

4059

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

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

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

- - -

PROCEEDINGS

before Ms. Greta See and Ms. Sarah Parrot, Attorney
 Examiners, at the Public Utilities Commission of
 Ohio, 180 East Broad Street, Room 11-D, Columbus,
 Ohio, called at 9:00 a.m. on Tuesday, November 3,
 2015.

- - -

VOLUME XVII

- - -

ARMSTRONG & OKEY, INC.
 222 East Town Street, Second Floor
 Columbus, Ohio 43215-5201
 (614) 224-9481 - (800) 223-9481
 Fax - (614) 224-5724

- - -

1 APPEARANCES:

2 American Electric Power
3 By Mr. Steven T. Nourse
4 Mr. Matthew J. Satterwhite
5 and Mr. Matthew S. McKenzie
6 1 Riverside Plaza, 29th Floor
7 Columbus, Ohio 43215

8 Porter, Wright, Morris & Arthur LLP
9 By Mr. Daniel R. Conway
10 41 South High Street
11 Columbus, Ohio 43215

12 Ice Miller
13 By Mr. Christopher Miller
14 250 West Street
15 Columbus, Ohio 43215

16 On behalf of the Ohio Power Company.

17 McNeese, Wallace & Nurick LLC
18 By Mr. Frank P. Darr
19 and Mr. Matthew R. Pritchard
20 21 East State Street, 17th Floor
21 Columbus, Ohio 43215

22 On behalf of the Industrial Energy Users
23 of Ohio.

24 Vorys, Sater, Seymour & Pease, LLP
25 By Mr. M. Howard Petricoff
Ms. Gretchen Petrucci
Mr. Stephen M. Howard
and Mr. Michael J. Settineri
52 East Gay Street
Columbus, Ohio 43215

On behalf of Retail Energy Supply
Association, PJM Power Providers Group,
Electric Power Supply Association,
Constellation NewEnergy, and Exelon
Generation, LLC.

1 APPEARANCES: (Continued)

2 Carpenter Lipps & Leland LLP
3 By Mr. Joel E. Sechler
4 280 North High Street, Suite 1300
5 Columbus, Ohio 43215

6 On behalf of EnerNOC, Inc.

7 Kravitz, Brown & Dortch, LLC
8 By Mr. Michael D. Dortch
9 Mr. Justin M. Dortch
10 and Mr. Richard R. Parsons
11 65 East State Street, Suite 200
12 Columbus, Ohio 43215

13 On behalf of Dynegy, Inc.

14 Ohio Environmental Council
15 By Mr. Trent A. Dougherty
16 1145 Chesapeake Avenue, Suite I
17 Columbus, Ohio 43212

18 On behalf of the Ohio Environmental
19 Council and the Environmental Defense
20 Fund.

21 Taft, Stettinius & Hollister LLP
22 By Mr. Mark S. Yurick
23 and Ms. Celia Kilgard
24 65 East State Street, Suite 1000
25 Columbus, Ohio 43215

On behalf of The Kroger Company.

Ohio Partners for Affordable Energy
By Ms. Colleen L. Mooney
231 West Lima Street
Findlay, Ohio 45840

On behalf of the Ohio Partners for
Affordable Energy.

1 APPEARANCES: (Continued)

2 Sierra Club Environmental Law Program
3 Ms. Kristin Henry
4 85 Second Street, 2nd Floor
5 San Francisco, California 94105

6 Olson, Bzdok & Howard
7 By Mr. Christopher M. Bzdok
8 420 East Front Street
9 Traverse City, Michigan 49686

10 Earthjustice
11 By Mr. Shannon Fisk
12 Northeast Office
13 1617 John F. Kennedy Boulevard, Suite 1675
14 Philadelphia, Pennsylvania 19103

15 On behalf of the Sierra Club.

16 Carpenter Lipps & Leland LLP
17 By Ms. Kimberly W. Bojko
18 and Ms. Danielle Ghiloni
19 280 North High Street, Suite 1300
20 Columbus, Ohio 43215

21 On behalf of the Ohio Manufacturers'
22 Association Energy Group.

23 Spilman, Thomas & Battle, PLLC
24 By Mr. Derrick Price Williamson
25 1100 Bent Creek Boulevard, Suite 101
Mechanicsburg, Pennsylvania 17050

Spilman, Thomas & Battle, PLLC
By Ms. Carrie Harris
310 First Street, Suite 1100
Roanoke, Virginia 24011

On behalf of Wal-Mart Stores East, LP,
and Sam's East, Inc.

IGS Energy
By Mr. Joseph Oliker
6100 Emerald Parkway
Dublin, Ohio 43016

On behalf of IGS Energy.

1 APPEARANCES: (Continued)

2 Boehm, Kurtz & Lowry
3 By Mr. Michael L. Kurtz,
4 Mr. Kurt J. Boehm
5 and Ms. Jody Kyler Cohn
6 36 East Seventh Street, Suite 1510
7 Cincinnati, Ohio 45202

8 On behalf of the Ohio Energy Group.

9 Environmental Law & Policy Center
10 By Ms. Madeline Fleisher
11 21 West Broad Street, Suite 500
12 Columbus, Ohio 43215

13 Environmental Law & Policy Center
14 By Mr. Justin M. Vickers
15 35 East Wacker Drive Suite 1600
16 Chicago, Illinois 60601

17 On behalf of the Environmental Law &
18 Policy Center.

19 Ohio Poverty Law Center
20 By Mr. Michael R. Smalz
21 555 Buttles Avenue
22 Columbus, Ohio 43215

23 On behalf of the Appalachian Peace and
24 Justice Network.

25 FirstEnergy Corp.
By Mr. Mark Hayden
and Mr. Scott J. Casto
76 South Main Street
Akron, Ohio 44308

On behalf of the FirstEnergy Solutions
Corp.

Direct Energy
By Ms. Jennifer L. Spinosi
21 East State Street, 19th Floor
Columbus, Ohio 43215

On behalf of Direct Energy Business, LLC,
and Direct Energy Services, LLC.

1 APPEARANCES: (Continued)

2 Bruce J. Weston, Ohio Consumers' Counsel
3 By Mr. William J. Michael
4 Mr. Kevin F. Moore
5 and Ms. Jodi Bair,
6 Assistant Consumers' Counsel
7 10 West Broad Street, Suite 1800
8 Columbus, Ohio 43215-3485

9 Bricker & Eckler, LLP
10 By Mr. Dane Stinson
11 100 South Third Street
12 Columbus, Ohio 43215-4291

13 On behalf of the Residential Consumers of
14 the Ohio Power Company.

15 Mr. Richard L. Sites
16 155 East Broad Street
17 Columbus, Ohio 43215

18 Bricker & Eckler, LLP
19 By Mr. Thomas J. O'Brien
20 100 South Third Street
21 Columbus, Ohio 43215-4291

22 On behalf of the Ohio Hospital
23 Association.

24 Thompson Hine
25 By Mr. Michael Austin
41 South High Street, Suite 700
Columbus, Ohio 43215

On behalf of Buckeye Power.

Mike DeWine, Ohio Attorney General
By Mr. William L. Wright,
Section Chief
Mr. Steven L. Beeler
and Mr. Werner L. Margard, III,
Assistant Attorneys General
Public Utilities Section
180 East Broad Street, 6th Floor
Columbus, Ohio 43215

On behalf of the Staff of the PUCO.

