 look over his shoulder, I wouldn't object.

3 MR. SATTERWHITE: May I approach, your
4 Honor?

5 A. Article V? Yes.

6 Q. And the company is also obligated -- and
7 when I am speaking of the "company" here, I mean AEP
8 Ohio. AEP Ohio is also obligated to pay any
9 mandatory costs under Article VII, correct?

10 A. Yes.

11 Q. Now, the revenue streams available to AEP
12 Ohio under Commission orders are those that result
13 from the liquidation of AEP Ohio's entitlement under
14 the ICPA in the PJM energy and capacity markets,
15 correct?

16 A. Currently those are the only allowed
17 revenue streams, that's correct.

18 Q. And that's because the Commission in
19 the -- what's been referred to as the ESP III order
20 in Case No. 13-2385 denied authorization of the
21 recovery of either the credit or charge associated
22 with the ICPA by AEP Ohio, correct?

23 A. No. What I was referring to when I
24 mentioned that is a prior Commission order that had
25 required AEP Ohio to liquidate the energy and

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1 capacity into the PJM market. I think it was
2 probably in the corporate separation 1126, the last
3 four numbers of that case.

4 Q. Correct. I understand that. So the
5 current revenues realized by AEP Ohio because of its
6 current ownership for participation in the ICPA is
7 limited to the revenues resulting from the
8 liquidation of the capacity and energy in the PJM
9 market, correct?

10 A. That's correct.

11 Q. And under the Commission's order in
12 Case No. 13-2385, your last ESP case, or ESP III case
13 as it's known, the Commission did deny AEP Ohio
14 authorization to bill or credit customers for the
15 difference between the revenues associated with the
16 liquidation of the power and capacity and the costs
17 or revenues AEP Ohio occurs -- excuse me, the costs
18 that AEP Ohio incurs under the ICPA; is that correct?

19 THE WITNESS: Can you please reread that
20 question.

21 (Record read.)

22 A. I think I followed the entire question.
23 It sounds correct.

24 Q. In this application, AEP Ohio has renewed
25 its request contained in Case No. 13-2385 to allow it

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1 to bill or credit customers through retail rates for
2 the difference between what it recovers through the
3 PJM market for its interest in the OVEC plants and
4 the costs that it incurs under the ICPA, correct?

5 A. Yes, the same as AEP does in its other
6 regulated retail states, yes.

7 Q. I didn't understand that answer,
8 Mr. Allen. You currently do not have a PPA in any
9 other regulated state that allows for the billing of
10 the difference between what it receives through the
11 PJM market and what it pays to OVEC, correct?

12 A. No. We do, and all of the regulated
13 states that we operate in that have an OVEC
14 entitlement, the function of the retail rate
15 mechanism provides that the company is compensated
16 for the delta between what we liquidate that power
17 into the markets for and the revenues that we receive
18 from the -- the revenues we receive from liquidating
19 it into the market as compared to the costs we pay to
20 OVEC for that entitlement. That's the standard
21 regulatory structure in Virginia, West Virginia,
22 Indiana, and Michigan.

23 Q. And in each one of those states, am I
24 correct that the power from the OVEC entitlement is
25 treated as power available to retail customers?

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1 A. From a bean-counting perspective, it's
2 treated as power available to serve customers, but as
3 all sales work in the PJM market today, all of that
4 energy is liquidated into the market and the company
5 buys back whatever energy needs it has to serve its
6 retail load.

7 Q. So the answer to my question is "yes,"
8 correct?

9 A. The answer is not in the physical sense
10 but in the -- in an accounting sense.

11 Q. Well, in a physical sense, the way the PJM
12 market works is that all generation is offered all
13 available generation that's cleared in the market is
14 offered into the PJM market through the daily and
15 hourly -- the day-ahead and the hourly marketplaces,
16 correct?

17 A. Yes.

18 Q. And so from, as you referred to it as a
19 "bean-counter sense," the difference is that in the
20 states other than Ohio, each of the retail rate
21 structures recognizes the PJM -- excuse me, the ICPA
22 component where that exists as retail -- is
23 generation available for retail load, correct?

24 A. Not exactly. In all of our states we sell
25 all of the output of our units into PJM and we

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1 purchase all of the energy needs of our customers
2 from PJM and then we do a netting approach very
3 comparable to the PPA construct here. So that
4 customers see a rate on their bill that reflects the
5 cost of generation from the units, recognizing that
6 there are really three transactions that are
7 occurring, one is the consumption of coal which
8 creates a cost, one is the sale of that energy into
9 the market, and the third is a purchase of energy to
10 serve our retail customers back from the market.

11 Q. And we will get into the differences in a
12 second, but I just want to make sure I understand
13 this correctly. The load forecasting load -- excuse
14 me, the generation is recognized at cost in these
15 other states, correct?

16 A. That's the end result of the three
17 transactions that I just described.

18 Q. Now, the transactions that you are
19 proposing here in this application amount to two
20 wholesale transactions; is that correct?

21 A. The two wholesale transactions would be a
22 purchase by AEP Ohio from AEPGR and the sale from AEP
23 Ohio into the PJM market. Those would be the two
24 wholesale transactions I would think of.

25 Q. And you would agree with me that the sale

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1 between AEPGR and AEP Ohio would be a transaction
2 governed by FERC because it is a sale for resale,
3 correct?

4 A. It would be a FERC-jurisdictional contract
5 yes.

6 Q. And the sale between AEP Ohio and PJM
7 would also be governed by the PJM operating
8 agreement, open access transmission tariff, and
9 reliability assurance agreement, again FERC-approved
10 contracts and tariffs, correct?

11 A. Yeah. I am not sure which -- all of the
12 contracts that they would be held under, but it would
13 clearly be FERC jurisdiction.

14 Q. Now, you've had some extensive discussion
15 earlier today, and I won't use the Attorney
16 Examiner's rather graphic image, beat the dead horse.

17 MR. DARR: Was that Mr. Satterwhite's?

18 MR. SATTERWHITE: I took it further, but
19 thank you for not pointing that out.

20 MR. MICHAEL: "Beyond the pale" some might
21 say.

22 MR. DARR: I thought it was yours,
23 Ms. Parrot.

24 MR. SATTERWHITE: I built on a great
25 example from the Bench.

1 MR. DARR: I see.

2 Q. In WAA-1 attached to your testimony, you
3 provide the methodology for calculating the rider; is
4 that correct?

5 A. That's correct.

6 Q. And we've already identified lines 5, 6,
7 and 7 as the charges that would form the offset to
8 the revenues to calculate the PPA rider, correct?

9 A. That's correct.

10 Q. Now, the charges associated with line 5,
11 6, would be governed by those contained in the terms
12 of the ICPA and the proposed purchase power
13 agreement, correct?

14 A. Generally, with the exception of line 7,
15 that there may be some additional charges from PJM to
16 make the transactions work.

17 MR. SETTINERI: I'm sorry. If you are
18 done with your answer, Mr. Allen, could I have that
19 answer reread, please?

20 (Record read.)

21 MR. SETTINERI: Thank you.

22 Q. And it's the netting process of
23 subtracting line 4 -- excuse me, subtracting line 8
24 from line 4 that produces line 9 which is the
25 aggregate or total charge or credit, correct?

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1 A. That's correct.

2 Q. And then that would be allocated among
3 customers in conformity with the current proceed --
4 the current PPA rider, correct?

5 A. That's correct.

6 Q. Now, the arrangement that we have been
7 talking about here would not produce -- let me start
8 over again.

9 What you've referred to here is a finance
10 transaction, correct?

11 A. It's a set of physical transactions that
12 have a financial result.

13 Q. Okay. Let's break that down. Power is
14 being sold into -- to AEP Ohio which is being resold
15 to PJM, correct?

16 A. Yes.

17 Q. And is that what you are referring to as
18 the physical transaction?

19 A. Those are the two physical transactions
20 that are occurring.

21 Q. Okay. And the financial transaction is
22 the netting out of the difference between the
23 revenues received from PJM and the payments made to
24 AEPGR, correct?

25 A. Can you restate that or have it reread?

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1 Q. I will restate it for you. The financial
2 transaction that you just described is the netting
3 arrangement by which AEP Ohio would net the revenues
4 and the charges that results in the net credit or
5 charge, correct?

6 A. The financial transaction would be the net
7 PPA rider credit or charge, that would be the
8 financial transaction.

9 Q. And as a result of the underlying
10 contracts which would be approved by FERC, customers
11 would have no claim to standby power service,
12 correct?

13 A. That's correct.

14 Q. Likewise, they would have no claim to
15 backup power service, correct?

16 A. Under the company's proposal, that's
17 correct.

18 Q. Likewise the customers, the retail
19 customers of AEP Ohio would have no claim to
20 supplemental power service, correct?

21 A. Under the company's proposal, that's
22 correct.

23 Q. And, in fact, under your proposal there
24 would be no power associated with these contracts
25 that would be contractually obligated to the end

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1 user, correct?

2 A. Assuming the end user being the retail
3 customers of Ohio, that's correct.

4 Q. As a result of the operation of the two
5 wholesale contracts, is your position that that would
6 not alter the terms of the SSO auction price; is that
7 correct?

8 A. That's correct.

9 Q. Likewise, it would not alter the terms and
10 conditions of any CRES contract, correct?

11 A. That's correct.

12 Q. And the Commission would not be -- if it
13 approved your proposal here, it would not be adding
14 any mandatory term that is unique to a shopping
15 customer, correct?

16 A. That is correct.

17 Q. By definition, because this is a
18 nonbypassable rider, you are proposing to implement
19 all customer bills will be affected by the rider in
20 the same way, correct?

21 A. That's correct.

22 Q. Now, as part of your supporting
23 documentation, you also provided what's been
24 identified in your testimony as Exhibit WAA-2. Could
25 you turn to that, please.

1 A. I'm there.

2 Q. It's my understanding that you cannot
3 point to anything in the application or the direct
4 testimony showing that AEP Ohio SSO customers have
5 experienced retail rate volatility; is that correct?

6 A. AEP's SSO customers first began receiving
7 full-requirements SSO service, both capacity and
8 energy, starting June 1 of this year. And so as a
9 proxy, what the company has prepared is data showing
10 what's occurred in the FirstEnergy SSO auctions since
11 they operate in PJM and have been having
12 full-requirements auctions for a number of years,
13 we've used that as a proxy to give the Commission an
14 understanding of the volatility that AEP Ohio's
15 customers could expect to experience in the future.

16 Q. Going back to my question, can you point
17 to any information in the application or direct
18 testimony showing that AEP Ohio's SSO customers have
19 experienced retail volatility?

20 A. There's no data related to the historical
21 volatility for SSO customers that would have existed
22 prior to the company beginning to procure SSO service
23 in a full-requirements manner.

24 Q. So the answer to my question is that you
25 cannot -- you have not provided that as part of your

1 application, correct?

2 MR. SATTERWHITE: Objection, your Honor.

3 I think the witness pointed out it doesn't exist.

4 MR. DARR: I am asking for a "yes" or "no"
5 question, your Honor, I am entitled to a "yes" or
6 "no" question -- answer, and that's what I am driving
7 at.

8 MR. SATTERWHITE: Your Honor, he has
9 explained twice why a "yes" or "no" doesn't really
10 apply because the premise of the question is flawed.

11 MR. DARR: There is nothing wrong with the
12 premise of the question, your Honor. The premise of
13 the question just doesn't exist. Have they included
14 it?

15 MR. SATTERWHITE: The witness has
16 explained twice.

17 EXAMINER PARROT: The objection is
18 overruled, Mr. Satterwhite.

19 A. The company has not included that data
20 because it's not possible to calculate that at this
21 point.

22 Q. Now, the data that you do provide is from
23 FirstEnergy's SSO auctions from June 1, 2011, through
24 May 31, 2016, correct?

25 A. It's for delivery beginning in June of

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1 2011, but the first auction would have been from
2 October of 2010.

3 Q. And if we look at the prices in the
4 "Winning Price" column which is the last column to
5 the right, would you agree with me that any auction
6 result covering the delivery year of 6-1-15 to
7 5-31-16 is higher than an auction that covers a
8 period prior to that?

9 THE WITNESS: Can you reread that
10 question, please?

11 Q. Let me break it down for you. It might be
12 easier to do it this way. Take a look at the
13 delivery year for 6-1-13 to 5-31-14 middle of the
14 page.

15 A. Okay.

16 Q. If we look at the 36-month product that
17 was purchased on 1-1-2013, which I seriously doubt
18 they all showed up on January 1, but I'll take your
19 word for it, the auction price that day is \$59.17 per
20 megawatt-day. Do you see that?

21 A. Yes.

22 Q. And would you agree with me that that is
23 the lowest price of any auction result for an auction
24 that included the period 6-1-15 to 5-31-16?

25 A. To be clear for the record, what I am

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1 comparing is the 59.17 for the 36-month period of the
2 January 1, 2013, auction with the 10-1-2013 auction
3 for a 24-month period that had a value of 59.99. So
4 the first 36-month auction was slightly less than the
5 24-month auction that included the planning year
6 '15-'16 year within it as an element.

7 And then there was another auction that
8 would have included the '15-'16 planning year that
9 was -- two additional auctions, one happened on
10 10-14-2014 and one held on January 27, 2015. The
11 first had a clearing price of 73.82. And the second
12 had a clearing price of 69.18. So the 59.17 would be
13 the lowest of those options. And then there is
14 another auction that happened January 28 of 2014 that
15 cleared at 68.31 for a 24-month period.

16 Q. And basically, if we go through the whole
17 list, if an auction covers a period of 5-31 -- excuse
18 me, 6-1-15 to 5-31-16, every one of those auctions
19 results, whether it includes one year or multiple
20 years, is higher in terms of auction result than
21 periods that include, for example, 6-1-13 to 5-31-14,
22 or any other comparable period, correct?

23 A. It appears to, yes.

24 Q. Now, if we look at the highest results,
25 those are for the one-year period 6-1-15 to 5-31-16,

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1 with auction results of 73.82 and 69.18 per
2 megawatt-hour, correct?

3 A. Yes.

4 Q. There was a BRA, or base residual auction,
5 conducted for the 2015-2016 delivery year that covers
6 that same period, correct?

7 A. Yes. There is a base residual auction for
8 each one of these plan years, yes.

9 Q. And that base residual auction was
10 conducted in May of 2012, correct?

11 A. That sounds correct.

12 Q. And you're familiar with the fact that the
13 delivery zone that includes the FirstEnergy utilities
14 was separately modeled as a location deliverability
15 area that year, correct?

16 A. The result was that it separated from the
17 other zones.

18 Q. It was modeled as local -- a separate
19 delivery zone and it separated as well, correct?

20 A. The first step of your question of whether
21 it was modeled as a separate zone, there are lots of
22 zones in PJM that get modeled. Sometime they
23 separate; sometimes they don't. So I don't know that
24 I would make a distinction they were separately
25 modeled that year, but the result was that it

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1 separated from the results.

2 Q. And as you recall, the resulting price in
3 that BRA was, unscaled, \$357 a megawatt-day, correct?

4 A. That sounds reasonable, yes. It sounds
5 correct.

6 Q. Well, in fact, as I recall, did not AEP
7 Ohio, during its ESP II case, put on an exhibit the
8 day that the -- the day after the BRA results were
9 available for the delivery year, indicating that
10 price separation had occurred and that the resulting
11 price was \$357 a megawatt-day for the ATSI zone?

12 A. I don't recall if we put up an exhibit but
13 we may have.

14 MR. DARR: Probably the easier way to do
15 it, your Honor, to take administrative notice of AEP
16 Exhibit 106 in Case No. 11-346-EL-SSO. If you would
17 like, I have copies of the record.

18 MR. SATTERWHITE: I guess I would like to
19 see it, your Honor.

20 MR. DARR: Actually, all I am asking for
21 administrative notice of is the price separation
22 which you will find on the second page where it
23 indicates \$357 per megawatt-day was the resulting BRA
24 price.

25 MR. SATTERWHITE: You are saying May 18,

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1 2012, is the day after that? I am just trying to
2 validate dates here.

3 MR. DARR: The news release was issued
4 May 18. The exhibit was presented to the Commission
5 on 5-21. So I was off by a couple of days.

6 MR. SATTERWHITE: Okay. You know, we
7 don't validate that was the day after, but we are
8 okay with the number, if that's all you need.

9 MR. DARR: Yeah. Will the Bench take
10 administrative notice of that?

11 EXAMINER PARROT: Yeah. The Bench is fine
12 with taking administrative notice of AEP Exhibit 106
13 from the ESP II proceeding which is Case No.
14 11-346-EL-SSO, et al.

15 Q. (By Mr. Darr) In that same auction,
16 Mr. Allen, am I correct that AEP Ohio was treated as
17 being in what is called "the rest of the RTO"?

18 A. Yes, that's my understanding.

19 Q. And that the clearing price for the rest
20 of the RTO in that auction was \$136 per megawatt-day,
21 correct?

22 A. I don't recall what the clearing price was
23 for that planning year.

24 MR. DARR: Would you again -- if I may,
25 your Honor, if we could take administrative notice of

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1 the results of that auction as well which is also
2 contained in AEP Ohio Exhibit 106. On the first
3 page, fourth paragraph, the base residual price is
4 indicated to be \$136 per megawatt-day.

5 EXAMINER PARROT: The Bench has already
6 taken administrative notice of the entire exhibit,
7 Mr. Darr.

8 MR. DARR: Okay. Terrific.

9 Q. So with regard to WAA-2, the auction
10 prices here represent both capacity and energy to
11 serve the SSO load, correct?

12 A. Just as the AEP Ohio SSO will in the
13 future, yes, that's correct.

14 Q. And with regard to those delivery years
15 that contain a component of the PJM 2015-2016
16 delivery year, each one of those is higher than all
17 other entries which do not contain the PJM delivery
18 year of 2015-2016, correct?

19 A. Yes, that's correct.

20 Q. And if we look at the resulting range in
21 the FirstEnergy auction results contained in WAA-2,
22 the range is from \$73.82 per megawatt-day as a high
23 and \$44.76 as a low, or the delta or difference of
24 \$29.06, correct?

25 A. Yes.

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1 Q. Now, you indicated earlier that it would
2 be impossible to incorporate volatility statistics
3 for the AEP Ohio SSO; is that correct?

4 A. It would be impossible to calculate
5 volatility for a scenario that didn't previously
6 exist, that's correct.

7 Q. Did you look at any of the other Ohio
8 utilities, for example, Duke?

9 A. No. I looked at FirstEnergy because they
10 have the longest history of having a
11 full-requirements SSO auction. There was a reason
12 for that. They represent the future that other
13 entities in Ohio may experience.

14 Q. And Duke has been operating under an SSO
15 auction which produces -- which requires the purchase
16 of a full capacity and energy products since 2014,
17 correct?

18 A. That sounds reasonable which would mean a
19 year and a half of the data as opposed to the five
20 years' worth of data that we have here. A year and a
21 half is not a lot of data to get volatility data on
22 what auction results can produce, and we've got a lot
23 of data here.

24 Q. But, in fact, you did not include any
25 auction results from Duke, correct?

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1 A. That's correct.

2 Q. And as of May 15, we had auction results
3 available from their most recent auction, correct?

4 MR. SATTERWHITE: Clarify May 15 of which
5 year?

6 MR. DARR: 2015.

7 MR. SATTERWHITE: Thank you.

8 A. I don't know.

9 MR. DARR: I would like to have marked as
10 IEU Exhibit, I think I'm up to 10.

11 THE WITNESS: While you are doing that,
12 can we take a quick break?

13 EXAMINER PARROT: Let's go off the record.
14 (Discussion off the record.)

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

17 MR. DARR: May I have my last question and
18 answer read, please?

19 (Record read.)

20 MR. DARR: Then I am not going to ask to
21 have an exhibit marked. I am going to ask the
22 Commission -- the Bench to take administrative notice
23 of the auction results for the Duke Energy Ohio
24 auction that was released on May 15, 2015.

25 Specifically, I am asking that the

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1 Commission take administrative notice that the
2 auction cleared a one-year product for June 1, 2015,
3 to May 31, 2016, at a price of \$58.79 per
4 megawatt-hour; two-year product with an average
5 clearing price of \$57.60 for the period of June 1,
6 2015, to May 31, 2017; and a three-year product with
7 an average clearing price of \$59.17 per megawatt-hour
8 for the delivery period of June 1, 2015, through May
9 31, 2018.

10 The source for this, your Honor, is a
11 press release issued by the Commission dated May 15,
12 2015. And, again, all I am asking for is
13 administrative notice of the auction results
14 themselves.

15 MR. SATTERWHITE: Your Honor, could I have
16 a second to look at this?

17 EXAMINER PARROT: You may.

18 MR. SATTERWHITE: Your Honor, I'm only
19 hesitating, we don't have a problem taking
20 administrative notice of this, only the question that
21 there are other press releases from the Commission
22 indicating other auction results, that I wouldn't
23 want to take one in absence of the others.

24 MR. DARR: Certainly AEP Ohio has the
25 opportunity to supplement the record either through

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1 redirect or through rebuttal testimony as may be
2 appropriate, your Honor. So they have that
3 opportunity. It doesn't change the fact that the
4 auction results are what they have been represented
5 to be.

6 MR. SATTERWHITE: So if there is no
7 objection to us supplementing the record with that
8 stuff if we find it, we are happy to take
9 administrative notice of this. We just want to make
10 sure the whole picture is there.

11 MR. DARR: I don't think one is
12 conditioned on the other, your Honor.

13 EXAMINER PARROT: Mr. Darr, I think I am
14 going to say the auction results are already publicly
15 available in the Commission's orders and there is
16 nothing that would preclude any party from
17 referencing the orders in Duke's auction docket which
18 is 15-6000 or any of the other utilities. So I think
19 I'm not sure I am finding that it's necessary to take
20 administrative notice of this press release when you
21 can freely cite to the orders themselves.

22 MR. DARR: The point of taking
23 administrative notice, your Honor, is that it's a
24 fact readily available, readily confirmable by the
25 Commission's record. It needs to be made a part of

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1 the record in this case because it goes to a couple
2 of issues raised by AEP Ohio's case. If we simply
3 are citing to something outside the record, then
4 there is the possibility that if this case were to go
5 to appeal, that it would not be considered part of
6 the record of this case. That's why I am asking the
7 Commission to administratively notice it so it is a
8 formal part of the record in this case.

9 MR. SATTERWHITE: Your Honor, I agree with
10 the Bench. I think in the past you don't need
11 administrative notice of Commission orders, and I
12 know we have never challenged that. I mean, we can
13 take administrative notice of all Commission orders
14 and make that statement on the record if you want to,
15 if that was the concern by Counsel, but I think a
16 Commission order is a document of the Commission and
17 can be cited.

18 And I think that's a good -- let me add I
19 think it's a good remedy to this because you're
20 right, all those results will be in those Commission
21 orders, DP&L just had one, I believe, on
22 September 30, so I know there are others definitely.

23 MR. DARR: If I may, your Honor.

24 EXAMINER PARROT: You may.

25 MR. DARR: One final comment. I don't

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1 think there is any argument about the veracity of the
2 statements contained in the Commission's press
3 release. That being the case, there's no harm to AEP
4 Ohio or anyone else from taking administrative notice
5 of this fact.

6 MR. SATTERWHITE: If I may, your Honor, I
7 think the point your Honor is talking about is
8 completeness. I think your Honor was right to
9 recognize that completeness is available in official
10 Commission orders. That's all we are asking for is
11 the completeness.

12 MR. DARR: And completeness can be address
13 as I indicated previously, your Honor.

14 EXAMINER PARROT: All right. The Bench
15 will take administrative notice of the press release
16 but we will agree, Mr. Satterwhite, if you need to
17 address further auctions in the rebuttal testimony, I
18 am guessing it's likely coming, no one is going to be
19 precluded from doing that. And I also will mention,
20 reiterate, there is nothing that precludes any party
21 from addressing auction results that are referenced
22 in Commission orders.

23 MR. SATTERWHITE: And will the Bench be
24 open for just a motion to take administrative notice?
25 We don't necessarily -- this isn't being offered as

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1 evidence. It's administrative notice of something
2 else because the authenticity isn't from the
3 Commission.

4 MR. DARR: I don't understand that -- your
5 Honor, I don't understand that statement. When the
6 Commission takes administrative notice of a fact, it
7 is a fact. It is evidence.

8 MR. SATTERWHITE: And that's my point,
9 your Honor. For completeness purposes you said
10 rebuttal. I am just saying Mr. Darr is saying these
11 are sacrosanct, and if we bring these, we wouldn't
12 necessarily need rebuttal to just take administrative
13 notice without a witness to show these are the
14 results.

15 MR. DARR: If AEP Ohio can demonstrate
16 that what they are proposing to present is properly
17 subject to administrative notice, and certainly they
18 would be entitled to that. But taking it in a vacuum
19 today based on the statement that Mr. Satterwhite
20 just made, I don't even know what that means.

21 MR. SATTERWHITE: It is not a vacuum at
22 all, your Honor. He is bringing one view of, and
23 there is similar things that the Bench has pointed
24 out, in Commission orders. I am saying for
25 completeness if we give the rest of the story, can we

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1 take administrative notice, doing exactly what
2 Mr. Darr is doing right now?

3 MS. BOJKO: Your Honor, there is a
4 difference. He used it in cross-examination of a
5 witness that is on the stand. You can't just start
6 throwing things into this docket, or intervenors will
7 have a lot of things to throw in the docket as well.
8 It doesn't make any sense. It's in the context of
9 cross-examination.

10 MR. SATTERWHITE: Trying to solve the
11 problem that we are talking about here, that's all.

12 MR. SETTINERI: Your Honor, if I may? Is
13 this something we can simply cross this bridge if and
14 when the company has a document?

15 EXAMINER PARROT: I think that's what I
16 was trying to say, Mr. Settineri. If the company
17 needs to address this in some fashion, I think your
18 rebuttal testimony is definitely going to offer you
19 the opportunity to do that but if there is another --

20 MR. SATTERWHITE: Perfect. I didn't want
21 to violate the Bench and say it was just rebuttal and
22 we wouldn't be able to bring it up later.

23 EXAMINER PARROT: No. I didn't mean to
24 suggest that.

25 MR. SATTERWHITE: Thank you.

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1 EXAMINER PARROT: I was just using that as
2 an example of a means you will, I think, have. It
3 sounds like you are contemplating filing rebuttal
4 testimony.

5 MR. SATTERWHITE: All right. Thank you.

6 MR. DARR: Ready, your Honor? My
7 apologies.

8 Q. (By Mr. Darr) Now, you weren't familiar
9 with the results from Duke. Are you familiar with
10 the results of the AEP Ohio CBP auctions for the
11 delivery year beginning June 1, 2015, and continuing
12 on through the end of June -- May 31, 2016?

13 A. I do not have those values committed to
14 memory.

15 MR. DARR: Now, I would like to have a
16 document marked IEU Exhibit No. 10.

17 MS. BOJKO: Did you say 10, Mr. Darr?

18 MR. DARR: Yes.

19 (EXHIBIT MARKED FOR IDENTIFICATION.)

20 Q. Do you have in front of you what has been
21 marked IEU Exhibit 10, Mr. Allen?

22 A. I do.

23 Q. Could you identify that for us, please?

24 A. It's a document from NERA Economic
25 Consulting titled "Notification of Auction Results

1 under AEP Ohio's CBP" dated April 28, 2015.

2 Q. And if you look at the last page of that
3 document, would you agree with me this has been
4 docketed with the PUCO April 29, 2015?

5 A. It appears to be, yes.

6 Q. And turning to, it's the fourth page of
7 the document, but it's numbered page 2 of the NERA
8 report.

9 A. I'm there.

10 Q. Would you agree with me that the clearing
11 prices for the auction conducted on or about April
12 28, 2015, for AEP Ohio are listed there?

13 A. Yes.

14 Q. And would you agree with me that the
15 auction product clearing price for the 2015-2016
16 delivery year is \$53.79?

17 A. The auction product for the 50-percent
18 share that was addressed in this auction -- I'm
19 sorry, for the 17 tranches that were addressed in
20 this auction was \$53.79.

21 Q. Would you also agree with me the range of
22 prices associated with the one-, two- and three-year
23 products is 53.51 to 55.58 per megawatt-hour?

24 A. I'm sorry. Could you repeat the range,
25 please?

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1 Q. Sure. The range is 53.51 per
2 megawatt-hour to 55.58 a megawatt-hour, correct?

3 A. Yes, for these overlapping periods that
4 include some of the same years. So the two that you
5 referenced included 24 of the same months within
6 those products.

7 Q. All right. And that contains a difference
8 between the one-year and -- well, the range is \$2.07
9 for the three separate products, correct?

10 A. Yes. \$2.07 a megawatt-hour.

11 Q. Thank you for that clarification.

12 MR. DARR: With the Bench's permission, I
13 would like to have another document marked IEU
14 Exhibit 11.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 Q. Do you have in front of you what's been
17 marked as IEU Exhibit 11?

18 A. Yes, I do.

19 Q. Could you identify that for us, please.

20 A. It is a document from NERA Economic
21 Consulting dated May 12, 2015, entitled "Notification
22 of Auction Results Under AEP Ohio's CBP."

23 Q. Again, I am going to direct your attention
24 to the last page of the document. Would you agree
25 with me this document was filed with the Commission

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1 on May 13, 2015?

2 A. That's what it indicates, yes.

3 Q. Now, turning your attention to the fourth
4 page of the document which is marked as page 2 of the
5 NERA report, I am going to direct your attention to
6 the bottom of the page, and would you agree with me
7 that the clearing price for the auction product with
8 a delivery year of June 31, 2015, to May 31, 2016,
9 was \$55.42?

10 A. Which is a \$1.63 a megawatt-hour higher
11 than the auction product that cleared for the same
12 period two weeks prior. It's about 3 --

13 Q. Going back to my question, Mr. Allen.
14 Would you agree with me the auction clearing price
15 per megawatt-hour for the June 31, 2015, to May 31,
16 2016, delivery year is \$55.42?