4065

INDEX

- - -

WITNESSES

PAGE

Karl R. Bletzacker (Rebuttal)

Direct Examination by Mr. Conway 4070

Cross-Examination by Mr. Bzdok 4071

Cross-Examination by Mr. Olikier 4099

Cross-Examination by Ms. Bair 4150

Cross-Examination by Mr. Pritchard 4154

Cross-Examination by Mr. Kurtz 4168

Redirect Examination by Mr. Conway 4169

Recross-Examination by Mr. Olikier 4173

William A. Allen (Rebuttal)

Direct Examination by Mr. Satterwhite 4185

Cross-Examination by Ms. Henry 4209

Cross-Examination by Ms. Bojko 4239

Cross-Examination by Mr. Michael 4319

Cross-Examination by Ms. Fleisher 4320

Cross-Examination (Continued) by Mr. Michael 4340

Cross-Examination by Mr. Olikier 4343

Cross-Examination by Mr. Darr 4357

Cross-Examination by Mr. Settineri 4370

Cross-Examination by Mr. Kurtz 4407

- - -

COMPANY EXHIBITS

IDENTIFIED ADMITTED

50 -	Rebuttal Testimony of Karl R. Bletzacker	4071	4181
------	--	------	------

51 -	Rebuttal Testimony of William A. Allen	4186	4409
------	--	------	------

- - -

SIERRA CLUB EXHIBITS

IDENTIFIED ADMITTED

41 -	A report by the Staff of the Public Utilities Commission of Ohio, Ohio Utility Rate Survey, February 15, 2013	4210	4410
------	---	------	------

INDEX (Continued)

- - -

SIERRA CLUB EXHIBITS IDENTIFIED ADMITTED

42 - A report by the Staff of the Public Utilities Commission of Ohio, Ohio Utility Rate Survey, August 15, 2013 4215 4410

43 - AEP Ohio Electric Apples to Apples Chart for weeks in October of 2013 4219 4410

44 - Residential Apples to Apples Comparison Chart, American Electric Power (AEP), for weeks in October of 2014 4219 4410

45 - Residential Apples to Apples Comparison Chart, American Electric Power (AEP), for weeks in October of 2015 4219 4410

46 - AEP Ohio Electric Apples to Apples Chart for weeks in January of 2014 4236 4410

- - -

IEU EXHIBIT IDENTIFIED ADMITTED

18 - AEP third quarter 10-Q SEC filing 4160 4182

- - -

ELPC EXHIBITS IDENTIFIED ADMITTED

16 - Lykins Energy Enrollment "Terms and Conditions" 4321 4413

17 - "Average retail price of electricity, monthly" from www.eia.gov 4329 4413

- - -

4067

INDEX (Continued)

- - -

IGS EXHIBITS

IDENTIFIED ADMITTED

9 -	EIA "Analysis & Projections World Shale Resource Assessments, last updated September 24, 2015	4123	4181
10 -	"LNG's effect on the supply/demand equation"	4126	4181
11 -	"Columbia Gas of Ohio Standard Choice Offer"	4133	--
12 -	"Natural Gas Market Update 2015 LDC/SCC Conference Fredericksburg, VA"	4145	--
13 -	"Futures Daily Market Report for Henry Hub, 21-Oct-2015	4174	--

- - -

OCC EXHIBITS

IDENTIFIED ADMITTED

21 -	"NYMEX Henry Hub Spot Prices and Futures Prices"	4154	4413
22 -	RFA-3-015	4342	--
23 -	RFA-3-016	4342	--
24 -	RFA-3-017	4342	--

- - -

OMAEG EXHIBITS

IDENTIFIED ADMITTED

21 -	"The Business Owner's Guide to Discussing Economic Impacts"	4294	4410
------	---	------	------

4068

INDEX (Continued)

- - -

OMAEG EXHIBITS

IDENTIFIED ADMITTED

22 - "Regional Economic Growth 4304 4410
and the Economic Base Concept.

Q: How do regional economies
grow?"

23 - "Regional and Local Economic 4311 4410
Analysis Tools," by Mustafa
Dinc, January 2002

- - -

RESA/EXELON EXHIBITS

IDENTIFIED ADMITTED

2 - WP WAA-2 4380 4413

3 - 2014 State of the Market 4402 4413
Report for PJM

- - -

4069

Tuesday Morning Session,

November 3, 2015.

- - -

EXAMINER PARROT: Let's go on the record.

We are back for the hearing in Case No.

14-1693-EL-RDR, et al. Good morning, everyone. My name is Sarah Parrot. With me on the bench this morning is Greta See. We are the Attorney Examiners assigned by the Commission to hear these cases.

Let's get started with brief appearances beginning with the company.

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

MR. KURTZ: For the Ohio Energy Group, Mike Kurtz.

MR. PRITCHARD: For IEU-Ohio, Matt Pritchard and Frank Darr.

MR. OLIKER: Good morning. On behalf of IGS Energy, Joe Olikier.

MR. BEELEER: On behalf of the staff of the Public Utilities Commission, Steven Beeler and Werner Margard.

MS. BAIR: Thank you, your Honor. On

1 behalf of the Ohio Consumers' Counsel, Jodi Bair,
2 William Michael, Kevin Moore and Dane Stinson.

3 MS. BOJKO: Thank you, your Honors. On
4 behalf of the Ohio Manufacturers' Association Energy
5 Group, Kim Bojko.

6 MS. HENRY: On behalf of Sierra Club,
7 Kristin Henry, Christopher Bzdok, and Shannon Fisk.

8 MS. FLEISHER: Good morning. Madeline
9 Fleisher on behalf of the Environmental Law and
10 Policy Center.

11 MR. SETTINERI: Good morning, your Honors.
12 On behalf of the Retail Energy Supply Association,
13 PJM Power Providers Group, Electric Power Supply
14 Association, Constellation NewEnergy and Exelon
15 Generation, Michael Settineri, M. Howard Petricoff,
16 and Gretchen L. Petrucci.

17 EXAMINER PARROT: I believe that's
18 everyone that's present with us this morning. The
19 company may call its first rebuttal witness.

20 MR. CONWAY: Thank you, your Honor. Karl
21 Bletzacker.

22 EXAMINER PARROT: Mr. Bletzacker, please
23 raise your right hand.

24 (Witness sworn.)

25 EXAMINER PARROT: Please have a seat.

1 THE WITNESS: Thank you.

2 EXAMINER PARROT: Go ahead, Mr. Conway.

3 MR. CONWAY: Thank you, your Honor.

4 - - -

5 KARL R. BLETZACKER

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

8 DIRECT EXAMINATION

9 By Mr. Conway:

10 Q. Mr. Bletzacker, could you give your full
11 name for the record.

12 A. My name is Karl R. Bletzacker.

13 Q. And by whom are you employed and what is
14 your position?

15 A. I'm the Director of Fundamental Analysis.
16 I'm employed by American Electric Power Service
17 Corporation.

18 Q. And, Mr. Bletzacker, you previously
19 supplied, furnished direct testimony in this case?

20 A. Yes, I did.

21 Q. And you also have prepared rebuttal
22 testimony that's been prefiled for this case?

23 A. Yes, I did.

24 MR. CONWAY: At this time, your Honor, I
25 would mark as AEP Exhibit 50, I believe,

1 Mr. Bletzacker's rebuttal testimony.

2 EXAMINER PARROT: So marked.

3 (EXHIBIT MARKED FOR IDENTIFICATION.)

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

6 A. Yes, I do.

7 Q. And, Mr. Bletzacker, do you have any
8 changes or corrections or modifications to your
9 rebuttal testimony?

10 A. No, I do not.

11 Q. Mr. Bletzacker, if I were to ask you the
12 questions in your prefiled rebuttal testimony that's
13 been marked as AEP Exhibit 50 today, would your
14 answers be the same as they appear in that document?

15 A. Yes, they would.

16 MR. CONWAY: Thank you.

17 Your Honor, at this time I would move for
18 the admission of AEP Exhibit 50, and Mr. Bletzacker
19 is available for cross-examination.

20 EXAMINER PARROT: Thank you, Mr. Conway.

21 Sierra Club want to go first?

22 MR. BZDOK: Thank you.

23 - - -

24 CROSS-EXAMINATION

25 By Mr. Bzdok:

1 Q. Good morning, Mr. Bletzacker.

2 A. Good morning, Mr. Bzdok.

3 Q. I want to start by -- I want to start at
4 the top of page 4 of your rebuttal testimony where
5 you are talking about examples of types of price
6 spreads.

7 A. I'm there, Mr. Bzdok.

8 Q. Thank you. At lines 1 and 2 of page 4,
9 you mention the price spread between natural gas,
10 propane, and other natural gas liquids, correct?

11 A. That's correct.

12 Q. And you call that "fractionation spread";
13 is that correct?

14 A. I do.

15 Q. And then at the lines 2 and 3, you mention
16 the price spread between natural gas and electricity,
17 correct?

18 A. Yes.

19 Q. Which you call "spark spread," right?

20 A. That's right.

21 Q. And then at line 3, the third category,
22 you mention the price spread between coal and
23 electricity; is that correct?