17 A. Yes.

18 Q. And would you also agree with me that the
19 range of prices associated with the three products
20 for which bids were accepted is \$54.70 per
21 megawatt-hour to \$56.35 a megawatt-hour?

22 A. The range of the 54.70 to 56.35 per
23 megawatt-hour.

24 Q. And the difference between the
25 lowest-priced and the highest-priced product was a

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1 \$1.65 per megawatt-hour, correct?

2 A. Yes.

3 Q. Now, with regard to the PPA rider itself,
4 we've had some discussions earlier today and
5 throughout the last six or seven days about the fact
6 that the rider will be adjusted either annually or
7 quarterly, correct?

8 A. That's correct.

9 Q. So to the extent that there are over- or
10 underrecoveries that are the result of
11 miscalculations with regard to weather, there would
12 be a change in the rider, correct, to account for --
13 let me rephrase that.

14 To the extent there were adjustments for
15 over- or underrecoveries associated with
16 miscalculations with regard to weather-adjusted load,
17 those would be picked up in the over- and
18 underrecovery adjustments in the subsequent period,
19 whether it's quarterly or annual, correct?

20 A. I wouldn't agree with it. It's a
21 miscalculation due to weather. What it is is a
22 deviation of actual weather to normal weather that
23 would have been included in the forecast so it's not
24 a miscalculation. It's just a true-up due to the
25 effects of actual weather and actual market prices

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1 that occur.

2 Q. Okay. If I don't like the word
3 "miscalculation," if I use the word "deviation," can
4 we avoid this haggling?

5 A. "Deviation" would be fine.

6 Q. If there is a deviation with regard to
7 projected energy revenues from actual, that would
8 result in a change in the over- or underrecovery,
9 correct?

10 A. Yes.

11 Q. If there is a deviation in the amount of
12 capacity revenues realized from the market for
13 whatever reason, that would result in an over- or
14 underrecovery adjustment, correct?

15 A. Yes.

16 Q. If there were a deviation in energy
17 charges through whatever -- whatever means, that
18 would result in a charge that would be realized
19 through the over- or underrecovery, correct?

20 A. That's correct.

21 Q. If there were a change in debt or equity
22 calculations as a result of Commission order, for
23 example, or a change in debt or equity rates by
24 operation of the PPA rider or PPA agreement itself,
25 those would be picked up in the over- and

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1 underrecoveries, correct?

2 A. My understanding of the contract is I
3 wouldn't expect to see deviations from the debt and
4 equity rates from those that were included in the
5 forecast.

6 Q. You were here when Ms. Hawkins testified,
7 were you not?

8 A. For at least portions of it, yes.

9 Q. And you are aware that under the PPA
10 agreement, as she understood it, there would be a
11 resetting of the debt rate at the time sometime in
12 2017 when the debt -- when actual debt was issued by
13 AEPGR, correct?

14 A. I don't recall that specific discussion
15 but I know that's the proposals that at some point in
16 the future we would replace the proxy level for
17 better -- for lack of a better word, debt with the
18 actual debt cost of AEPGR.

19 Q. Okay. And that would flow through line 5,
20 demand charges, contained in your Exhibit WAA-1,
21 would it not?

22 A. It would but typically debt rates change
23 infrequently for long-term data -- for long-term
24 debt. It's related to issuances and issuances occur
25 on a rather infrequent basis, so debt and equity

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1 would be -- the rates would be more stable from
2 forecasts actually.

3 Q. Going back to my question, Mr. Allen. If
4 the debt rate changed in 2017, that would be
5 reflected in the demand charge that is contained in
6 WAA-1, would it not?

7 A. It would.

8 Q. And to the extent that equity rates change
9 because of a change in the underlying metric used to
10 calculate the equity rate, those would also be
11 reflected in line 5 of WAA-1, would it not?

12 A. Yes.

13 Q. If there were a change in taxes, during a
14 year that were not anticipated, those tax rates would
15 be trued-up as well under the over- and underrecovery
16 mechanism, correct?

17 A. While I wouldn't expect those to change
18 unexpectedly, changes in those rates would flow
19 through the over and under calculation to the extent
20 they differ from that included in the forecast.

21 Q. Likewise, under the PPA, the depreciation
22 calculation used to calculate the demand charges can
23 be adjusted at least every five years, correct?

24 A. The depreciation rates can be adjusted
25 every five years, that's correct.

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1 Q. And to the extent those depreciation rates
2 changed, but were not anticipated in the over- or
3 underrecovery, those would be reflected in the change
4 in the over- and underrecovery mechanism, correct?

5 A. Can you reread that question, please?

6 (Record read.)

7 A. I think your question had a little
8 misstatement there, but that to the extent they
9 weren't included in the forecasted amounts, they
10 would be reflected in the over and under.

11 Q. Okay. Thank you for that clarification.
12 Let me try it again and make sure that we both
13 understand each other.

14 If there were a change in the depreciation
15 rates that were -- that was not reflected in the
16 initial calculation of the rider, that change would
17 be reflected in the true-up, correct?

18 A. That's correct.

19 Q. And to the extent that there is a
20 calculation of operation and maintenance expenses,
21 that's anticipated, and the anticipated amount is
22 different from -- the actual amount is different from
23 the anticipated amount, that amount would be
24 reflected in the over- and underrecoveries, correct?

25 A. That's correct.

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1 Q. And to the extent that the company's
2 entitled to recover something called "other charges,"
3 if that calculation of other charges is anticipated
4 at one level and then collected at a different level
5 or incurred at a different level, that would be
6 reflected in the over- and underrecovery as well,
7 correct?

8 A. Correct, to the extent I am answering
9 about the incurred, yes.

10 Q. Now, earlier today in response to a
11 question you indicated that the amount of the
12 revenues followed the expenses, when you were
13 discussing what's been previously identified as
14 either OCC 1 or KDP-2. Do you recall that comment?

15 A. I think you flipped it around if I heard
16 you right. The expenses followed the revenues was my
17 statement.

18 Q. Okay. So to the extent that you have
19 additional revenues, you would expect there would be
20 additional expenses; is that fair?

21 A. The revenues created by energy dispatch
22 are what create the need for the expenses to operate
23 the units.

24 Q. Okay. Now, under the rider, however, to
25 the extent there are no energy revenues, the company

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1 would still be responsible in -- and I am referring
2 now to AEP Ohio, would still be responsible for
3 certain fixed costs, correct?

4 A. There are certain fixed costs that the
5 company incurs independent of the energy output of
6 the units. And to the extent -- in the unlikely
7 scenario that there would be no energy revenues
8 related to the output of 22 separate units, if my
9 number is right, 22-plus separate units, then there
10 would still be a charge under the PPA rider.

11 Q. And if we look at the ICPA, do you still
12 have Sierra Club Exhibit No. 3 in front of you?

13 A. I should. I do not.

14 MR. DARR: May I approach?

15 EXAMINER PARROT: You may.

16 Q. Ask you to turn to Article VIII of the
17 ICPA. It has also been marked as Sierra Club Exhibit
18 No. 3.

19 A. I'm there.

20 Q. And under Article VIII there is an
21 unconditional obligation to pay demand charges under
22 Section 503, transmission charges under Section 504,
23 and all charges contained in Article VII, correct?

24 A. Which paragraph are you referring to?

25 Q. Paragraph 8.04.

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1 A. Yes, I see that.

2 Q. And that obligation to pay is true whether
3 or not power or energy are supplied or accepted,
4 correct?

5 A. Yes, that's correct.

6 Q. And if we look at the purchase power
7 agreement as we discussed the other day, certain --
8 this agreement is what is deemed to be unit
9 contingent, correct?

10 A. That's my understanding but company
11 Witness Pearce is the expert on that document.

12 Q. I'm sorry. I didn't mean to step on your
13 answer. Had you completed your answer?

14 A. Yes.

15 Q. And under Article 3.2, a unit -- it
16 defines the contract as being "unit contingent,"
17 correct?

18 A. Could I have a copy of that document?

19 MR. DARR: May I approach, your Honor?

20 EXAMINER PARROT: You may.

21 MR. DARR: Let the record reflect I am
22 handing the witness what's been previously marked
23 Sierra Club Exhibit 2.

24 A. Which article were you referring to?

25 Q. Section 3.2.

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1 A. Okay.

2 Q. And under that, that defines the contract
3 as being "unit contingent," correct?

4 A. This paragraph states that it's unit
5 contingent.

6 Q. And "unit contingent" is a defined term,
7 correct?

8 A. It defines it in this paragraph, yes.

9 Q. If you look at page 8. Am I correct that
10 that -- that the term "unit contingent" is defined by
11 the contract?

12 A. It is.

13 Q. And it defines a "unit contingent" as
14 follows: That the seller's failure to deliver energy
15 or ancillary services is excused to the extent that
16 the facility is unavailable as a result of outage,
17 force majeure, or buyer's failure to perform,
18 correct?

19 A. That's what it states, yes.

20 Q. "Outage" is a defined term in this
21 contract as well, is it not, on page 6?

22 A. Yes.

23 Q. And "outage" is defined as including
24 forced or planned derating, maintenance outage,
25 planned outage, component failure, external

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1 restrictions, testing, maintenance, construction, or
2 any other condition or circumstance that reduces
3 electrical output from the facility so as to prevent
4 the seller from performing in whole or in part.

5 A. You paraphrased some of what's in there,
6 but that's generally what that definition states.

7 Q. Now, with regard to the obligations that
8 AEP Ohio would be undertaking, it would be
9 responsible, under the PPA, for costs associated with
10 modifications of the PPA units necessary to comply
11 with CCR rules, and this will be -- and these apply
12 whether we are talking about OVEC or AEPGR, correct?

13 A. Can you please either restate or reread
14 that question.

15 Q. Yeah. Let me try that one again. Is it
16 correct that costs associated with modifications of
17 the PPA units necessary to comply with the CCR rule
18 would be paid by -- paid for by AEPGR?

19 A. Not exactly. AEP Ohio is paying AEPGR a
20 contract price for the purchase of energy capacity
21 and ancillary. That purchase price has, included
22 within it, elements of cost for items such as what
23 you described that create the charges that AEP Ohio
24 pays. AEP Ohio is not paying those costs. It's
25 paying a charge that's derived based upon those

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1 costs.

2 Q. Understood. Let me see if I can break it
3 down a little more simply. To undertake the
4 construction or other changes that might be necessary
5 to implement compliance requirements associated with
6 the CCR rules, AEP Generation Resource will go out in
7 the market and undertake that construction or any
8 other changes, correct?

9 A. With the consent of AEP Ohio under the
10 terms of the agreement as I understand them, but they
11 would be -- AEPGR would be the ones undertaking
12 having that construction performed.

13 Q. And if the same situation was presented to
14 OVEC with regard to compliance with CCR rules, it
15 would be OVEC that would go into the marketplace and
16 secure the resources necessary to bring the plants
17 into compliance, correct?

18 A. That's correct.

19 Q. And then those costs would be incorporated
20 into the demand or other charges that are passed
21 through the various agreements, correct?

22 A. Those costs would be a portion of the
23 calculation to determine what AEP Ohio pays. They
24 would be incorporated.

25 Q. And whether we are talking about CCR rules

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1 or compliance with Rule 316(b) or any of the other
2 environmental rules, that same two-step process would
3 apply, correct?

4 A. That's correct.

5 Q. And the end result of that would be that
6 these costs would be recognized in either lines 5 or
7 7 contained in Exhibit WAA-1 attached to your
8 testimony, correct?

9 A. That's correct.

10 Q. Now, with regard to the review process,
11 that you are anticipating for the Commission to
12 undertake if it approves this rider, it is not
13 expected that parties would have the right to serve
14 discovery directly on AEPGR or depose employees of
15 AEPGR, correct?

16 A. That would be my general expectation, but
17 AEP Ohio would, your Honor, take the actions
18 necessary to ensure the Commission had adequate
19 information to make an informed decision about the
20 prudence of AEP's Ohio's auctions or the accuracy of
21 the costs included within the rider.

22 Q. So the answer to my question is that the
23 proposal that you are presenting to the Commission
24 today does not include an option for the parties to
25 depose AEPGR directly -- let me rephrase.

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1 The proposal that you have before -- am I
2 correct that the proposal that you have before the
3 Commission today does not expect that the parties
4 would have the right to serve discovery on AEPGR or
5 depose employees of AEPGR?

6 A. I don't know what rights the parties would
7 have. I've seen in other proceedings where parties
8 have deposed executives from OVEC. So I don't know
9 what -- what those rights would be legally.

10 Q. Okay. I appreciate that you don't know
11 whether or not they have legal rights, whether the
12 parties would have legal rights to do so.

13 My question to you is whether or not the
14 proposal that you are presenting to the Commission
15 includes a provision that would allow parties to
16 serve discovery on AEPGR or seek to depose employees
17 of AEPGR?

18 A. That is not the company's proposal.

19 Q. The PPA agreement also contains a
20 provision in it that AEPGR will maintain its books
21 using FERC accounting methods. Are you aware of
22 that?

23 A. Generally, yes.

24 Q. And for reference this is contained in
25 Article VI, Section 6.2, correct?

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1 A. It's at least included in that section if
2 it's not included elsewhere, yeah.

3 Q. Now, the arrangement between AEP
4 Generation Resources and AEP Ohio as we discussed
5 earlier as a FERC contract, and as I understand it,
6 AEP Ohio has taken the position in this case that
7 that contract may be approved by FERC under AEP
8 Generation's market-based rate authority, correct?

9 A. Once again, not speaking as a lawyer, but
10 it's my understanding that the contract between AEP
11 Ohio and AEPGR would be filed with the FERC under
12 AEPGR's market-based rate authority.

13 MR. DARR: I would like to have one
14 additional document marked then as AEP -- excuse me,
15 IEU-Ohio Exhibit 11.

16 EXAMINER PARROT: 12.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 MS. HENRY: It's not Exhibit 12?

19 MR. DARR: 12? Excuse me.

20 MS. HENRY: Sorry.

21 Q. Do you have in front of you what's been
22 marked as IEU Exhibit No. 12?

23 A. I do.

24 Q. Do you recognize this as the "AEP
25 Generation Resources Inc. FERC Electric Tariff For

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1 Market-Based Sales"?

2 A. I have not seen the document but that's
3 what it is entitled.

4 Q. Okay. Well, turning -- this document,
5 would you agree with me, was provided by AEP Ohio in
6 response to OEG Interrogatory 1-11 and it is
7 Attachment 1 to that response?

8 A. It appears so, yes.

9 Q. If you would turn your attention to the
10 second page, Section 5.

11 A. I'm there.

12 Q. Section 5 in subpart a. contains a number
13 of exemptions; is that correct?

14 A. Once again it looks like a very legal
15 document that I'm probably not going to be able to
16 interpret for you, but it has the title under
17 subparagraph a. "Exemptions."

18 Q. Okay. And one of the exemptions is a
19 waiver of Part 41 and Part 101 and the second is a
20 waiver of Part 144 -- 141 of the Commission
21 regulations concerning accounting and reporting
22 requirements, correct?

23 MR. SATTERWHITE: Your Honor, before he
24 answers, may I take a moment to look up the discovery
25 response to see the witness who sponsored it?

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1 EXAMINER PARROT: You may.

2 Let's go off the record while they are
3 doing that.

4 (Discussion off the record.)

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

6 MR. SATTERWHITE: Your Honor, at this
7 point I will object to the question. The discovery
8 response that was provided was answered by counsel.
9 This witness has already indicated that he could not
10 answer questions on this and he has not seen it.

11 I have notified Mr. Darr that we are not
12 going to object to the admission of this document as
13 long as we can -- I didn't tell him this, as long as
14 we can get the cover page for the discovery response,
15 but I think it's inappropriate to ask him questions
16 on a document he has not seen that was sponsored by
17 counsel.

18 MR. DARR: Your Honor, the witness has
19 taken the position that the Commission has certain
20 abilities to review the prudence and financial
21 accuracy of the records that are going to be provided
22 to it by AEP Ohio. The link to all of this is and
23 the question that's raised by this document is what's
24 going to be available. I think we can do that
25 independent of the -- you will have in front of you

1993

1 the basic document. What I want to do is tie it back
2 to what is actually being exempted here.

3 MR. SATTERWHITE: If I may, your Honor.
4 The witness has put it out there that there is not
5 just factual issues but legal issues involved in this
6 case as indicated by the cover page to this response.
7 And the witness has said he can't speak to the legal
8 side, he can only speak to the regulatory side.

9 MR. DARR: Well, the regulatory side is
10 obvious. It says there were waivers of certain
11 rules. There is no magic to that.

12 EXAMINER PARROT: Mr. Allen, if you need
13 to state that you're not -- again, I think you have
14 already said this, if you need to state you are not
15 offering a legal opinion, you know, please do that,
16 but I am going to direct to you answer the question
17 if you are able to.

18 THE WITNESS: Sure. I am not sure if
19 there is a question pending for me or we are waiting
20 for Mr. Darr to ask one.

21 Q. I think I did. I asked you whether or not
22 there are waivers of Part 41, 101, and 141 of the
23 Commission regulations.

24 A. Those are indicated in subparts (b) and
25 (c) of subparagraph A. entitled "Exemptions." That's

1994

1 what it states.

2 Q. And are you aware that the FERC system of
3 accounts is set out in FERC section -- FERC Part 101?

4 A. FERC 101 is the FERC uniform system of
5 accounts and that's the reason that we included in
6 the contract Section 6.2 that says the seller shall
7 keep its records with FERC accounts under a
8 market-based rate authority. We may not be required
9 to do that as a result of these waivers, but we have
10 committed to in the contract that AEP Gen Resources
11 will be doing that even though they have an exemption
12 related to these units.

13 Q. And are you aware that FERC account --
14 FERC Part 141 is related to the requirement to file
15 FERC Form No. 1, as well as FERC Form No. 80 and
16 several other reports?

17 A. I am not aware of that.

18 Q. Are you aware that Part 41 relates to a
19 requirement that -- requirements that cover
20 certification and verification of information
21 provided to the Federal Energy Regulatory Commission?

22 A. I am not aware of that.

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

24 EXAMINER PARROT: Ms. Cohn.

25 MS. COHN: No questions, your Honor.

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1 EXAMINER PARROT: Mr. O'Brien.

2 MR. O'BRIEN: No questions, your Honor.

3 EXAMINER PARROT: Ms. Fleisher.

4 - - -

5 CROSS-EXAMINATION

6 By Mr. Fleisher:

7 Q. Hi, Mr. Allen. My name is Madeline
8 Fleisher. I represent the Environmental Law and
9 Policy Center.

10 A. Good evening.

11 Q. Good evening. Hopefully we will not keep
12 you too long into the evening.

13 So I think you were discussing with
14 Ms. Henry that AEP Ohio is seeking approval of the
15 prudence of all legacy costs for the PPA units in
16 this proceeding, correct?

17 A. The company's requesting a prudence -- a
18 prudence determination with regard to the legacy
19 costs as part of its request in this proceeding,
20 that's correct.

21 Q. And the company has not identified all of
22 the contracts or agreements that may gave rise to
23 those legacy costs, correct?

24 A. We have identified what the
25 characteristics of those contracts are. Those are

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1 contracts that will have been entered into prior to
2 the signing date of the PPA agreement and we've made
3 those documents, to the extent -- to the extent they
4 have been requested in the discovery, available to
5 the parties in this proceeding.

6 MS. FLEISHER: May we approach, your
7 Honor?

8 EXAMINER PARROT: You may.

9 MS. FLEISHER: May I have this marked as
10 ELPC Exhibit 15. And for the record it's the
11 company's response to ELPC Interrogatory 3-019 with
12 several attached discovery responses as listed in
13 that initial discovery response.

14 EXAMINER PARROT: So marked.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 Q. Please take a moment to look through
17 those, Mr. Allen, and let me know when you are done.

18 A. Okay.

19 Q. All right. Mr. Allen, you are listed as
20 the responding witness on ELPC Interrogatory 3-19,
21 correct?

22 A. Yes.

23 Q. And did you review the other discovery
24 responses listed within that response as part of
25 providing this -- this discovery response?

1997

1 A. Okay.

2 Q. Is that correct?

3 A. I have reviewed those, yes.

4 Q. And do any of these discovery responses
5 identify all the contracts and agreements giving rise
6 to legacy costs as the company has defined them?

7 A. We described what those contracts are
8 throughout here and we provided access to the coal
9 contracts that were voluminous that parties could
10 have access to.

11 Q. Have the companies put the labor contracts
12 for the PPA units into the record in this case?

13 A. I don't know if those labor contracts have
14 been provided as unique discovery responses.

15 Q. And other -- there are other contracts and
16 agreements besides coal and labor contracts that
17 could give rise to legacy costs, correct?

18 A. Those would be the major O&M related
19 contracts. There are obviously going to be, you
20 know, minor contracts for the mowing of the lawns at
21 the power plants and the like.

22 Q. Some of the PPA units have environmental
23 controls, correct?

24 A. Yes.

25 Q. And presumably AEPGR entered into

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1 contracts for the installation of those environmental
2 controls, correct?

3 A. We would have entered into contracts for
4 the construction of those controls, yes.

5 Q. And the capital costs for those controls
6 would be part of the net plant in-service costs for
7 the PPA units, correct?

8 A. That's correct. When we talk about
9 prudence of legacy costs with regard to a plant
10 that's installed, we wouldn't be discussing the
11 contracts that may have been let 20 years ago to
12 build an environmental control. It's the net plant
13 that exists today related to those contracts that may
14 have been done in the past.

15 So they are not -- those aren't ongoing
16 costs, those are capital investments that have
17 occurred previously that gave rise to the net plant
18 values that we are seeking a prudence determination
19 in this case.

20 Q. So let's say there was some problem with
21 the environmental controls installed at one of the
22 PPA units and that resulted in costs. Would the
23 Commission, by virtue of having approved the legacy
24 costs relating to that unit, be unable to review the
25 prudence of the costs related to malfunction of that

1999

1 unit of that -- those environmental controls?

2 A. If the failure of the environmental
3 controls was not related to a decision or action on
4 behalf of AEP Ohio, the Commission would not be able
5 to address the prudence issue of those costs. The
6 prudence, as we discussed several times throughout
7 this proceeding, is related to the decision-making of
8 AEP Ohio and its -- and its enforcement of rights
9 under the contracts.

10 Q. And as a hypothetical, let's say that
11 Cardinal has an incredibly-fancy cafeteria at the PPA
12 unit. The building of that cafeteria would involve
13 some capital costs, correct?

14 A. I have no idea what kind of cafeteria they
15 have at the Cardinal facility. I am guessing it's
16 not very fancy. But those include -- those would
17 include capital cost, sure.

18 Q. Okay. And those capital costs would be
19 included in net plant in-service cost, correct?

20 A. Yes. Those are costs related to the
21 overall operation of the plant, yes. That would be
22 included in general plant.

23 Q. And so you are asking the Commission in
24 this proceeding to approve the prudence of all such
25 capital costs for the PPA units.

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1 A. No, the Commission is not making a
2 decision about future capital investments today. If
3 there were a capital investment that needed to be
4 made in the future, to put in a new scrubber at one
5 of the plants, the Commission would be able to review
6 the prudence of the decision-making of AEP Ohio to
7 authorize the construction of that scrubber at the
8 plant.

9 If the scrubber is already installed today
10 when the Commission is doing its upfront prudence
11 review in this proceeding, it's weighing in on the
12 prudence today when it makes this decision. It would
13 not be reviewing it again in the future.

14 Q. Okay. So you're agreeing with me that the
15 Commission in this proceeding has its -- as you've
16 proposed, has its only chance to review the prudence
17 of any already-incurred capital costs?

18 A. This is the Commission's opportunity to
19 make prudence determinations on events that have
20 already occurred on past actions, yes.

21 Q. Okay. But you have not identified all
22 contracts or agreements that may have led to the
23 incurrence of those prior capital costs, correct?

24 MR. SATTERWHITE: Okay. I think we've
25 covered this ad nauseam as well.

2001

1 MS. FLEISHER: I am not sure that we have
2 a had a "yes" or "no" answer to that question so I
3 seek it now.

4 MR. SATTERWHITE: I believe the witness
5 has described his understanding of what's been
6 provided through multiple counsel and at the start of
7 this cross-examination as well.

8 MS. FLEISHER: I think on multiple times
9 he's referred to oh, we have responded to discovery
10 requests. I have put before him the discovery
11 requests that have been responded to, and so I am
12 asking him to be clear on the record as to what
13 information the company has provided.

14 MR. SATTERWHITE: And he indicated there
15 might be others as well; he is not sure. He stated
16 his global understanding.

17 EXAMINER PARROT: The objection is
18 overruled.

19 THE WITNESS: Can you reread the question,
20 please.

21 (Record read.)

22 A. That's correct. Those are the existing
23 capital costs that the Commission is making a
24 prudence determination on today. The thing that we
25 all have to recognize as we look at this is that the

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1 Commission has had oversight authority over AEP Ohio
2 which owned and operated these units under the
3 regulatory oversight of the Commission for decades.

4 And the first time that those plants were
5 completely outside of the purview of the Ohio
6 Commission was January 1 of 2014, and right now we
7 are in October of 2015. So we have a period of
8 approximately 21 months on units that are decades old
9 that we have some new investments that may have been
10 made that the Commission hasn't previously had access
11 to that data in their normal course of oversight of
12 the companies.

13 MS. FLEISHER: Your Honor, I would move to
14 strike everything starting with the I think it was
15 "the thing is that" as nonresponsive to my question.

16 MR. SATTERWHITE: Your Honor, the question
17 that we have been through multiple times is what has
18 the Commission seen, what's been provided, and I
19 think this is just a continuation trying to clear up
20 what apparently is confusing because we keep getting
21 the same question of let's put this in context.

22 These units have been under Commission regulation for
23 a long time, so I think it actually is very helpful
24 for the record.

25 EXAMINER PARROT: I am going to allow the

2003

1 answer to stand.

2 Q. (By Ms. Fleisher) Now, I think you said
3 this earlier, but I just want it to be clear on the
4 record, for the Commission's prudence review, that
5 will be limited to AEP Ohio's actions and decision,
6 correct?

7 A. In the future, the Commission's review
8 will be limited to AEP Ohio's actions and decisions,
9 that's correct.

10 Q. And for the units fully owned by AEPGR,
11 decisions with respect to the plants will be made
12 through an operating committee, correct?

13 A. They will.

14 Q. And the operating committee has, as its
15 members, AEP Ohio, AEPGR, and a representative of AEP
16 Service Corp., correct?

17 A. This is another one that I think the
18 question is for Company Witness Pearce on the detail,
19 but my understanding is that the operating committee
20 has a vote of two members, AEPGR and AEP Ohio, and
21 the Service Corp. only provides a vote if there's a
22 disagreement amongst those two parties.

23 Q. Okay. One second.

24 So it's possible that AEP Ohio would be
25 outvoted on the steering -- on the operating

2004

1 committee in a decision as to whether to make an
2 expenditure, correct?

3 A. I can't imagine such a scenario. The
4 parties to the PPA, the members of the operating
5 committee, are all under the oversight of the parent,
6 AEP. The interests of AEP Ohio, AEPGR, are aligned.
7 And so I would not expect to see a scenario where
8 AEPGR and AEP Ohio would disagree on the appropriate
9 going-forward decisions related to these assets.

10 MR. DARR: Could I ask the reporter to
11 mark that answer, please, just to put a notation in
12 the record to mark that.

13 MR. SATTERWHITE: Is that just, for
14 clarification, so Mr. Darr can find it later or put
15 something in the record that's going to go in front
16 of the Commission? I am not sure why we would do it.

17 MR. DARR: It's so I can locate it later.

18 MR. SATTERWHITE: Okay. That's all.
19 Thank you.

20 Q. (By Ms. Fleisher) And regardless of your
21 prognosticating as to whether that could occur, if
22 AEP Ohio were outvoted on a decision as to whether to
23 make an expenditure that AEP Ohio opposed, would AEP
24 Ohio seek to flow that cost through the PPA rider?

25 THE WITNESS: Just to make sure I'm

2005

1 answering the question appropriately, can you reread
2 the question, please.

3 (Record read.)

4 A. That scenario would not occur for -- if
5 you go to paragraph 4.2 where they talk about capital
6 improvements, buyer's prior written approval and
7 agreement must be first -- must first be obtained
8 before proceeding with such capital improvements. So
9 there is no operating committee approval necessary or
10 a vote of the operating committee for capital
11 improvements, where the buyer, being AEP Ohio, has
12 authority to approve those.

13 Q. Would you agree that that provision only
14 applies to I believe it's major material capital
15 expenditures?

16 A. That provision deals with capital
17 improvements, but this is a similar provision dealing
18 with fuel purchases as well. That -- so before a
19 full expenditure is made, it requires approval of the
20 buyer.

21 Q. Is AEP Ohio's written consent required for
22 all expenditures at the wholly-owned AEP units?

23 A. For the basic capital budget and O&M
24 budget for the year it's my understanding that the
25 operating committee would be voting on that element.

2006

1 Q. Okay. So, and I am happy to repeat it if
2 you need me to, can you answer my original question
3 about whether AEP Ohio would seek to flow costs
4 through the PPA rider where they are subject to a
5 vote of the operating committee where AEP Ohio loses
6 the vote opposing the expenditure?

7 A. So I will start with the premise that I
8 don't support your hypothetical that there would
9 be -- that it's likely that there will be costs
10 charged to AEP Ohio due to a non -- due a vote that
11 they didn't agree with.

12 But if there were a vote that those
13 charges -- or that that expenditure was approved,
14 those charges would be charged to AEP Ohio, and AEP
15 Ohio would pass those through to the -- through the
16 PPA rider. And to the extent that AEP Ohio did not
17 believe that the Service Corp. and the -- and AEPGR
18 were meeting their other contractual entitlement --
19 contractual requirements, AEP Ohio could seek
20 recourse through the courts related to those costs
21 that they had been charged.