24 A. That's correct.

25 Q. And you call that "dark spread," right?

1 A. I do.

2 Q. And then at line 4, you note that these
3 three types of spreads, in essence, help "illustrate
4 the widely accepted use of energy futures contract
5 prices to justify the capital and operating cost of
6 certain physical assets"; is that right?

7 A. That's correct.

8 Q. Now, you don't know the quantity of
9 futures market activity that actually reflects these
10 three categories; is that correct?

11 A. Well, not entirely. I do know by looking
12 at the -- the Commodity Futures Trading Commission
13 report, most recent report on the traders that have
14 engaged in hedging activities, that they break it
15 down in long, short, and spreading and, of course, in
16 this particular example we are talking about
17 spreading uses of futures contracts. And the
18 commitment of traders for natural gas represents
19 about 25 percent of the market.

20 Q. And tell me again what report you were
21 looking at.

22 A. The Commodity Futures Trading Commission
23 Commitment of Traders Report that came out on October
24 12 of 2015.

25 Q. And when did you review that report?

1 A. I reviewed that in detail yesterday, but
2 it's something I look at regularly.

3 Q. Now, you have colleagues at AEP who engage
4 in the energy futures market as sellers; is that
5 correct?

6 A. Yes, I do.

7 Q. And you also have colleagues at AEP who
8 engage in the energy futures market as buyers; is
9 that correct?

10 A. That's correct.

11 Q. And both of those sets of colleagues
12 engage you to advise them relative to fundamentals
13 issues in their market activity; is that correct?

14 A. That's correct. From time to time.

15 Q. When did you prepare your rebuttal
16 testimony?

17 A. As I remember, we had a short leash to do
18 that. I -- nominally speaking, three or four days
19 before it was prepared -- or before it was submitted.

20 Q. So that would have been about a week and a
21 half ago?

22 A. If that math works out, I'll agree to
23 that, subject to check.

24 Q. Late October, more or less?

25 A. Again, if the math works out, that makes

1 sense.

2 Q. Take a look at Figure 1 on -- no, let's
3 stay on page 4 down towards the bottom of page 4.
4 You indicate at lines 19 to 20 that in your opinion
5 "long-term natural gas futures values are tethered to
6 current spot market prices"; is that correct?

7 A. That's correct. And I offer Figure 1 to
8 support that point.

9 Q. Figure 1 presents, as I understand it,
10 data that includes Henry Hub's spot natural gas
11 prices for certain dates; is that correct?

12 A. Yes. Specifically that would be the dark
13 blue line if you have a colored copy.

14 Q. And if you have a black and white copy,
15 it's just the darkest lines; is that right?

16 A. Furthest to the left, that's correct.

17 Q. Okay. And then it also presents -- okay.
18 So that data is presented from November 1 of 2012
19 until July 29 of 2015; is that correct?

20 A. I don't know if it's presented all the way
21 to July 29. You see the tic mark for that on the
22 X-axis is probably a little short of that, Mr. Bzdok.

23 Q. To sometime in July of 2015?

24 A. I buy that, yes.

25 Q. And then -- and then when that line

1 changes color and becomes sort of a more regular
2 oscillating pattern, that's a futures price or what
3 is that?

4 A. Well, to be specific, on that particular
5 date in which the series starts, so when it begins
6 there at the left most side of the graph, those are
7 the settled closing prices for, in this case, natural
8 gas futures on that particular date. Obviously
9 futures go forward, and that oscillation you see, of
10 course, is summer-winter spread.

11 Q. So the -- after the data changes color
12 from the Henry Hub to the oscillating spread that you
13 indicated, what is the source of -- of the
14 information post-color change?

15 A. Yes. To provide some more detail, if we
16 were to assume you were correct and that last point
17 was on July 29, we know it's not, but if it was, then
18 you would look at where futures settled for those
19 out, let's say, 10 years, you looked at each month
20 and you plotted that on this graph. So if you look
21 at January of 2021 and each month thereafter, those
22 would represent what appears to me as a purple line
23 on this graph.

24 Q. What's the source of the Henry Hub spot
25 data?

1 A. There are several sources that you can
2 use. The most common one would be go to the CME
3 website and you have to catch it at that particular
4 time, of course. You can't look at it today and then
5 redo this particular plot because futures change
6 wildly as shown by this -- this width of this --
7 these futures prints. But this comes from SNL.

8 Q. Sure. So my question relates to the
9 actual daily spot data, not the futures data.

10 A. Oh, I'm sorry if I misunderstood that.
11 The spot data probably came -- I don't know
12 specifically but probably came from a service we have
13 called "Ventyx Velocity Suite."

14 Q. Did you not pull that data? Did somebody
15 else pull that data?

16 A. Actually someone else pulled that data,
17 but there should be no -- it's a very objective
18 thing.

19 Q. You reviewed it or you incorporated it
20 into your figure?

21 A. Yeah. Actually I did the graphing.

22 Q. Okay. Why did you -- why did you use a
23 spot price dataset that ended sometime in July of
24 2015 for rebuttal testimony that you prepared in
25 October?

1 A. I really want to get that point driven
2 home that spot prices -- it's one of four points to
3 discredit use of futures. I want to get that point
4 home that spot prices are tethered or they are
5 attached to -- or futures prices are tethered or
6 attached to spot prices. But more importantly as you
7 get further out, that width that you see between the
8 high and low of just these -- this sample of spot --
9 of futures prices is as much as a \$4 spread out in
10 2026. So I really want to show that, almost that
11 trumpeting, that fanning out of prices that's shown
12 to support the fact that, hey, futures are unreliable
13 use of -- as a forecasting method.

14 Q. What has Henry spot data been doing since
15 July of 2015?

16 A. I would imagine that it has remained
17 relatively lower.

18 Q. When you say you would imagine, have you
19 not reviewed it since July of 2015?

20 A. Well, I have a cursory knowledge, but you
21 should remember the point here is spot -- futures
22 prices are tethered to spot prices and showing those
23 through that very volatile polar vortex period really
24 proved that point.

25 Q. Sure. So I just want to make sure I get

1 an answer to the question. Do you -- have you
2 reviewed spot prices since July of 2015?

3 A. And my answer remains the same in a
4 cursory fashion, yes.

5 Q. And how do they -- what are -- how do
6 those spot prices compare with the time point where
7 the graph of spot prices on Figure 1 ceases?

8 MR. CONWAY: Your Honor, I would object.
9 I think it's been asked and answered. I think the
10 witness specifically indicated he thought that based
11 on his recollection of his cursory review that they
12 have remained relatively low since that time.

13 MR. BZDOK: He qualified his first answer
14 by he imagined, and I want to make sure we have an
15 answer based on actual review.

16 EXAMINER PARROT: Overruled.

17 A. Generally speaking, they have been around
18 \$3 or below, over the last few months, spot prices.

19 Q. So lower than what's presented here? The
20 endpoint?

21 A. I don't believe so.

22 Q. The most recent -- so correct me if I'm
23 wrong in my terminology. These lines that you
24 indicate with the designation "Futures" and then a
25 date, those are -- those correspond to future strips,

1 future price strips or something else?

2 A. Those would be what we would call the
3 "NYMEX settled closing prices" for obviously,
4 nominally, 120 months going forward if it was 10
5 years. And that was taken on that particular day.
6 So if you look at what the settled closing prices
7 were on 1/11 of 2013, my blue line, that's what you
8 would find -- what's graphed there are the settled
9 closing prices for each of those 120 months going
10 forward.

11 Q. How did you make a determination to use
12 the April 1, 2015, settled futures closing prices as
13 the -- as the most recent dataset presented in your
14 figure?

15 A. It was a random thing and it was meant to
16 prove that point, and that point I think shows quite
17 well how widespread they are the further out you go
18 and how unreliable they are to predict prices in that
19 2026 price frame. The tie line is futures prices are
20 tethered to spot prices. And that tethering is very
21 evident.

22 Q. Do you have any sense of what these lines
23 look like using data that is more recent, within say
24 the last month?