22 Q. And with respect to the jointly-owned PPA
23 units, would you agree that it's possible that AEP
24 Ohio could oppose an expenditure that was authorized
25 by the joint owners collectively?

2007

1 A. Yes. As has been the case with those
2 units for the entirety of their operation in Ohio and
3 regulated by the Ohio Commission, yes.

4 Q. And in a situation where AEP Ohio opposes
5 an expenditure that is made, would AEP Ohio then seek
6 to flow that cost through the PPA rider?

7 A. Yes. It's a prudently-incurred cost by
8 AEP Ohio because AEP Ohio took appropriate action,
9 made the vote that they thought was appropriate, and
10 the contract requires that AEP Ohio make those
11 payments if the other parties outvote AEP Ohio.

12 Q. Hopefully just a couple of follow-up
13 questions regarding your discussion with Mr. Darr
14 about the 2015-2016 BRA. As I think you've discussed
15 with him, you are aware that the ATSI zone was
16 treated separately in the base residual auction for
17 those years, correct?

18 A. I am paying the bills for that today, yes.

19 Q. Okay. Is it correct that the main reason
20 for that was that FirstEnergy had announced the
21 closure of several plants for 2015-2016 shortly
22 before that auction was held?

23 A. No. Let me explain. The announcement
24 didn't cause the zone not to clear -- or not to have
25 the same rate as the rest of the PJM market. It was

2008

1 the lack of sufficient generation bidding into that
2 zone at lower prices than the rest of market that
3 resulted in it clearing at a higher price than the
4 rest of the market. It wasn't the announcement. It
5 was the action of market participants bidding into
6 those auctions.

7 Q. And was part of that market status due to
8 FirstEnergy's decision to close its plants in the
9 ATSI zone?

10 A. It would have been due to the bidding of
11 participants in that zone. Whether FirstEnergy would
12 have bid those units into the zone at prices that
13 were below what the clearing price was if they chose
14 not to retire them, I don't know, but the -- it
15 wasn't the retirement. It was the bidding of all of
16 the market participants in that zone that caused it
17 to separate.

18 MS. FLEISHER: May we approach, your
19 Honor?

20 EXAMINER PARROT: You may.

21 MS. FLEISHER: This is a Commission order
22 so I don't know that I need it marked as an exhibit,
23 but I did want to have a chance to ask the witness
24 about it. It's the Commission's entry in Case No.
25 12-814-EL-UNC dated February 29, 2012.

2009

1 EXAMINER PARROT: Is it something you
2 think you may be referring to again or a one-and-done
3 sort of?

4 MS. FLEISHER: It's -- I don't think it's
5 the sort of thing that will necessarily need to be
6 cited in the brief so.

7 MR. SATTERWHITE: Is it to refresh or?

8 MS. FLEISHER: It's to ask him about the
9 market conditions in -- at that time.

10 MR. SATTERWHITE: So we can show it to him
11 as a refresh document.

12 EXAMINER PARROT: I think that will work.
13 It is my preference to mark the Commission's orders
14 if they are something we will be referring to
15 throughout the proceedings, but if it sounds like
16 this is just sort of a one-time use of it, then I
17 don't think we need to do that.

18 MS. FLEISHER: Okay.

19 Q. (By Ms. Fleisher) And, Mr. Allen, if you
20 could look at paragraph 3 on the first page, where it
21 says "The parameters indicate that as a result of the
22 removal of approximately 2,200 megawatts of
23 generation located in the ATSI zone" --

24 MR. SATTERWHITE: At this point I'll
25 object. I believe it was shown to the witness to

2010

1 refresh his recollection so he could read it and
2 maybe ask a question versus reading this document
3 into the record.

4 MS. FLEISHER: Certainly. I was hoping to
5 help the folks who don't have a copy.

6 Q. But, Mr. Allen, if you could read that
7 paragraph to yourself and let me know when you are
8 done.

9 A. Okay. I have read paragraph 3.

10 Q. Okay. Having read that paragraph would
11 you agree that FirstEnergy's decision to close
12 several plants in the ATSI zone, as announced in
13 2012, caused the ATSI zone to be modeled separately
14 in the base residual auction for 2015 and 2016?

15 A. I don't think you can make that conclusion
16 from this paragraph in isolation or in combination
17 with the prior two paragraphs. This paragraph talks
18 about 2,200 megawatts of generation being removed.
19 It does not state that those 2,200 megawatts are
20 retired units of FirstEnergy.

21 And so, the first paragraph talks about an
22 announcement by FirstEnergy. The second paragraph
23 says the retirement of generation in one area of the
24 transmission system could impact the ability to
25 maintain voltage support. And the third paragraph

2011

1 mentions 2,200 megawatts. There is no link, as I
2 read it, that says that the FirstEnergy retirements
3 are the cause of that separation of the ATSI zone.

4 Q. Okay. And I was just asking for your --
5 not for your interpretation of the order but for your
6 understanding, but.

7 A. So nowhere in that paragraph does it
8 mention the FirstEnergy units.

9 Q. Okay. At the time you prepared your
10 testimony were you aware that the ATSI zone had been
11 modeled separately for the RPM for 2015 and 2016?

12 A. I was aware that the ATSI zone, similar to
13 many other zones in PJM over the years, separated
14 during the auction.

15 Q. And were you aware --

16 A. Let me clarify what "separated" means.
17 "Separated" just means it has a different price than
18 other zones within the region. There may be, in the
19 PJM auction, six different clearing prices in
20 different zones. That's what "separated" means, that
21 it has a different price than the rest of the RTO but
22 there may be multiple prices throughout the PJM region.

23 Q. And were you aware at the time you
24 prepared your testimony that the clearing price for
25 the ATSI zone was approximately \$200 above the price

2012

1 for the rest of the -- rest of the RTO?

2 A. I don't recall the exact clearing price
3 for the rest of RTO. When you say "rest of the RTO,"
4 it is not the rest of PJM. It's the other sections
5 that didn't separate. So there can be lots of areas
6 that aren't the rest of RTO and they define it. So
7 it's not all other zones. It's just the zones that
8 didn't clear with a separate price from the majority
9 from PJM. And so they may have cleared at 130, 150.
10 I don't recall the exact price that year.

11 Q. And were you aware of the price
12 differential between ATSI zone and other PJM RTO
13 zones at the time you prepared your testimony?

14 A. I was aware that FirstEnergy's clearing
15 price on its own was higher than other zones in that
16 it saw significant change in price for its cleared
17 price from one planning year to the next, just like
18 other zones in PJM see on a fairly regular basis. We
19 have seen swings of six, seven times the price from
20 one year to the next in the PJM in the past. They
21 are pretty volatile.

22 Q. And do you know whether the ATSI zone
23 separated from the rest of the RTO for subsequent PJM
24 BRAs?

25 A. I don't recall.

2013

1 Q. And has the AEP zone ever separated from
2 the rest of the RTO?

3 A. Over the years, AEP zone -- the AEP
4 utilities have been in the rest of RTO zone. I want
5 to clarify because we were an FRR entity so we
6 weren't part of RPM for many years. It is just
7 recently, the last couple of years, we have not
8 separated from the rest of RTO, but we have seen the
9 same type of volatility in RPM clearing prices that
10 have been seen in the ATSI zone.

11 MS. FLEISHER: Move to strike everything
12 but we have -- "but we have seen the same type of
13 volatility." I simply asked whether the AEP zone had
14 separated from the rest of the RTO. The rest was
15 nonresponsive to my question.

16 MR. SATTERWHITE: Your Honor, the line of
17 her question there is volatility and now let's move
18 into the AEP zone, have they ever separated, and the
19 witness is saying -- he gave his answer and provided
20 how that answered that whole line of questioning.

21 MS. FLEISHER: Your Honors, what
22 Mr. Satterwhite thinks about the line of my
23 questioning, I asked a specific question and the
24 witness is required to give a responsive answer to
25 that question.

2014

1 MR. SATTERWHITE: And it was responsive,
2 your Honor. They separated it and he answered the
3 question and said what the effect of that was.

4 EXAMINER PARROT: Motion to strike is
5 denied.

6 Q. And, Mr. Allen, you reviewed the Apples to
7 Apples website in preparing your testimony regarding
8 retail -- available retail electric contracts,
9 correct?

10 A. I did.

11 Q. And are you aware that at least some CRES
12 providers Apples -- offers on the Apples to Apples
13 website include a free smart thermostat?

14 A. I don't know that any on the Apples to
15 Apples website included a free smart thermostat, but
16 I am aware that one of the suppliers, whether it's in
17 Texas or here in Ohio, I have heard discussion that
18 they offer something of that sort.

19 Q. And that would be an offer available to
20 AEP Ohio customers, correct?

21 A. Yes. Or they could buy them at the store,
22 yes.

23 Q. Okay. And smart thermostats can be used
24 to achieve electricity savings, correct?

25 A. That's the objective of smart thermostats.

2015

1 They may produce energy efficiency savings. I don't
2 know that they produce peak demand reduction though.
3 So they may not have -- they may save on the
4 kilowatt-hours from an energy perspective, but on
5 demand they may not have a benefit on demand. They
6 may actually increase demand.

7 Q. And where a home is natural gas heated,
8 smart thermostats can produce natural gas savings,
9 correct?

10 A. Depending upon how they are utilized,
11 obviously, whether the customer is actually utilizing
12 the features of it, it could produce savings in
13 natural gas.

14 Q. And to the extent a smart thermostat does
15 result in electricity savings, that would reduce the
16 per kilowatt-hour charges paid by that customer,
17 correct?

18 A. No, it would not. It would -- the
19 per-kilowatt charges would stay the same because it's
20 a volumetric charge and the customer would continue
21 to pay the same rate. Their energy consumption may
22 come down.

23 But to the extent that a customer like
24 that had a smart meter that had a demand recognition
25 on that, if their CRES supplier were aware of an

2016

1 impact on the peak demand of that customer as a
2 result of that smart thermostat such that it raised
3 the customer's peak demand, such as when they come
4 home in the afternoon in the summer, set a new peak
5 for that customer during the time of PJM peak, then
6 that CRES provider would recognize a higher cost and
7 would have to charge that customer a higher
8 per-kilowatt-hour charge to compensate the CRES for
9 the higher capacity charges that would be imposed
10 upon them from PJM. So it could actually have the
11 effect of increasing the charge to those customers on
12 a per kilowatt-hour basis.

13 Q. Have you reviewed the CRES contracts for
14 any CRES provider that provides a free smart
15 thermostat?

16 A. I have not reviewed these contracts. What
17 I am describing is the underlying economic and
18 physical principles that would result in an increased
19 charge for a customer if that smart thermostat did
20 result in higher demand from that customer which is
21 something that could be expected.

22 Q. And AEP Ohio never considered offering
23 customers the option to opt out of the PPA rider,
24 correct?

25 A. That's correct.

2017

1 Q. And the PPA rider, as approved by the
2 Commission, is, in fact, nonbypassable, correct?

3 A. Yes, that's correct. That's my
4 understanding of the Commission's order.

5 Q. And if you look to your direct testimony
6 at page 6, line 9.

7 A. I'm there.

8 Q. And there you state that the PPA rider
9 "...will have no adverse impact on the SSO auction or
10 the ability of Competitive Retail Electric Service
11 providers to compete for customers on a level playing
12 field." Correct?

13 A. That's correct.

14 Q. Okay. And does that assertion assume that
15 no CRES provider will offer a competing hedge option?

16 A. No.

17 Q. And with respect to your economic
18 development analysis, that didn't include any
19 analysis of the impact of the retirement of the PPA
20 units on locational marginal prices for energy in AEP
21 Ohio's service territory, correct?

22 MR. MICHAEL: Objection. He didn't
23 perform any analysis.

24 MS. FLEISHER: I am happy to rephrase,
25 your Honor.

2018

1 Q. With respect to the information provided
2 in the attachments to your testimony, that doesn't
3 include any information about the impact of the
4 retirement of the PPA units on locational marginal
5 prices in AEP Ohio's service territory, correct?

6 A. That's correct. That wasn't the intent of
7 that analysis.

8 Q. Are you familiar with the fact that AEP
9 Ohio filed -- annually files long-term load forecasts
10 with the Commission?

11 A. Yes.

12 Q. Okay. Do you know how those load
13 forecasts are prepared?

14 A. I'm familiar with those forecasts and
15 they're usually done out of the AEP Ohio office, but
16 on occasion my group has some input into those
17 analyses and those filings.

18 Q. Okay. And what input does your group
19 provide?

20 A. If we're deciding how to respond to EL-TFR
21 in light of a changing environment like we are today
22 where we've moved from being a full-requirements
23 company where we provided lots of generation data in
24 there, to a distribution and transmission entity with
25 our OVEC entitlement, we would have worked with AEP

2019

1 Ohio to help guide them in what we think an
2 appropriate way to now complete those forms are, to
3 meet the Commission's needs based on this changing
4 circumstance.

5 Q. And do you review those filings?

6 A. I have on occasion.

7 Q. But you don't regularly review them?

8 A. Probably reviewed three of them in the
9 last five or six years and they are done annually,
10 so.

11 Q. So would you generally be aware in the
12 course of your duties about what AEP Ohio is
13 forecasting for load in the AEP Ohio territory?

14 A. In other aspects of my job I look more
15 generally at the future load -- load forecast for AEP
16 Ohio, independent of the LTFR filings and so I am
17 aware of the load forecasts that are presented for
18 AEP Ohio.

19 Q. When you say the load forecast for AEP
20 Ohio independent of the LTFR filing, is that -- are
21 you referring to something specific?

22 A. As part of the company's corporate
23 financial forecasting, we have to look at load
24 forecasts to predict revenues and things. And to
25 determine whether or not you have revenue shortfalls

2020

1 that may dictate the need for base distribution case
2 and the like, I review that type of data.

3 The same source data, the same
4 fundamentals forecast data -- I'm sorry, the same
5 load forecasting data that's used in LTFR is the same
6 sort of source data that's used in the -- in the
7 economic -- or in the physical forecast that we use
8 to make those rate case decisions. So I view it from
9 a different -- for a different purpose, but it's the
10 same dataset.

11 Q. Okay. So would you be aware if the LTFR,
12 year to year, were showing more or less load in AEP
13 Ohio's service territory?

14 A. Based on my general understanding of AEP
15 Ohio's load, it's a -- it's been a slight increase in
16 load from year to year when you adjust for major
17 industrial shutdowns like the Ormet facility, but we
18 have seen a small year-to-year change in load,
19 increase in load, that's generally the trend.

20 Q. And would you be aware in changes in
21 the -- in the forecasts in terms of, you know, let's
22 say you're forecasting a large increase versus a
23 subsequent year not forecasting that large increase
24 in load.

25 A. Years ago when I was directing financial

2021

1 forecasting, I would have looked at that. I don't
2 typically look at forecasts to forecast changes in
3 load. I would be looking at the most current load
4 that we would have for our financial forecast and
5 understanding the implications for AEP Ohio from
6 that.

7 Q. And you're aware that AEP Ohio has energy
8 efficiency and peak demand reduction programs?

9 A. Very significant energy efficiency and
10 peak demand reduction systems, yes. I think to the
11 tune of \$70 million of expenditures on an annual
12 basis.

13 Q. I think that's about right. And are you
14 aware that those programs may produce
15 energy-efficiency resources and demand-response
16 resources that could be bid into the PJM capacity
17 auctions?

18 A. I'm not sure what the status of bidding
19 those into PJM as a result of the new capacity
20 performance product is. Historically we were able
21 to. I am just not sure what the status is today with
22 the risk profile of those types of programs.

23 Q. Okay. But you would agree that, in the
24 past, AEP Ohio has bid demand-side resources in the
25 PJM capacity auctions?

2022

1 A. We have.

2 Q. And one effect of that can be to lower the
3 PJM clearing price, correct, all else being equal?

4 A. These are pretty small. I wouldn't expect
5 our bids to lower the PJM clearing price. The only
6 way that a bid would lower the PJM clearing price is
7 if that bid was the clearing price winner. There is
8 only unit that sets the clearing price. So, in that
9 case, it could move it. Or if the bidding of that
10 unit at below the clearing price resulted in PJM
11 needing one less resource to meet its demand need, so
12 if that last resource was a thousand megawatt
13 facility and we were right in the middle of it, where
14 you just needed half of it, unless that peak demand
15 reduction was worth 500 megawatts, it would have no
16 effect on the clearing price.

17 Q. Okay. But in -- that's fine.

18 MS. FLEISHER: Thank you, your Honors.
19 That's all I have.

20 Thank you, Mr. Allen

21 THE WITNESS: Thanks.

22 EXAMINER PARROT: Mr. Settineri.

23 MR. SETTINERI: Thank you, your Honor.

24 - - -

25

2023

1 CROSS-EXAMINATION

2 By Mr. Settineri:

3 Q. Good afternoon, Mr. Allen. My name is
4 Michael Settineri. I represent certain clients
5 including Retail Energy Supply Association. We are
6 almost done today, that's good news.

7 A. Good evening.

8 Q. Just a couple of quick questions to start
9 with. Am I correct that you believe the average
10 residential customer usage on a monthly basis for
11 Ohio Power is approximately a thousand kilowatt-hours
12 a month?

13 A. That's a good estimate of the average,
14 yes.

15 Q. And it's your expectation that AEP Ohio
16 will not enter into the PPA transaction if the
17 Commission does not approve cost recovery of the OVEC
18 unit and the PPA units through rider PPA, correct?

19 A. I think you stated it a little different
20 than our proposal, but unless the Commission approves
21 inclusion of those PPAs in the PPA rider, we would
22 not sign the PPA, that's correct.

23 Q. Thank you.

24 You would agree with me in the short-term
25 that the PPA rider will increase electric rates for

2024

1 consumers, correct?

2 A. As we've moved forward, the October to
3 December time period that we include in Exhibit KDP-2
4 is no longer appropriate to look at so we would be
5 looking at 2016 and it's -- on an annual basis
6 that's -- on the weather normalized case it's pretty
7 close to zero and I don't know what the incremental
8 revenues that we would have from the financial
9 results of the capacity performance product would be.

10 So it's either going to be close to
11 neutral or a slight charge, but it would be pretty
12 close to neutral in that first year based on the data
13 I am looking at here.

14 Q. And what line are you reading from KDP-2,
15 please?

16 A. I am looking at KDP-2 in the weather
17 normalized case. So we are in the third box on that
18 exhibit. The line entitled "Net PPA Rider
19 Credit/(Charge)excluding PJM CP" which is capacity
20 performance, "including CO-2 tax" and I am looking at
21 the 2016 column that shows a cost of \$49 million on
22 an annual basis, but then the next line down shows
23 what the value of the capacity performance product --
24 or what the PPA rider would be including, the maximum
25 capacity performance revenues, and it would be a

2025

1 \$13 million benefit. So the result is going to be
2 somewhere in between those to based upon this
3 forecast.

4 Q. Let me ask you this: If the PPA rider led
5 to a large increase for a large industrial customer,
6 that type of increase could have negative
7 consequences for that customer, correct?

8 A. I don't believe that the PPA rider is
9 going to produce a large cost for industrial
10 customers. Under the premise that the PPA rider
11 produced an incremental cost to an industrial
12 customer but produced price stability for that
13 customer, I think that would have a positive impact
14 on our industrial customers.

15 As we've seen in many of our jurisdictions
16 where we've recently filed for the transfer of new
17 generating -- or, I'm sorry, of existing generating
18 assets, new to those companies' generating assets
19 like the Mitchell assets and the Amos assets into
20 APCo. Those were beneficial to those states because
21 they reduced the price volatility that the industrial
22 customers would see as opposed to buying additional
23 energy in the market. So it was viewed as beneficial
24 in those regions.

25 And I think -- I know in Kentucky that the

1 industrials did sign on to the settlement to support
2 that kind of transition that -- and they did put
3 testimony in that it would be at a higher cost than
4 market, but they recognize the value of that price
5 stability.

6 Q. Are you done, sir?

7 A. I am.

8 MR. SETTINERI: Your Honor, based on the
9 length of that answer, if you look at my question, I
10 would have to move to strike the entire answer as not
11 responsive. The question was very targeted. It
12 included if that charge led to, I think, a large
13 increase for a large industrial customer. The
14 answer -- first of all, the question was not answered
15 at all, and then we got a long, long answer that had
16 nothing to do with what I was specifically asking
17 him. So I would ask to have that answer struck and
18 if we can re-read the question and try again.

19 MR. SATTERWHITE: If I may, your Honor? I
20 don't think the length of the answer, filled with
21 topical information, is the reason to strike it. He
22 didn't accept the premise of the question and talked
23 about how this rider will actually not increase rates
24 and provide something different for the manufacturing
25 and industrial customers.

2027

1 MS. BOJKO: Objection.

2 MR. OLIKER: Your Honor, may I add also?
3 He is talking about regulated states where there is
4 no choice. It's not even relevant to this case.

5 MS. BOJKO: Your Honor, my objection. May
6 I be heard?

7 EXAMINER PARROT: You have already
8 started.

9 MS. BOJKO: No. I said "objection." Was
10 on relevance grounds of the information provided is
11 not relevant to this case, as Mr. Olikier has just
12 pointed out, it's not applicable to this case.

13 I would also object and move to strike
14 counsel's Comments that the rider will not increase
15 rates when the testimony before us that there is
16 going to be a charge in the rates for the projection
17 that the company has provided in certain years. So
18 that comment should be stricken as mischaracterizes
19 the company's proposal and the evidence before us.

20 MR. SATTERWHITE: If I may respond, your
21 Honor?

22 EXAMINER PARROT: Go ahead.

23 MR. SATTERWHITE: First of all, my
24 comments aren't evidence, so I don't know why we need
25 to strike that.

1 Second, I believe, you know, the witness
2 was responding on the relevance issue, how there are
3 other jurisdictions and they have assets and how
4 those assets impact what prices are in the market and
5 what they're backed by. So he doesn't have to accept
6 the premise of the question when he -- when the
7 question really deals with what's going to happen
8 with customers. And he explained in his response
9 what that impact might be and what the impact of this
10 rider might be.

11 MR. DARR: Whether he accepts the premise
12 of the question or not, your Honor, he is still
13 obligated to respond to the question, and so far we
14 haven't gotten that.

15 MR. SATTERWHITE: He responded, your
16 Honor, and gave his answer.

17 EXAMINER PARROT: I'm going to allow the
18 first sentence to stand, and we will strike the
19 remainder of the answer.

20 MR. SETTINERI: Thank you, your Honor.

21 If we could have the first sentence
22 reread, that would be appreciated.

23 (Record read.)

24 Q. (By Mr. Settineri) Mr. Allen, if you could
25 look at page 6, lines 5 and 6 of your testimony.

1 A. Okay.

2 MR. SATTERWHITE: If you are going to a
3 new point, can go off the record for one second for a
4 logistical issue?

5 EXAMINER PARROT: Yes.

6 (Discussion off the record.)

7 EXAMINER PARROT: Back on the record.

8 Q. (By Mr. Settineri) Are you there?

9 MR. SETTINERI: Are we back on the record?

10 Q. Are you there, Mr. Allen?

11 A. I am.

12 Q. Lines 5 and 6, page 6, you state that none
13 of the energy or capacity will be bid into the
14 auction or used to offset any of the load included in
15 the auction, correct?

16 A. That's correct.

17 Q. Okay. Now, you agree with me nothing in
18 the PPA prohibits AEP Ohio from selling energy and
19 capacity to the PPA units to a third party under a
20 bilateral contract, correct?

21 A. Nothing in the PPA contract limits that
22 but the company's commitment in this proceeding is
23 that we would be liquidating capacity, energy, and
24 ancillaries into the PJM market.

25 Q. But if a certain amount of capacity

1 doesn't clear in the markets, the company then could
2 enter into a bilateral contract with a third party to
3 sell that capacity and energy, correct?

4 A. I think that would be a transaction the
5 company would undertake after a lot of consultation
6 or discussion with the Commission or the Commission
7 staff.

8 Q. Isn't it an important business term to
9 know today, when you are negotiating a bilateral --
10 bilateral contract with a company that's going to
11 have a term well over 20 years? Isn't that an
12 important business term to understand at this point
13 in time?

14 A. I think I understand the business term.
15 Clearly AEP Ohio has full rights to the capacity,
16 energy, and ancillaries that it purchases from AEPGR
17 under the contract. That's what the contract states.

18 The second step is not a contract term of
19 the affiliate PPA agreement. It's an agreement with
20 the Commission about how AEP Ohio proposes to dispose
21 of the energy into the PJM market which is to
22 liquidate into the PJM market. We have not proposed
23 a bilateral contract. So it's not a term, as you
24 tried to indicate, of the agreement. It's separate
25 and apart from the agreement. It's a commitment of

1 AEP Ohio with this Commission.

2 Q. So you are saying that if the capacity
3 does not clear, it ends up being stranded, and there
4 will be no revenues being recovered from that
5 capacity under the PPA, correct?

6 A. I wouldn't say that the capacity is
7 stranded. The capacity just didn't clear in the PJM
8 market.

9 Q. Well --

10 A. And there are opportunities in the PJM
11 market for entities to offer into subsequent capacity
12 auctions so there would be several opportunities
13 after the first base residual auction for the, I
14 think they are called "supplemental auctions," there
15 may be three of those before the delivery year for
16 AEP Ohio to bid that capacity into.

17 Q. But assuming the capacity doesn't clear
18 any of the auctions, it is not sold, there would be
19 no revenues, correct?

20 A. There would still be energy revenues.
21 There would be no capacity revenues but there would
22 also be no risk of capacity performance penalties
23 either and AEP Ohio could work with the Commission
24 and staff to determine what would be an appropriate
25 thing to do with that capacity in the event of that

1 scenario.

2 Q. So, in other words, we would have another
3 proceeding then with all parties on that topic,
4 correct? Is that what you contemplate?

5 A. I don't know. I think we get to that
6 point sometime in the future, and we deal with it
7 then.

8 Q. Okay. Well, assume for me that the
9 companies enter into a bilateral contract with a
10 third party, and when and I say "companies," I should
11 say "Ohio Power."

12 A. Okay.

13 Q. All right. Let me ask you this question,
14 keeping that assumption in mind, you are familiar
15 with AEP Energy?

16 A. I am.

17 Q. All right. What is AEP Energy?

18 A. AEP Energy is a -- I take that back. I am
19 not sure what AEP Energy's exact business function
20 is. We have lots of subsidiaries. I know what AEP
21 Retail is.

22 Q. I may have used the wrong name. I am
23 wondering the affiliated competitive retail electric
24 supplier. That would be AEP Retail, correct?

25 A. That would be the name; I would think it

1 was AEP Retail, yes.

2 Q. And AEP Retail can bid into the SSO
3 auction, correct?

4 A. Under Ohio rules it could. I don't know
5 if its charter allows it to or not.

6 Q. Okay. So to the extent that if AEP Ohio
7 could enter into a bilateral contract, assuming that,
8 AEP Ohio could also then sell capacity and energy
9 into AEP Retail, correct?

10 A. I can't imagine that scenario occurring.
11 Our proposal is to liquidate it into the PJM market.

12 Q. You can't imagine that but it could happen
13 under the assumption I gave you, provided that AEP
14 Ohio could enter into bilateral contracts, correct?

15 A. It's a hypothetical on top of a
16 hypothetical. I don't know whether AEP -- whether
17 AEP Ohio could enter into that bilateral contract
18 with AEP Retail or not.

19 Q. Okay. And you're speaking from a business
20 perspective, not a legal perspective, correct?

21 A. I am speaking from both perspectives that
22 I don't know.

23 Q. You are not a lawyer, correct?

24 A. That's correct.

25 Q. Just being clear about that. Turning to

1 page 13, line 12 of your testimony.

2 A. I see that.

3 Q. Okay. There is the number figure \$1.75
4 per megawatt-hour. Do you see that?

5 A. Yes, I do.

6 Q. Okay. And that represents the initial
7 rate under the PPA rider pursuant to your testimony,
8 correct?

9 A. Yes. And that was based on the October 1
10 date that we discussed previously.

11 Q. And if I wanted to convert that rate to a
12 per-kilowatt-hour basis, I divide by a thousand,
13 correct?

14 A. That was -- yes.

15 Q. And then if I wanted to apply that rate to
16 a customer's load, I would multiply it by the
17 customer's kilowatt-hour load either on a monthly or
18 annual basis, correct?

19 A. That's correct.

20 Q. And for the rider PPA, how is that being
21 assessed on -- on the customers, if you know?

22 A. It's on a per-kilowatt-hour basis.

23 Q. And how is that assessed amongst the
24 classes of customers?

25 A. It's a uniform per kilowatt-hour charge

1 across all classes of customers.

2 Q. No distinction between classes.

3 A. That's correct.

4 Q. All right. So large industrial customers
5 in any industries would -- strike that question.

6 Do you recall questions earlier today from
7 OCC counsel regarding the economic impact report
8 attached to your testimony?

9 A. I remember lots of questions about that
10 topic today.

11 Q. I thought you might. Based on your
12 answers, the only direction you gave Dr. Holliday was
13 to tell him what impacts you wanted him to look at
14 which was to look at the economic benefit of the PPA
15 unit and the OVEC unit, that's correct?

16 A. No, that's not correct. There are two
17 pieces I -- well, I gave him direction about what
18 kind of economic analysis we were looking for, the
19 economic impact of these plants in their local
20 communities and the state, and then subsequent to the
21 Commission's order in the -- or subsequent to filing
22 the case in the ESP case when we did a second
23 analysis related to the PPA units I directed
24 Dr. Holliday to perform his analysis in the same
25 manner that he had performed the OVEC analysis.

1 MR. SETTINERI: And I apologize, your
2 Honors, but if I could have that answer reread, I
3 would appreciate it.

4 (Record read.)

5 MR. SETTINERI: I'm sorry, I couldn't
6 hear. Let me just cut to the chase.

7 Q. If we could go to your deposition, sir,
8 page 92. Tell me when you have that in front of you,
9 please.

10 A. Okay. I am there.

11 Q. Okay. On page 92, line 17, through -- we
12 will go to the next page 93, but I will just go ahead
13 and read it starting at line 17.