25 A. Well, I can assure you this: That they

1 will always show or are likely to show the
2 summer-winter spread, the oscillation as you call it.
3 Whether they make that widening pattern even more
4 wide, I don't know if they make it -- they can't make
5 it less wide, so I would have to believe that there
6 would be the same oscillating pattern, but the point
7 still remains that there is a wide response as you
8 get further out in the forecast.

9 Q. Why did you not present futures prices
10 more recent than seven months ago?

11 A. I don't think I made any decisions about
12 what not to do. I made decisions about what I wanted
13 to do which is show this tethering, that's the No. 1
14 point; and, as a supplemental point, how wide that
15 forecast gets the further out you go. I really don't
16 believe that any other -- other lines would have --
17 would have discredited that point; probably enhanced
18 the point.

19 Q. What's the basis for that belief?

20 A. Well, it is -- it is a belief based on
21 professional opinion and experience that that
22 tethering, I haven't seen a -- an exception to that
23 tethering rule, so I'm sure that the -- any other
24 points that you would pick would be -- is equally
25 tethered and contribute to the same width that I see

1 at the far right hand of this curve.

2 Q. That belief based on opinion and
3 experience does -- is not based upon the review of
4 any data within the last seven months; is that
5 correct?

6 A. Well, what you can count on is that these
7 future prices are tethered to spot prices and that
8 was the point we were trying to make in rebuttal
9 testimony. That you can count on. My experience and
10 opinion rest from doing this for 30 years, that
11 tethering, at least in natural gas back to 1990, is
12 always evident. So one good thing, Mr. Bzdok, if we
13 had lots of lines here that may just muddy the graph.
14 At least it's very clear to see what the point is
15 here.

16 Q. Turn to page 8 of your rebuttal testimony.

17 A. I'm there, Mr. Bzdok.

18 Q. Really starting at the end of page 7, you
19 begin a discussion of what you call "credible upside
20 threats to U.S. natural gas prices"; is that correct?

21 A. That's correct.

22 Q. And one of those threats that you assert
23 exists is exports of liquefied natural gas; is that
24 correct?

25 A. That's correct, along with many others.

1 Q. Well, specifically you mention three,
2 right?

3 A. Yes.

4 Q. Liquefied natural gas exports, the use of
5 liquefied natural gas for light-duty vehicles in
6 trucking, and environmental requirements relative to
7 hydraulic fracturing, right?

8 A. I am also sure everyone in the room is
9 comfortable with the fact that electric generation,
10 the use of natural gas is an upside threat to natural
11 gas demand. We may not be aware, but less imports
12 from Canada is a greater source of supply or change
13 of supply, and more imports to Mexico would also be
14 in that category of upside threats.

15 Q. More imports to Mexico or more exports
16 from Mexico?

17 A. Well, let's call them exports to Mexico.

18 Q. Exports to Mexico.

19 You indicate that at line 3 and 4 that
20 46.3 billion cubic feet per day of natural gas
21 liquefaction for export to Free Trade Agreement
22 countries has been proposed to the U.S. DOE; is that
23 correct?

24 A. That's correct.

25 Q. And then you make a statement, "Although

1 it is not likely that every project gets approved and
2 built, this potential incremental demand represents
3 over a half of current domestic natural gas
4 production," right?

5 A. That's correct.

6 Q. Now, you prepared a 2013 fundamental
7 forecast that's been admitted into evidence in this
8 case, right?

9 A. That's correct.

10 Q. And that -- in that forecast you assumed
11 8 billion cubic feet per day of LNG exports in 2025;
12 is that right?

13 A. I passed that information on during
14 deposition, but I will confirm it here, yes.

15 Q. And you also prepared a 2015 fundamental
16 forecast that's been admitted into evidence in this
17 case, right?

18 A. That's correct.

19 Q. And that forecast also assumes 8 billion
20 cubic feet per day of LNG exports in 2025, is that
21 right?

22 A. Yes, same level.

23 Q. In your opinion, natural gas supply is
24 relatively elastic in the sense that as demand
25 increases, supply can respond; is that correct?

1 A. Yes. Let me be specific about that. The
2 elasticity of natural gas is nominally about 1, and
3 it's the general understanding of folks that less
4 than 1 is considered somewhat inelastic, and 1 and
5 greater is considered elastic, so let's say it's
6 right at the cusp.

7 Q. Have you completed your answer?

8 A. I have.

9 Q. When you say "let's say it's right at the
10 cusp," elaborate on that.

11 A. If you were to open up a definition of
12 "elasticity," they would usually identify an
13 elasticity of one. And to be specific, if you were
14 to take the percentage change of a quantity, say 70
15 bcf a day of natural gas demand in the United States
16 or supply in the United States, divided it by a
17 price, a percentage change in price, that ratio puts
18 out a number that let's say is somewhere around 1. 1
19 and above is considered generally to be elastic.
20 Below 1 is considered to be inelastic. Natural gas
21 is somewhere around 1 or maybe a bit below.

22 Q. And what's the basis for that statement?

23 A. Mathematics.

24 Q. So other things being equal, a relatively
25 high elasticity of supply results in a relatively

1 lower increase in price when demand increases; is
2 that right?

3 A. You are absolutely correct.

4 Q. And that's essentially your outlook for
5 LNG exports at the level that you are assuming then
6 in your forecast, right?

7 A. Let's put some math to it. Let's say
8 there was a 10 percent increase in gas supply or
9 demand. Let's also just say that we consume about 70
10 bcf a day. So we go from 70 to 77, that would be a
11 10 percent increase.

12 If gas prices -- let me put a number out
13 there just for mathematics purposes are \$5. \$5,
14 based on that elasticity, it would make sense should
15 demand go up 10 percent, elasticity is 1, prices
16 would go to \$5.50. 10 percent increase, divided by
17 10 percent increase, yielded a 1. Any part of that
18 equation that you are missing you can solve for --
19 with an elasticity that you are comfortable with.

20 Q. Generally your -- your 2015 fundamental
21 forecast generally projects lower gas prices than
22 your 2013 fundamental forecast; is that correct?

23 MR. CONWAY: Your Honor, at this point
24 I'll just lodge an objection. Rebuttal testimony is
25 focused directly, specifically in narrow fashion of

1 his criticisms of the forecasting techniques of the
2 intervenors's witnesses. It's not -- it's not
3 rebuttal testimony that attempts to further --
4 further support, which we've already done in direct,
5 our forecast, and it's not about this 2015 forecast
6 either, so I object on the grounds that the line of
7 questions is beyond the scope of the rebuttal
8 testimony.

9 MR. OLIKER: Can I have the question read
10 back actually?

11 (Record read.)

12 MR. OLIKER: Sorry.

13 MR. BZDOK: We're discussing the impact of
14 LNG exports on forecasts of gas prices. And so,
15 we've asked him some foundational questions about the
16 LNG export assumptions in his two forecasts, and now
17 I have asked him a foundational question about how
18 his forecasts' overall conclusions compare so that we
19 can explore what role LNG exports play in that.

20 EXAMINER PARROT: And I am going to give
21 you a little bit of leeway, Mr. Bzdok. I think we
22 want to tie this in. I think this question that's on
23 the table at the moment is broad enough. I agree
24 it's foundational and I assume you are going
25 somewhere with it, so the objection is overruled. We

1 will see where it goes.

2 THE WITNESS: If you would be so kind,
3 would you please repeat the question.

4 EXAMINER PARROT: We can repeat the
5 question.

6 THE WITNESS: Thank you very much.

7 (Record read.)

8 A. That's correct.

9 Q. So the lower gas prices projected in the
10 2015 fundamental forecast are being driven by factors
11 independent of this LNG export issue where you held
12 assumptions the same; is that correct?

13 MR. CONWAY: Your Honors, I would now
14 object again and more strongly. We are now not
15 talking about elasticity of supply and his criticism
16 of the other intervenors' forecasts which don't, in
17 his view, take into consideration the upside threat
18 to natural gas prices. He is now purely and
19 completely outside that scope and he's asking for
20 information about what drives the different results
21 for the 2015 forecast, and he will get to the 2013
22 forecast, who knows, but it is now outside the scope
23 of rebuttal.

24 MR. BZDOK: May I respond?

25 EXAMINER PARROT: You may.

1 MR. BZDOK: Where the witness has asserted
2 LNG exports are an upside threat to natural gas
3 prices and we are exploring based on his forecasts
4 how significant a threat they are.

5 EXAMINER PARROT: And I am going to allow
6 it.

7 Go ahead, Mr. Bletzacker, please answer
8 the question.

9 THE WITNESS: Once again, if you would,
10 please.

11 EXAMINER PARROT: Yes, we can.

12 THE WITNESS: Thank you very much.

13 (Record read.)

14 A. My answer is that's correct.

15 Q. So those other factors have a greater
16 magnitude of impact that LNG exports on --

17 MR. CONWAY: Your Honor.

18 MR. BZDOK: Can I finish my question?

19 MR. CONWAY: Yes, I am sorry.

20 Q. So those factors have a greater magnitude
21 of impact on gas prices than the LNG exports at the
22 level you're forecasting them, correct?

23 MR. CONWAY: Your Honor, once again, I
24 would object. I don't think it's tied to his
25 criticism of the other forecasts and their -- the

1 extent to which they consider upside threats from
2 things such as LNG exports. Now we're getting purely
3 on to questioning regarding the company's forecast
4 and the drivers of the changes in natural gas prices
5 and the company's forecast other than the basis that
6 he is discussing in his rebuttal testimony as a
7 criticism of the intervenor witnesses' proposal. So
8 it is now clearly completely outside of the scope of
9 the rebuttal.

10 MR. BZDOK: May I respond?

11 EXAMINER PARROT: You may.

12 MR. BZDOK: First, this is my last
13 question on this issue. I say that because you
14 referenced you were giving me a little bit of leeway.
15 Second, it is, again, exploring the same issue; how
16 big of a deal is this.

17 EXAMINER PARROT: And I think it's fair to
18 allow you to probe the extent that he considered this
19 issue in his own forecast.

20 So I am going to overrule your objection
21 again, Mr. Conway.

22 Do you need us to?

23 THE WITNESS: If you would be so kind, I
24 do want to do my best job.

25 EXAMINER PARROT: It's fine.

1 (Record read.)

2 A. Not entirely correct. Our exchange
3 earlier, in the exchange earlier we talked about we
4 want to know how big a deal these things are. It
5 is -- it's not proper to say what has a greater
6 influence or a lesser influence. I happen to know
7 that fuel prices, I happen to know that load
8 forecasts, those things all have an effect. Whether
9 one is a bigger or lesser effect depends on timing.
10 It depends on magnitude. It isn't just something
11 that you can just blanket -- in a blanket fashion say
12 this has a bigger effect. It depends when and what
13 magnitude you are referring to.

14 MR. BZDOK: I said that was my last
15 question but I have a follow-up based on his answer.

16 EXAMINER PARROT: Okay.

17 Q. So the -- so you would agree that your
18 forecast reduction in gas prices in the 2015 forecast
19 compared to the 2013 is being driven by factors
20 independent of LNG exports; is that true?

21 A. I would agree.

22 Q. Also on page 8, lines 10 through 12, you
23 discuss LNG -- sorry, you discuss "the potential for
24 increased costs associated with environmental
25 requirements due to hydraulic fracturing"; is that

1 correct?

2 A. That's correct.

3 Q. You mention further down in that testimony
4 that AEPSC monitors and recognizes all of the
5 developments that you mentioned on page 8 for
6 inclusions in the fundamentals forecast; is that
7 right?

8 A. That's correct.

9 Q. So as part of your department's
10 responsibilities, do you monitor developments
11 relative to environmental regulations concerning
12 hydraulic fracturing?

13 A. I'm very fortunate at AEP because they
14 provide me with ample, even more than ample resources
15 to do this analysis. And every detail that is
16 necessary for monitoring is available to me with a
17 click of a mouse button. You don't always have it
18 committed to memory, but it is -- it is readily
19 available. Those resources are available to me to
20 make these -- these long-term forecasts.

21 So, yes, monitoring and looking for
22 salient changes in environmental regulations due to
23 hydraulic fracturing, enough that they would affect
24 the finding and production costs of natural gas and
25 oil is something we pay attention to.

1 Q. So you do monitor them via resources that
2 you are provided with; is that a fair understanding
3 of your answers?

4 A. Yes. To give you a real fair
5 understanding, the answer is we monitor them with the
6 eye that we are looking for changes significant
7 enough to register as an additional upside threat.
8 When that threat becomes more of a reality, then we
9 need to make some changes in our long-term forecast.

10 Q. What environmental requirements related to
11 hydraulic fracturing are you aware of through this
12 monitoring activity that present, in your opinion,
13 credible upside threats to gas prices?

14 A. Well, let's look at it in a general
15 category. We are looking for anything that increases
16 the finding and production costs of natural gas or of
17 oil. So to the extent that there are costs
18 associated with groundwater monitoring, to the extent
19 that there is casing and tubing designs for well
20 completions, that are going to do additional duty to
21 protect freshwater, to the disposal of fracturing
22 fluids and the monitoring those -- of those injection
23 wells, those are the types of things that you would
24 monitor.

25 So I would like to look at it in terms of

1 the general category of what -- what would result in
2 greater costs and those certainly could result in
3 greater costs, not likely lesser costs. That's why
4 they are considered a threat to the upside.

5 Q. I'm trying to understand, based on the
6 phrasing of your answer, whether you are talking
7 about things that are hypothetical or whether you are
8 indicating that in the course of the monitoring
9 activity you've done, you are aware that the three
10 types of requirements you just mentioned are existing
11 and process pending, likely, I am looking for the
12 specifics of what are you talking about when you say
13 there are environmental requirements that pose a
14 potential for increased costs?

15 A. Well, you see you have hit on something
16 that really worries me, and the point of this Q and A
17 is that there are upside threats that we are not to
18 take lightly, exports, reduced imports, costs of
19 monitoring, of additional costs. So to -- to monitor
20 those things, to engage those services that we have,
21 to make us aware of things that are pending and
22 whether they mean -- what exactly they may mean to
23 the defining cost -- costs of natural gas, those are
24 the kinds of things that we do.

25 Q. What environmental requirements are you

1 aware of for hydraulic fracturing that pose a
2 credible upside threat to gas prices?

3 MR. CONWAY: Objection, your Honor. It's
4 been asked and answered. He gave three examples of
5 the types of increased cost-based requirements that
6 might result and we've gone over it, I think, twice
7 now. He mentioned monitoring. He mentioned
8 increased costs from more -- different types of
9 casings and tubing for the wells and also the costs
10 of monitoring and complying with underground
11 injection requirements. He's been over those three
12 examples and now we are asking the same question
13 again.

14 MR. BZDOK: May I respond?

15 EXAMINER PARROT: You may.

16 MR. BZDOK: It's been asked. He's
17 provided answers about what in theory could happen.
18 And my question is are you aware of environmental
19 requirements that actually do that. And if so, what
20 are they.

21 EXAMINER PARROT: And I am going to allow
22 the question. I am not sure either, Mr. Bletzacker,
23 it's not clear to me from your response. I am going
24 a couple back, but you were talking in terms of a
25 general category and I don't -- it's not clear to me

1 either whether you meant these are specific known
2 things we are talking about here or we were talking
3 more generally. So if you can maybe clarify, I think
4 that would help me as well.

5 THE WITNESS: I will do that. I would be
6 happy to do that.

7 So with specificity, for me to make a
8 table of the specific -- of the pending regulations,
9 I can't repeat that. I don't know that here today.
10 I do know that one of our consultants, PIRA in
11 particular, provides a well fracturing monitor. It's
12 a report they put out regularly and it's something
13 that I review regularly. Other consultancies do the
14 same.

15 So while I may not specifically do the
16 research to find what -- what impending regulation
17 changes there may be or legislative changes resulting
18 in regulations, I do know that those are monitored
19 generally for me with services that are provided to
20 me.

21 Q. So you're not aware personally of any
22 pending regulations that have the potential for the
23 upside cost threat that you are describing here?