14 "Question: And what direction did you
15 give Dr. Holiday?"

16 "I gave him direction on what economic
17 impact we wanted him to look at, which was to look at
18 the economic benefits of the PPA Units and OVEC, and
19 we had some discussion about what region to include
20 in that analysis."

21 "Question: Are you done?"

22 "Answer: Yes."

23 "Question: Did you give Dr. Holiday any
24 direction with regards to assumptions for the
25 analysis?"

1 "Answer: We provided him the income of
2 the worker, the number of workers at the plants.
3 That input data, the mining, that was gathered by my
4 group and provided to Dr. Holiday to include within
5 his analysis." Did I read that correctly?

6 A. You did. And there's some additional Q
7 and A that starts at the beginning of page 92 on
8 lines, this would be on -- sorry, on page 91, line 4,
9 that says "Okay."

10 MR. MICHAEL: Objection, your Honor. They
11 can do this on redirect but not on impeachment.

12 MR. SATTERWHITE: Your Honor, we are
13 already -- I am allowing them to roll fast and loose
14 with the deposition, and the witness is saying yes,
15 you are presenting one part of what you had me look
16 at here, and here is the other part. The question
17 was what all was the direction and he has given the
18 full answer.

19 MR. OLIKER: The question was did he read
20 it correctly.

21 MR. SATTERWHITE: I appreciate it if the
22 witness could be allowed to finish his answer before
23 Mr. Michael screams over him.

24 MR. SETTINERI: I don't have a problem
25 with it, your Honor.

1 EXAMINER PARROT: I'm going to allow him
2 to finish his answer.

3 MR. SATTERWHITE: Thank you.

4 EXAMINER PARROT: Objection is overruled.

5 A. Page 91, line 24, the question states:
6 "Okay. You analyzed economic benefits to the Ohio
7 economy from the OVEC Units; is that correct?"

8 "Answer: I directed that analysis to
9 occur."

10 "Question: So you did not do that
11 analysis?"

12 "Answer: I was responsible for directing
13 it, seeking the inputs, giving guidance on what that
14 analysis should look at, but one of the individuals
15 within our company did the specific analysis at my
16 request."

17 Q. Okay. Thank you for reading that.

18 Going back, though, to the piece of the
19 deposition transcript I read, when you look at the
20 scope of your direction to Dr. Holliday on this
21 project, you directed him primarily to tell him what
22 the scope was, to look at the economic benefit of the
23 AEP units and the OVEC unit, correct? And then you
24 also then gave him the inputs to use for his work
25 which would be payroll information, employee count,

1 possibly tax information as well, correct?

2 A. Those are elements of the work I did with
3 Dr. Holliday. We also discussed his analysis as he
4 completed it, reviewed his report and the like.

5 Q. And he told you what his analysis was,
6 correct?

7 MR. SATTERWHITE: Objection, your Honor.
8 Now we are rehashing what we were kicking around this
9 morning. I think we have gone over this plenty now
10 at this point. It's just cumulative.

11 EXAMINER PARROT: I will allow the
12 question.

13 A. We discussed his analysis and the results
14 that were produced. And as I indicated earlier we
15 had some substantive discussions about things like
16 should we include the Clifty Creek plant in the
17 analysis or not, and we had some discussions about
18 lowest price that would have any impact on the State
19 of Ohio.

20 So it wasn't a matter of I asked
21 Dr. Holliday to do an analysis and three months later
22 he came back to me with an analysis and I plugged it
23 into my testimony. We had dialogue about what the
24 appropriate direction of that analysis was along the
25 way.

1 Q. What's Dr. Holliday's first name?

2 A. Randy.

3 MR. SATTERWHITE: Objection, relevance.

4 Q. Could you answer the question?

5 MR. SATTERWHITE: Objection, relevance.

6 MR. SETTINERI: Testing the witness's
7 credibility.

8 EXAMINER PARROT: The answer is already in
9 the record. Let's keep moving, please.

10 MR. SETTINERI: Thank you very much.

11 Q. Going to page 12 of your testimony, sir,
12 lines 16 to 17.

13 A. I'm there.

14 Q. Do you see the question at 16 and 17: "Are
15 there other costs that customers in Ohio would incur
16 if these units were to retire prematurely?" Do you
17 see that?

18 A. Yes, I do.

19 Q. Okay. And then in your answer, I believe
20 you provide an upgrade cost of \$1.6 billion; is that
21 correct?

22 A. Yes, that's the cost that I received from
23 Company Witness Bradish.

24 Q. Okay. And if that \$1.6 billion number
25 changes, then the rest of the figures in your answer,

1 which would be page 13, 1 through 7, would adjust
2 accordingly, correct?

3 A. If the \$1.6 billion number changes, the
4 numbers after that would change as well. You would
5 have to flow the change through the workpapers
6 because there's two elements that have different
7 impacts.

8 Q. Thank you.

9 If you could turn to Exhibit WAA-1 of your
10 testimony. Just a few questions there for you,
11 Mr. Allen.

12 A. Okay. I'm there.

13 Q. You are quicker than me. Assume for me
14 that Ohio -- let me ask this question this way. If
15 Ohio Power is assessed a charge for failure to
16 perform under the PJM capacity performance product or
17 program, where on this exhibit would that charge show
18 up?

19 A. My expectation was that it would be that
20 it would show up as a net to line 1 on the capacity
21 revenues as an offset to capacity revenues.

22 Q. You misunderstood my question though. You
23 agree with me there are penalties under the PJM
24 capacity performance program, correct?

25 A. There -- there are nonperformance charges

1 and there will also be additional payments that you
2 can get for extra performance, so it goes both ways.

3 Q. We'll call them "bonuses" and "penalties,"
4 how's that?

5 A. That's the word I was looking for,
6 "bonuses" and "charges."

7 Q. So bonuses would go to No. 1, capacity
8 revenues, correct?

9 A. Yes.

10 Q. And then what about the penalties, where
11 would the penalty show up here?

12 MR. SATTERWHITE: Objection. The witness
13 tried to clarify and say "charges" not "penalties"
14 after he didn't accept the term for it. That might
15 have been missed when you guys were talking quickly.

16 Q. I would be glad to use whatever term the
17 witness would like. I thought "bonus" and
18 "penalties," but whatever term you want to use,
19 Mr. Allen, I will go with.

20 A. Capacity performance charges, I would
21 include those as a net to line 1 as an offset to the
22 revenues.

23 Q. So they wouldn't go under related
24 transmission and PJM charges, correct?

25 A. That wouldn't be my expectation.

1 Q. Those charges would be netted out,
2 correct?

3 A. At the end of the day they would show up
4 in the net PPA rider credit or charge. My
5 expectation, if I were to lay it out the way I wanted
6 to, I would put it in line 1, others may have
7 different views, but it's just where you put that
8 item on the list.

9 Q. Here is a couple of assumptions I would
10 like you to make here. In fact, there is probably
11 more than one, but assume for me that Ohio Power
12 sells the output from the PPA under a bilateral
13 contract to a third party. Assume for me that Ohio
14 Power does not perform under that bilateral contract
15 and is sued by that third party. And assume for me,
16 as a result of that lawsuit, that Ohio Power has to
17 pay \$1 million to the third party as a result of the
18 lawsuit. Can you assume that for me? I know there
19 are three assumptions there.

20 A. I don't know that I can accept all of
21 those assumptions, but I heard what you had to say.

22 Q. I am not asking you to assume them. What
23 I am trying to understand though, if that occurs, and
24 I realize you may disagree with me, where would that
25 \$1 million go on WAA-1?

1 A. Yeah, I don't think I can accept that that
2 would occur. The company's proposal is to liquidate
3 the capacity, energy and ancillaries into the market,
4 not to enter into a bilateral contract. So you are
5 asking me a hypothetical with a scenario that the
6 company isn't proposing to enter into and there would
7 have to be discussions with the Commission about how
8 that would work. It's not something we are proposing
9 and it's not something that I'm prepared to discuss
10 today. I haven't thought about it.

11 Q. My recollection is that other employees of
12 your company have indicated that could be a
13 possibility, and so what I am trying to understand
14 for the record here today is that if there are some
15 form of lawsuit payments made by Ohio Power as a
16 result of this PPA, where would those dollars go on
17 this exhibit?

18 A. I don't know because it's a hypothetical
19 that I haven't considered.

20 Q. Fair enough. Thank you.

21 MR. SETTINERI: If I may have a moment,
22 your Honor?

23 EXAMINER PARROT: You may.

24 MR. SETTINERI: Thank you. Thank you,
25 your Honors.

1 Q. Mr. Allen, are you familiar with AEP
2 Energy Partners?

3 A. I know it's one of our corporate
4 subsidiaries, yes.

5 Q. Would that be the formal name for AEP
6 Retail?

7 A. I honestly don't know. We have dozens and
8 dozens, possibly hundreds of subsidiaries.

9 MR. SETTINERI: Your Honor -- your Honors,
10 I would mark a couple of exhibits for starters, and
11 if you bear with me I am coming to the close of my
12 cross, just so you know. Are we on P3 Exhibit 4 now?
13 I think that's how Mr. Petricoff termed it.

14 MR. DARR: It's P3 2.

15 MR. SETTINERI: This should be P3 2?

16 (EXHIBIT MARKED FOR IDENTIFICATION.)

17 Q. Mr. Allen, do you have before you what's
18 been marked P3 Exhibit 2?

19 A. I do.

20 Q. Okay. Can you identify that document for
21 me?

22 A. It's a document from NERA Economic
23 Consulting, dated June 3, 2015. Entitled "Update to
24 Redactions" which isn't very clarifying. The next
25 page does indicate that it's the "Final Report of the

1 Auction Manager, AEP Ohio CBP, May 12, 2015."

2 Q. Okay. And this document also contains
3 final report of the auction manager May 12, 2015, on
4 the third page, correct?

5 A. It does.

6 Q. Okay. If you could turn to page -- what's
7 marked as page 3. You agree with me this is not a
8 confidential document, sir?

9 A. I am not sure. It says "Confidential
10 Information" on the bottom of the page so I am a
11 little hesitant.

12 MR. SETTINERI: If I may have a moment,
13 your Honors, please? And, your Honors, I am just
14 taking a moment to double-check this document to make
15 sure.

16 All right. Thank you, your Honors for
17 your indulgence.

18 Q. Mr. Allen, would you look at page --
19 what's been marked as page 3. Would you agree with
20 me that one of the winning bidders was AEP Energy
21 Partners, Incorporated or Inc.?

22 A. I'm hesitant. Have we agreed this isn't a
23 confidential document?

24 Q. I can represent for you, sir, that I just
25 checked on the Commission's website and it is filed

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1 in the same form as we have here. And counsel -- I
2 would be glad to show your counsel if they would like
3 to look at the screen.

4 MS. HENRY: It says "Redacted Version" at
5 the top.

6 MR. SETTINERI: And I appreciate your
7 concern, sir.

8 MS. FLEISHER: I will point out the last
9 page is the Commission filing record which shows it's
10 the updated redacted version.

11 A. Since I am getting that it's okay to
12 disclose this, one of the winning bidders, you were
13 asking, I'm sorry, was it AEP Energy Partners, that
14 was your question?

15 Q. That's correct.

16 A. They are listed as one of the winning
17 bidders in this list.

18 Q. And you indicated that would be an
19 affiliate of AEP or that would be an affiliate of
20 Ohio Power, correct?

21 A. It's an entity in the AEP corporate family
22 so it would be an affiliate of AEP Ohio.

23 Q. Thank you, Mr. Allen.

24 Mr. Allen, one last question. You would
25 agree with me that CRES offers go out to 36 months at

1 least, correct?

2 A. I've seen offers of 36 months in the
3 Apples to Apples website, yes.

4 MR. SETTINERI: Thank you. No further
5 questions at this time.

6 Thank you, your Honors.

7 EXAMINER PARROT: Mr. Beeler.

8 MR. BEELER: Thank you. No questions.

9 EXAMINER PARROT: Any redirect,
10 Mr. Satterwhite?

11 MR. SATTERWHITE: Can I have 5 minutes,
12 your Honor?

13 EXAMINER PARROT: You may.

14 (Discussion off the record.)

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

17 Any redirect, Mr. Satterwhite?

18 MR. SATTERWHITE: Just one issue, your
19 Honor.

20 - - -

21 REDIRECT EXAMINATION

22 By Mr. Satterwhite:

23 Q. Mr. Allen, do you recall some questions
24 from OMAEG's counsel asking about Exhibit WAA-3 and 4
25 dealing with a link to a web address?

1 A. Yes, I do.

2 Q. And were you able to access the link that
3 was put at question earlier over the lunch break?

4 A. Yes, I was.

5 Q. And you verified that was the link that
6 was in the testimony in WAA-3 and WAA-4 and that came
7 up on the web address?

8 A. Yes. And it included the data that it was
9 intended to include.

10 MR. SATTERWHITE: That's all I have, your
11 Honor.

12 MS. BOJKO: I didn't hear what you said.
13 I'm sorry.

14 THE WITNESS: It included the data that it
15 was intended to include.

16 EXAMINER PARROT: Any recross, Ms. Bojko?

17 MS. BOJKO: Yes. Thank you, your Honor.

18 - - -

19 RE CROSS-EXAMINATION

20 By Ms. Bojko:

21 Q. Are you referring to the web link that was
22 e-mailed to yourself and me during cross-examination
23 at 10:23 a.m. this morning that says here is the
24 website listed in WAA-3 page 10 as listed there and
25 it has a cite that says "https://faculty.washington.

1 edu/Krumme/systems/multiplier.html"?

2 A. No. I actually typed in the exact web
3 link that did not include the "s" to verify that that
4 worked and the link, as typed in the exhibit, does
5 work.

6 Q. Without the "s".

7 A. It did. I verified it.

8 Q. Well --

9 A. And it worked with the "s" attached as
10 well.

11 Q. Mr. Allen, when I just typed it in without
12 the "s" the document that you reference did not come
13 up. It only works with the "s".

14 MR. SATTERWHITE: Objection, your Honor.

15 Q. Isn't that true?

16 MR. SATTERWHITE: Objection, your Honor.

17 Again, we got in this situation because OMA counsel
18 was doing something and says something didn't exist.
19 This witness can't say what Ms. Bojko just did on her
20 own computer. He's testified that he did it himself
21 on the break and it was absolutely there. Ms. Bojko
22 can't now testify to now argue with the witness.

23 MS. BOJKO: Well, your Honor, he is
24 misrepresenting, first of all, as marked as evidence
25 was a document that was produced when that exact

1 address was entered into and printed out. The
2 witness is now attempting to say that now the address
3 works and when it is tried multiple times on lunch
4 and right now as we sit here today, the address does
5 not work without the "s." So it's an improper
6 address provided in the testimony.