24 A. I know that I can give this Commission a
25 complete list with one mouse click.

1 Q. Without -- so, no, you are not personally
2 aware of any.

3 MR. CONWAY: Objection. That just
4 mischaracterized his testimony. He just mentioned
5 one of the consultancies he relies upon. The fact
6 that -- whether or not he can recite CFR sections or
7 proposed OAC sections or wherever they might be is
8 not -- is not pertinent and now he is just arguing
9 with the witness.

10 MR. BZDOK: May I respond?

11 EXAMINER PARROT: You may.

12 MR. BZDOK: It's really not a complex
13 question and we are doing this complex dance around
14 it. I am asking him does he know of any regulation.
15 I am not asking him for CFR cites. Can you name me a
16 single regulation that poses this threat that you are
17 describing relative to environmental requirements?
18 And he's talked about theory and he's talked -- I
19 could click a mouse and find out. I just want does
20 he know of any --

21 MR. CONWAY: Your Honor.

22 MR. BZDOK: -- because he wrote this
23 testimony.

24 MR. CONWAY: And, your Honor, I think that
25 mischaracterizes his testimony. He mentions that he

1 reviews information provided by other experts. He
2 has access to other experts. He relies upon all of
3 them and he monitors it on a regular basis and the
4 fact that he can't provide citations to specific --
5 or he is not providing citations to specific rule
6 makings or pending legislative efforts, I don't think
7 detracts from the point and it's not a matter of
8 theory. I think that's a mischaracterization.

9 EXAMINER PARROT: All right. I am going
10 to try to move this along. I am going to go back to
11 the question before here and we will try it again.

12 Mr. Bletzacker, the question two questions
13 ago was whether or not you were personally aware of
14 any pending regulations that have the potential for
15 the upside cost threat that you are describing here.
16 I do think we can get a "yes" or "no" to that, so if
17 you would give us that, I think we can move along.

18 THE WITNESS: I'm not aware of any
19 specific regulation that I can repeat on the stand
20 here today.

21 EXAMINER PARROT: Okay. That's good.

22 MR. BZDOK: That concludes my questions.

23 EXAMINER PARROT: Thank you, Mr. Bzdok.

24 Ms. Bojko.

25 MS. BOJKO: I think, actually, Mr. Olikier

1 has agreed to go next.

2 EXAMINER PARROT: That's fine.

3 Mr. Oliker.

4 MR. OLIKER: Thank you, your Honor.

5 - - -

6 CROSS-EXAMINATION

7 By Mr. Oliker:

8 Q. Good morning, Mr. Bletzacker.

9 A. Good morning, Mr. Oliker.

10 Q. Okay. Now, in your testimony you discuss
11 hedging for physical assets; is that correct?

12 A. I do.

13 Q. And the natural gas combined-cycle plant
14 is an example of a physical asset that may use
15 hedging through futures contracts, correct?

16 A. I'm sorry, Mr. Oliker. You are asking
17 that question or are you -- is it in this testimony
18 somewhere?

19 Q. Just from a high level, you would agree
20 that a natural gas combined-cycle power plant is an
21 example of a physical asset that may hedge using
22 futures contracts?

23 A. I would agree, yes.

24 Q. And given the current low natural gas
25 prices in the futures markets, there are likely

1 natural gas combined-cycle power plants that are
2 locking in at least a slice of their natural gas
3 requirements for the next several years?

4 A. Well, I certainly would like you to keep
5 in mind regulated facilities may have a different
6 business plan than unregulated facilities, so if you
7 would allow me to go -- whittle that question down to
8 just unregulated power plants, I bet they are
9 considering it, yes.

10 Q. Okay.

11 A. But important to their consideration is
12 not just the price of gas but the same futures price
13 of power so that generates a heat rate. If they have
14 a heat rate in their machine that is better than the
15 heat rate identified between those two futures
16 contracts, they may want to take it, unless they
17 think it's going to get better.

18 Q. Okay. So what you are talking about is a
19 heat rate spread, correct?

20 A. Correct.

21 Q. And just to explore that a little more,
22 you would agree that the heat rate of a natural gas
23 combined cycle power plant is around 7,000?

24 A. Oh, I think that's a good general number,
25 yes.

1 Q. And with \$3 per MMBtu gas that provides a
2 dispatch cost just on the fuel of about \$21 per
3 megawatt-hour.

4 A. I would agree.

5 Q. And the variable dispatch cost of the
6 natural gas combined-cycle power plant is somewhere
7 in the range of \$3 to \$5; is that correct?

8 A. That's a good number.

9 Q. Okay. So if they believe the future price
10 of power is greater than 24 to 26 dollars a
11 megawatt-hour, it might make sense to lock in your
12 natural gas at \$3 per MMBtu, correct?

13 A. If they know that that's what the price
14 will be and the only way to know that is to actually
15 sell a futures contract for power, then they will
16 have their -- their heat rate spread locked in. If
17 they wish to speculate in some way, you don't need to
18 have a physical asset to make those kind of
19 speculations.

20 Q. Okay. But assuming they do lock in their
21 natural gas at -- say they lock into that two-year
22 stretch and they are \$3 per MMBtu, regardless of
23 where the Henry Hub or any index price goes during
24 that time frame, they are not going to be impacted,
25 right?

1 A. Yes. But for basis you are generally
2 correct.

3 Q. And if that were the case, regardless of
4 what happens with NYMEX Henry Hub, this power plant
5 with \$3 per MMBtu gas, they could then become the
6 marginal unit, correct?

7 A. Yes. And that is the purpose of a futures
8 contract to allow you to hedge.

9 Q. And if they are the marginal unit, that
10 would cause them to set the LNP price at the node
11 regardless of where Henry Hub goes, correct?

12 A. The point that I don't want you to miss,
13 Mr. Olikier, is that that person and all of his
14 buddies on the supply stack need to make the same
15 choice at the same time. If he ends up with a low
16 variable cost, he's certainly going to be further,
17 let's just say nominally to the left on the dispatch
18 stack. If everyone else didn't do that same thing,
19 he is not going to be setting the marginal price,
20 more than likely.

21 Q. But assuming a large amount of natural gas
22 combined-cycle units do, in fact, lock in their
23 natural gas prices for the next several years,
24 couldn't that impact LNP prices in that area of PJM
25 for that duration of time?

1 A. So let me go through this again. If all
2 of the nonregulated power plants out there, the
3 regulated ones would have a tough time making those
4 kinds of decisions, all of those guys, obviously
5 that's a smaller subset than everything that's in
6 PJM, got together and decided they were going to lock
7 in \$3 natural gas, and if all those guys had the hope
8 that it would be something -- power prices would be
9 greater than that, they are not likely to go set any
10 marginal price because the IPPs are a smaller subset
11 of all generation that's available.

12 Q. But you agree that it's possible.

13 A. I'm not sure that it is, because what
14 makes it tough to be possible, Mr. Oliker, is that I
15 don't think that you would come to the conclusion
16 that a lot of regulated electric generation
17 facilities would make that decision. So my ability
18 to call it "possible" or "impossible" depends on what
19 you think -- how their hands are handcuffed with a
20 regulated unit to take a spot price versus take some
21 price that they hedge. So they are not likely to do
22 it.

23 Q. Mr. Bletzacker, would you agree there is
24 no technically regulated generation in Ohio in the
25 AEP Ohio, Duke Energy Ohio, FirstEnergy, and Dayton

1 Power and Light footprint?

2 MR. CONWAY: Objection. The objection is
3 the form of the question. I think it's vague. The
4 word "technically" I don't think is clear.

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

7 Q. First of all, what's your definition of
8 "regulated," Mr. Bletzacker?

9 A. My definition of "regulated" is where
10 judicial oversight is replacement for competition.

11 Q. And you agree there is competition in Ohio
12 outside of the municipal utilities?

13 A. In the electric cooperatives?

14 Q. Yes.

15 A. Yes.

16 Q. And there's also competition in
17 Pennsylvania.

18 A. Yes.

19 Q. And you would agree there is substantial
20 amounts of natural gas in Pennsylvania,
21 Mr. Bletzacker?

22 A. Yes. And I would also agree that they all
23 are members of the ISO PJM which is much wider than
24 the footprint you've identified.

25 Q. And you would agree there is natural gas

1 that's currently under construction at the AD hub in
2 Ohio.

3 MR. CONWAY: Objection. The form of the
4 question. Again, I don't think it is clear. It's
5 vague. It's ambiguous.

6 MR. OLIKER: I would be happy to rephrase,
7 your Honor.

8 MR. BZDOK: Could I ask both the witness
9 and Mr. Conway to speak up a little bit.

10 MR. CONWAY: Yes, I apologize, Mr. Bzdok,
11 and I apologize, Mr. Oliker, for the volume. Just to
12 be clear, my objection is to the question do you
13 agree there is natural gas that's currently under
14 construction at the AD hub. That's my objection. I
15 don't think that's clear.

16 MR. OLIKER: Happy to rephrase.

17 EXAMINER PARROT: And he offered to
18 rephrase, so let's do that.

19 Q. (By Mr. Oliker) And you would agree there
20 is natural gas that's gas-fired generation that's
21 currently under construction that will be sold at the
22 AD hub?

23 A. I've offered no direct or rebuttal
24 testimony in that direction, but, generally speaking,
25 I would agree.

1 Q. Okay. And that would be unregulated
2 natural gas; is that correct?

3 MR. CONWAY: And, your Honor, at this
4 point I would interpose an additional objection to
5 relevance, that the line of question doesn't seem to
6 be connected up with the rebuttal testimony.

7 MR. OLIKER: Unfortunately, we have had to
8 do this long workaround based upon his prior answer
9 and we are coming very close to the end of this line
10 of questioning.

11 EXAMINER PARROT: Are you tying it back
12 in, Mr. Oliker, is that what you are saying?

13 MR. OLIKER: Yes.

14 EXAMINER PARROT: All right. Let's go
15 ahead.

16 MR. OLIKER: And I can just restate the
17 question.

18 EXAMINER PARROT: Okay.

19 Q. (By Mr. Oliker) And you would agree that
20 the natural gas-fired generation that will be
21 dispatched at the AD Hub -- or sold at the AD hub
22 would not be regulated.

23 A. I'm worried about that question because
24 take, for instance, our Dresden unit which is clearly
25 in Ohio. It's in Cass Township in Muskingum County.

1 It is a unit that is owned and regulated by
2 Appalachian Power. So just because a unit is
3 domiciled in the geographic boundaries of Ohio
4 doesn't mean it's not under the jurisdiction of some
5 other or tied to another regulated entity. So the
6 answer to your question is you don't know if
7 something is going to be built, is it going to be
8 built for some other --

9 Q. And do you -- I'm sorry.

10 A. -- IOU -- or some other IOU or as an IPP.

11 Q. And do you have any personal knowledge
12 regarding the ownership of any of the generation
13 that's currently under construction in Ohio?

14 A. Please excuse me. I do know that that
15 answer is a click away.

16 Q. But you don't know as you sit here today.

17 A. That's correct.

18 Q. I'll move on then.

19 you cite to your direct testimony in your
20 rebuttal testimony and that's in Figure 2 of your
21 direct testimony you cite to?

22 A. I believe you're right, but I would like
23 to touch it first, if I may.

24 Q. Well, I would just like to ask were you
25 able to verify the \$16 per MMBtu price that's

1 contained in the figure you cross-referenced?

2 MR. CONWAY: Your Honor, I'll object at
3 this point to the, again, to the form of the
4 question. It's not clear to what source Mr. Olikar
5 is referring. I think the record might benefit
6 from -- we might be able to follow along a little
7 better if he explains what he is referring to either
8 in rebuttal or direct or both.

9 MR. OLICKER: I thought I did, but I would
10 be happy to restate.

11 EXAMINER PARROT: Go ahead.

12 MR. OLICKER: It's a pretty simple
13 question.

14 Q. First, as you've said, I believe,
15 Mr. Bletzacker, you cross-referenced Figure 2 in your
16 direct testimony, correct?

17 A. Yes, and if you would be so kind as to --

18 EXAMINER PARROT: At the bottom of page 6,
19 Mr. Olicker?

20 THE WITNESS: Thank you. I see it.

21 MR. OLICKER: Yes.

22 EXAMINER PARROT: I think that's what
23 Mr. Conway is trying to do is point us to a page
24 reference.

25 A. And I do see that, thank you.

1 Q. Okay. And my question is would you agree
2 that Figure 2 from your direct testimony contains a
3 high point price of \$16 per MMBtu at the Columbia Gas
4 Transmission Appalachian Index?

5 A. I would have to check for a specific value
6 that you are referring. But it certainly shows that,
7 we've talked about it in here before, that hockey
8 stick effect, that exponential rise in prices as
9 storage inventories get dangerously low. So that the
10 points that justify that graph showing that hockey
11 stick response are correct.

12 Q. So my question is you were able -- you
13 physically personally checked to see that there was a
14 \$16 per MMBtu price at the Columbia Appalachian
15 Transmission Index.

16 A. I personally created that graph.

17 Q. And but you never provided the workpaper
18 for that \$16 MMBtu price, did you?

19 MR. CONWAY: And, your Honor, at this
20 point, now that we have gone down this road a few
21 questions, I would interpose a similar objection to
22 the one I made before which is it appears to be
23 outside the scope of the rebuttal testimony.

24 Now, Mr. Olikier is attempting to inquire
25 about and advocate about the composition of Figure 2

1 from the direct testimony which is already in the
2 record, already been admitted, and he had every
3 opportunity back when we did the direct case to
4 question Mr. Bletzacker about the data points on
5 that -- on that graph that's reflected in Figure 2,
6 so I think it's outside the scope of rebuttal.

7 MR. OLIKER: Your Honor, if he will agree
8 to strike the reference from his rebuttal testimony,
9 I won't talk about it. But if he is going to bring
10 it into his rebuttal testimony, I think it's fair
11 game.

12 MR. CONWAY: Your Honor, it's already been
13 up for cross-examination at length in the first phase
14 of this proceeding. And so now we are just
15 litigating the basis for the Figure 2 in the direct
16 testimony on page 7 and that's outside the scope.

17 EXAMINER PARROT: Are you tying this into
18 the point he is making in his rebuttal testimony,
19 Mr. Oliker? I agree, I don't think we need to
20 generally talk about Figure 2 from his direct
21 testimony again. If you are tying it somehow into
22 the point he is making on page 6 carrying over to
23 page 7, I will give you some leeway, but I'm with
24 Mr. Conway so far. I don't know, maybe you are
25 getting there, but I -- it's not apparent to me.

1 MR. OLIKER: It was my last question. I
2 was going to move on. I was looking for some
3 validation how he got there. We couldn't do that
4 ourselves.

5 MR. CONWAY: And he has actually done
6 that, your Honor. He has just validated it. And
7 Mr. Oliker is pursuing the point because he didn't
8 get the answer he wanted first of all. But, in any
9 event, it's still -- that response we just got from
10 Mr. Oliker confirms that it's not about the rebuttal.

11 MR. OLIKER: But it drives his entire
12 rebuttal testimony on these pages.

13 EXAMINER PARROT: I am going to sustain
14 the objection with respect to the question that's
15 pending, Mr. Oliker. If you have something that ties
16 into the point on the bottom of page 6, you are free
17 to pursue that.

18 MR. OLIKER: All right. Maybe we will
19 come back to it.

20 Q. (By Mr. Oliker) Turning to page 7 of your
21 testimony.

22 A. Yes.

23 Q. Where you discuss the relationship to --
24 of storage levels to price. You agree that storage
25 levels in February of 2015 were below the five-year

1 average?

2 A. I would like to clarify or clean up the
3 question. I would agree that the storage levels in
4 the winter of 2014 to 2015, you just mentioned 2015,
5 are represented by this red line and they appear to
6 oscillate between 100 percent and 90 percent across
7 that period.

8 Q. Okay. So, to confirm that, I think you
9 just said that storage levels were below the
10 five-year average in February of 2015, correct?

11 A. Well, I don't think so, Mr. Olikier, but
12 since you've mentioned February of --

13 Q. Maybe I can ask it differently.

14 A. I apologize. If you are referring to
15 2015, my response about this graph is inaccurate.
16 Please restate that for me and I will do a better
17 job.