7 MR. SATTERWHITE: Your Honor, again,
8 that's testimony from Counsel. The witness said he
9 tried and it appeared.

10 EXAMINER PARROT: Mr. Allen, you testified
11 it works with and without "s"; is that correct.

12 THE WITNESS: I did. I took the "s" off
13 and it worked.

14 EXAMINER PARROT: Anything else?

15 Q. OMA Exhibit No. 11 that was provided to
16 you, do you have that in front of you?

17 A. Can you describe the document, please?

18 Q. It is the web link error message that we
19 were just talking about -- or not error message --
20 excuse me. Strike that.

21 It is the web link page that says it's
22 from Dr. Krumme and it states that the address has
23 not been appropriately updated.

24 A. I don't have it in front of me but I
25 recall seeing the document that stated that.

1 MR. SATTERWHITE: I have my copy.

2 A. Here it is.

3 Q. I just want to clarify, sir, the message
4 that's typed on that exhibit is signed by G Krumme;
5 is that correct?

6 MR. SATTERWHITE: Objection, your Honor.
7 That's beyond the scope of my redirect.

8 EXAMINER PARROT: I'll allow it.

9 A. It's not signed. It just states "Thanks.
10 G Krumme." And it says "If you nevertheless wish to
11 gain access, please send a note to
12 krumme@u.washington.edu." So it appears if an
13 individual has difficulty obtaining it, there was an
14 e-mail address that allowed you to get the document
15 if you were having problems with it.

16 Q. My question, sir, was this note that's
17 drafted that -- is that by G Krumme? Does it appear
18 to be drafted by G Krumme from his "Thanks. G Krumme"
19 signature?

20 MR. SATTERWHITE: Objection. Objection,
21 your Honor. The witness answered and said what's on
22 the face of the document. That's all he can testify
23 to. He didn't create this document. He has never
24 seen it before and now she is asking what it amounts
25 to, whether it's a signature or something else. He

1 can't testify to that.

2 EXAMINER PARROT: The objection is
3 overruled.

4 You may answer if you know, Mr. Allen.

5 A. It's not a signature. It's just typing
6 that says "G Krumme" at the end.

7 Q. Right. And just as you type an e-mail,
8 you would put "thanks" and you would put your name at
9 the bottom of it; isn't that true?

10 A. Sometimes I put my name at the bottom of
11 an e-mail. I have no idea how that has any relevance
12 to what this document says.

13 MS. BOJKO: Okay. Thank you. I have
14 nothing further, your Honor.

15 EXAMINER PARROT: Ms. Henry.

16 MS. HENRY: Nothing further, your Honor.

17 EXAMINER PARROT: Mr. Michael.

18 MR. MICHAEL: Nothing, your Honor. Thank
19 you.

20 EXAMINER PARROT: Mr. Olikier.

21 MR. OLIER: No questions, your Honor.

22 EXAMINER PARROT: Mr. Darr.

23 MR. DARR: No. Thank you.

24 EXAMINER PARROT: Ms. Cohn.

25 MS. COHN: No. Thank you.

1 EXAMINER PARROT: Ms. Fleisher.

2 MS. FLEISHER: Nothing, your Honor.

3 EXAMINER PARROT: Mr. Settineri.

4 MR. SETTINERI: No, your Honor. Thank
5 you.

6 EXAMINER PARROT: Mr. Beeler.

7 MR. BEELER: No, thank you.

8 EXAMINER PARROT: I believe that
9 Mr. Satterwhite has already moved for the admission
10 of Company Exhibit No. 10. Are there any objections?

11 MR. MICHAEL: Yes, your Honor. OCC
12 objects to page 11, line 3, through page 12, line 14,
13 and WAA-3 and WAA-4. And, your Honor, we would move
14 to strike that testimony and those exhibits.
15 Mr. Allen is not competent to testify to the economic
16 analysis in that portion of the direct filed
17 testimony. It's hearsay.

18 Earlier, your Honor, there were some
19 representations made that by Mr. Allen that he had
20 attended some economics courses as an undergrad.
21 That's really beside the point because during my
22 cross-examination he admitted that he didn't even
23 consider himself to be an economist, point No. 1.

24 Point No. 2 is there was some
25 representations made by Mr. Allen that he "directed

1 what Dr. Holliday did." During my cross-examination
2 of Mr. Allen, I asked him at least a half a dozen
3 questions about whether or not he directed
4 Dr. Holliday to do certain things and the answer --
5 certain crucial things to the economic impact
6 analysis. And Mr. Allen had admitted, in fact, he
7 had not directed Dr. Holliday to do those things.

8 So given those circumstances, the
9 testimony on economic benefits and the exhibits
10 should be stricken for lack of competent to testify
11 to such things, point No. 1, and point No. 2 because
12 they are hearsay.

13 MS. BOJKO: Your Honor, OMAEG would join
14 in the motion to strike based on hearsay and that
15 it's not an expert opinion per the Rules of Evidence.

16 MR. OLIKER: As would IGS for the reasons
17 stated earlier.

18 MS. HENRY: As would Sierra Club as we
19 previously opined.

20 MR. DARR: IEU renews its request that the
21 testimony be stricken. The testimony has to pass a
22 fundamental test before it can even be considered for
23 weight, and Mr. Allen during the voir dire and
24 subsequently stated very clearly that he was not an
25 expert with regard to the base economic analysis.

1 Given that admission in and of itself, the
2 testimony is improper and is improper as expert
3 testimony. As best, at best, he is a layman in the
4 area. If he has any experience at all -- if he is a
5 layman, he cannot testify as an expert which is what
6 he is being requested to do here.

7 MS. HENRY: And I may add just simply
8 having an undergraduate course in economics is enough
9 to qualify as an expert, I would be fairly certain
10 that many of us in this room would qualify as
11 economists, expert economists, and that's surely not
12 what the Bench intended.

13 MR. SETTINERI: Your Honor, if I may, at
14 one point earlier today Ohio Power had discussed the
15 Commission's practice in regards to being very
16 liberal to allow studies -- allowing witnesses to
17 sponsor various components of an application, the
18 various studies that were made in that. And I don't
19 agree with that -- I don't disagree with that that as
20 a practice of the Commission but here we have a
21 different case. Here we have I think only one study
22 in this application which is the economic report done
23 by Dr. Holliday. That is the only study and it goes
24 to a central point of this case which is what happens
25 if these plants aren't there anymore and I think the

1 Commission is very interested in that, but we didn't
2 get a chance to ask Dr. Holliday those questions.

3 Now, in the FirstEnergy case, they
4 provided an economist, a witness, to sponsor a study.
5 And questions were able to be asked and that witness
6 was deposed and cross-examined. For whatever reason
7 the companies decided to not make that decision here.
8 That's their risk, that's their burden, and that's
9 their choice. We don't have an opportunity to meet
10 Dr. Holliday today. And I asked Mr. Allen -- the
11 reason I asked him for the Dr. Holliday's first name
12 was to see if he even knew him in terms of talking to
13 him.

14 So the absence of Dr. Holliday's very
15 troubling -- and, again, this is one study, I believe
16 the only study in this application, and the company
17 did not bring in the witness who did report and who
18 wrote the report and for that reason it's a big
19 decision but I believe on behalf of my client that
20 this motion to strike should be granted.

21 MR. SATTERWHITE: Your Honor, at this
22 point I believe there is arguing with the ruling that
23 was already made this morning. There is a reason we
24 do this at the beginning. We have now spent half a
25 day talking about this and there is a lot of

1 discussion in the record about this.

2 To the point of anybody that could take an
3 economics class could do this job, Mr. Allen is both
4 a nuclear engineer and has an MBA, so I think it is
5 not someone that took Econ 101 at their school.

6 I would also point out that as I stated --
7 I will rely on the comments I made earlier about the
8 fact this is already used in a prior ESP III and just
9 think it's appropriate at this point to not call
10 hundreds of witnesses every time just because someone
11 mentions something. He is an executive at AEP. He
12 was sponsoring the work that was done under his
13 direction, and he has testified multiple times to his
14 involvement in directing this.

15 MR. MICHAEL: Your Honor, if I might real
16 quickly, I pointed out to your Honor two specific
17 reasons how my motion is very distinct from the voir
18 dire and the motion that Ms. Bojko made earlier.
19 Your Honors' ruling on the earlier motion was based
20 on two things. First off, that the witness had said
21 he had taken some economic classes. And then, second
22 off, that he gave some direction to Dr. Holliday.

23 As I pointed out in my opening remarks,
24 the fact that he took a couple of economics classes
25 is immaterial given the fact that the witness himself

1 admits that he is not an economist. Point No. 2,
2 again, I went through a litany of questions about
3 what direction, if any, Mr. Allen gave Dr. Holliday,
4 and his answer to all my questions was "No, I didn't
5 direct him to do that. I didn't direct him to do
6 that. I didn't direct him to do that." He didn't
7 direct him to do any of the material aspects of the
8 study.

9 And then, lastly, to my knowledge in the
10 prior ESP there was no objection to the economic
11 study that was submitted in connection with the ESP
12 III, and we are not asking that the Commission
13 mandate the companies brings in hundreds of
14 witnesses. How about the gentleman who performed the
15 analysis rather than a professional witness to just
16 rehash what that economist did? It's not hundreds of
17 witnesses. It's one.

18 MR. SATTERWHITE: Your Honor, let me just
19 respond shortly. People did ask a lot of questions,
20 and they tried to bring the deposition up and use
21 part of it. And I believe the witness showed there
22 was lots of discussion even in the deposition where
23 he said different things and answered about what
24 different direction he provided. In a couple of
25 economics classes, again, I believe we've established

1 the gentleman has an MBA.

2 And my other point I made earlier this was
3 filed over almost 11 months ago. There was extensive
4 discovery on this and opportunity for anybody to ask
5 any questions they wanted. ,And the full opportunity
6 was there for the parties.

7 EXAMINER PARROT: And consistent with my
8 earlier ruling I am going to deny the motion to
9 strike which was based not only on the answers to the
10 voir dire testimony but on the face of the prefiled
11 testimony as well, Mr. Michael. The parties are free
12 to raise these issues in their briefs, and I
13 encourage you to do that. These are issues that the
14 Commission will be interested to hear but we are
15 going to allow the Commission to decide what weight
16 to give to the economic analysis that was presented
17 in Mr. Allen's testimony.

18 So with that Company Exhibit No. 10 is
19 admitted in its entirety.

20 (EXHIBIT ADMITTED INTO EVIDENCE.)

21 EXAMINER PARROT: Ms. Bojko, your
22 exhibits.

23 MS. BOJKO: Yes, thank you. OMAEG Exhibit
24 11, 12, 13, 14, 15, 16, 17, please.

25 EXAMINER PARROT: Okay. Are there any

1 objections?

2 MR. SATTERWHITE: Your Honor, I don't
3 think 16 -- first, I believe that's just the ESP
4 order. I don't want to create a precedent where we
5 have to move orders in as evidence so we would oppose
6 that.

7 OMA Exhibit No. 11, this is the talked
8 about website for Mr. Krumme. I believe the witness
9 testified that it wasn't accurate, and if you look at
10 the bottom of the document, the web address doesn't
11 even match what's in the testimony as an HTML
12 percentage 1F and I assume that's what this means,
13 what it reflected ,so this is just an attempt at
14 testimony by OMA that the witness has now clarified
15 is not true.

16 And we are okay with the other OMA.

17 EXAMINER PARROT: With the others? Okay.

18 MS. BOJKO: I'm assuming that counsel was
19 suggesting that we take administrative notice of the
20 opinion and order in 13-2385 and 86 and that's fine
21 with me.

22 MR. OLIKER: Is the ruling that we need to
23 not take administrative notice of the Commission's
24 orders because they speak for themselves?

25 MS. BOJKO: I thought we were on other

1 orders so I just wanted to make sure.

2 MR. SATTERWHITE: The company supports the
3 Bench's interpretation of the Commission order.

4 EXAMINER PARROT: Stand on their own.

5 MS. BOJKO: Thank you for that
6 clarification. As of 11, that is the error
7 message -- the website address at the bottom is the
8 error message that is obtained when you go to the
9 HTTP site that's listed in the testimony. I think
10 it's very relevant for the Commission to understand
11 that the website does not work as Mr. Allen has
12 stated it does. And I think that that is something
13 the Commission can weigh in its decision making of
14 what does occur when you go to the website provided
15 in the testimony.

16 EXAMINER PARROT: I agree, Ms. Bojko. I
17 am going to allow OMA Exhibits 11 as well as 12, 13,
18 14, 15, and 17. As we stated, 16 is the Commission
19 order, and it stands on its own.

20 (EXHIBITS ADMITTED INTO EVIDENCE.)

21 MS. BOJKO: Thank you, your Honor.

22 EXAMINER PARROT: Ms. Henry.

23 MS. HENRY: Sierra Club moves Exhibits 30
24 and 31 into the record.

25 EXAMINER PARROT: Are there any

1 objections?

2 MR. SATTERWHITE: Check and make sure what
3 those are.

4 No objection, your Honor.

5 EXAMINER PARROT: All right. Sierra Club
6 Exhibits 30 and 31 are admitted.

7 (EXHIBITS ADMITTED INTO EVIDENCE.)

8 EXAMINER PARROT: Mr. Darr.

9 MR. DARR: IEU moves Exhibits 10, 11, and
10 12, your Honor.

11 EXAMINER PARROT: Are there any
12 objections?

13 MR. SATTERWHITE: Your Honor, we would
14 just 12 was an attachment to a discovery response.
15 We just ask that the supplement have the cover page
16 of the discovery response we have been doing with
17 others.

18 EXAMINER PARROT: Okay. I think that
19 sounds reasonable to me.

20 MR. DARR: I'll provide it tomorrow, your
21 Honor.

22 EXAMINER PARROT: Thank you, Mr. Darr.

23 With that IEU Exhibits 10 through 12 are
24 admitted into the record.

25 (EXHIBITS ADMITTED INTO EVIDENCE.)

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1 EXAMINER PARROT: Ms. Fleisher?

2 MS. FLEISHER: I move in ELPC Exhibit 15.

3 EXAMINER PARROT: Any objections?

4 MR. SATTERWHITE: No objection.

5 EXAMINER PARROT: ELPC Exhibit 15 is
6 admitted.

7 (EXHIBIT ADMITTED INTO EVIDENCE.)

8 EXAMINER PARROT: Finally, Mr. Settineri.

9 MR. SETTINERI: Yes, your Honor. We move
10 to admit P3 Exhibit 2 into the record.

11 EXAMINER PARROT: Any objection?

12 MR. SATTERWHITE: No objection, your
13 Honor.

14 EXAMINER PARROT: All right. Very good.
15 P3 Exhibit No. 2 is admitted into the record.

16 (EXHIBIT ADMITTED INTO EVIDENCE.)

17 EXAMINER PARROT: With that we will
18 conclude for the evening. We will reconvene tomorrow
19 at 9 a.m. with Mr. Wittine.

20 (Thereupon, at 6:29 p.m., the hearing was
21 adjourned.)

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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 Tuesday, October 6, 2016, and carefully compared with my original stenographic notes.

Karen Sue Gibson, Registered
Merit Reporter.

Carolyn M. Burke, Registered
Professional Reporter

My commission expires July 17, 2018.

(KSG-6099)

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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 10/06/15 - Volume VII electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.