18 Q. So maybe -- the red line, do you see that
19 red line?

20 A. Yes. So we are talking about the red
21 line, yes.

22 Q. Which is the higher line.

23 A. Correct.

24 Q. And in -- would you agree there is only a
25 very small period of time, around February 14, 2015,

1 that the red line is above 100 percent?

2 A. Yes. And 100 percent was significant.
3 Designates that's normal. That's the five-year
4 average is 100 percent for that particular week.

5 Q. And one second. And on February 27, we
6 were very close to about 90 percent of the five-year
7 average in 2015?

8 A. I heard 2015. I am not offering, in my
9 rebuttal testimony, about 2015. If I've offered a
10 basis to answer that question, I can. If you want me
11 to speculate or guess what that was, I can try to do
12 that for you also.

13 Q. Well, the red line is 2015, is it not?

14 A. The red line is the winter of 2014-2015.
15 So if you look at the X-axis and pick a date, just to
16 humor me, if you picked December 16, you go up to the
17 red line and you could come to the conclusion that
18 storage was about 94 percent full.

19 Q. Okay.

20 A. That's what that would refer to.

21 Q. And then if we look at March, toward the
22 middle of March, storage was about 86, 87 percent, in
23 2015?

24 A. I would agree, but I hope that you don't
25 miss my point made on line 2 that, in general,

1 February 15 is the point where further storage
2 inventory is of less concern because the chance of a
3 peak day diminishes exponentially.

4 Q. And we did, in fact, have very cold
5 weather in March of 2015, did we not?

6 A. It was subject to check we may have.

7 Q. And there were utilities in Ohio that had
8 large difficulties managing their storage assets in
9 that time; isn't that correct?

10 A. I don't have any knowledge of that. Are
11 you offering that as a fact to me?

12 MR. CONWAY: Your Honor, I am going to
13 object to going down the line of asking the witness
14 to speculate about what happened with regard to
15 storage levels for other utilities -- for particular
16 utilities in Ohio which he is not aware. So I object
17 to the line of questioning because it's clearly into
18 the zone of asking the witness to speculate.

19 MR. OLIKER: I think he already answered
20 the question, your Honor.

21 EXAMINER PARROT: He did. Let's move on,
22 please.

23 Q. Okay. And referring to the discussion of
24 potential upside from LNG, the bcf per day you
25 provided to Mr. Bzdok, that was for the United States

1 only, correct?

2 A. That's correct.

3 Q. And you don't recall what level of LNG
4 exports your 2013 forecast assumed in 2020; is that
5 correct?

6 A. I believe that was already asked here and
7 the answer was given as it remained the same.

8 Q. And did you understand that I referenced
9 the year 2020, Mr. Bletzacker?

10 A. The 8 bcf is referring to 2025.

11 Q. Yes. And my question is, am I correct
12 that you don't know what level of LNG exports from
13 the U.S. your model assumed in the year 2020?

14 A. Well, it is my model and I do know. I
15 don't know here on the stand at this moment.

16 Q. Okay. Thanks. I thought we were talking
17 passed each other.

18 A. I'm sorry if I missed that for you.

19 Q. And the 2020 export number for LNG, that
20 wasn't provided in any of your workpapers, correct?

21 A. It's not considered an output of the
22 model.

23 Q. Okay.

24 A. So no.

25 Q. Would you agree that the price of LNG in

1 the global markets is typically tied to the price of
2 oil?

3 A. It has been in the past.

4 Q. And it is especially focused on the price
5 of oil in Asian markets, correct?

6 A. It can be.

7 Q. And the way you calculated your bcf per
8 day export number was you did a weighting of several
9 consultancy forecasts, correct?

10 A. I wouldn't phrase it as a mathematical
11 weighting, but it was a -- it was a weighting of some
12 type, sure. But it doesn't include just
13 consultancies.

14 Q. And you did that weighting back in 2013
15 when the price of oil was much higher, correct?

16 A. The price of oil was higher in 2013 than
17 it is in 2015, that's correct.

18 Q. Okay. And you didn't change your forecast
19 of LNG exports for the 2015 fundamental forecast
20 because you assumed the price of oil would increase,
21 correct?

22 A. Yes. Put another way, I am worried that
23 you are looking at the nearby price of oil and how
24 that would affect a long-term forecast. This nearby
25 price of oil is not believed to be something that

1 would last at this level for a long period of time.

2 Q. And regarding LNG export facilities, am I
3 correct you don't know how many LNG facilities are
4 currently under construction in the U.S.?

5 A. Again, what I do know is that Free Trade
6 Agreement countries, there is 46.3 -- let me check
7 that number, 46.3, that's correct, bcf a day that is
8 proposed, and the non-Free Trade Agreement countries,
9 which is not part of this testimony, but I will add
10 it here is, that another 43 bcf a day non-FTA
11 countries, add that to roughly be, let's call it 90,
12 there is the potential for an additional 90 bcf a day
13 to be built. That weighting process involves
14 recognizing that that all won't happen and our number
15 was about 8 bcf a day in 2025.

16 MR. OLIKER: Your Honor, at this point I
17 would move to strike his answer. My question was
18 simply do you know how many LNG facilities are under
19 construction. His answer didn't even come close to
20 that.

21 MR. CONWAY: Your Honor, I think it does.
22 He was simply explaining that in his testimony he
23 recognizes that not everything that's being proposed
24 or is under construction is going to be completed and
25 go into service, but he does take into account the

1 aggregate amount that's proposed and he does come up
2 with a weighting, and so I think it is a means of
3 providing the answer that Mr. Olikier is seeking.

4 EXAMINER PARROT: I am going to deny the
5 motion to strike, Mr. Olikier. I think he did get to
6 your point there at the end. If you need to
7 follow-up on that last point he made, you may do
8 that.

9 Q. So, Mr. Bletzacker, you can't give me a
10 number, can you, for how many facilities are under
11 construction?

12 A. As I sit here today, I can't tell you down
13 to the fraction of a bcf what capacity is under
14 construction now, but, again, that is just a mouse
15 click away to me.

16 Q. Okay. And would you agree that many
17 analysts currently predict that if an LNG facility is
18 not under construction right now, it's not going to
19 get built because of the price of oil?

20 A. I am not aware of any credible analyst
21 that would take a short-term oil price and then go
22 ahead and dam a long-term asset, so I am not aware,
23 no.

24 MR. BZDOK: May I approach as Mr. Olikier's
25 proxy?

1 EXAMINER PARROT: You may.

2 Q. Mr. Bletzacker, did I take your deposition
3 in this case last week?

4 A. Yes, on Friday.

5 Q. And has Mr. Bzdok given you a copy of that
6 deposition?

7 A. Yes, I have it in front of me.

8 Q. Could you turn to page 56, please.

9 A. Yes. I am there.

10 Q. And at line 17 tell me if I read this
11 correctly: "Question: Would you agree that analysts
12 predict that any LNG export facility in the United
13 States that's not currently under production --
14 sorry, under construction, that it won't be built
15 largely due to the price of oil?"

16 "Answer: I am not surprised to hear that
17 an analyst could come to that conclusion, but I can't
18 specifically recite that I've read something to that
19 exact conclusion."

20 MR. CONWAY: Well, your Honor --

21 Q. Did I read that correctly?

22 MR. CONWAY: Well, your Honor, I would
23 just object to the effort to impeach Mr. Bletzacker's
24 prior answer which was not inconsistent with what he
25 provided in the deposition.

1 MR. OLIKER: His answer was very
2 different, your Honor.

3 MR. CONWAY: There is a lot of analysts
4 out there, Mr. Oliker.

5 EXAMINER PARROT: I am going to overrule
6 the objection, Mr. Conway.

7 MR. OLIKER: Thank you.

8 A. Yes, you read that correctly.

9 Q. Thank you, Mr. Bletzacker.

10 A. But the point that you are missing is that
11 I use the adjective "credible" analyst. There are
12 lots of newspaper stories and other things that get
13 written as if the nearby is going to affect the long
14 term. And a credible analyst doesn't take a
15 near-term cycle in the oil business and then come to
16 the conclusion that assets won't be -- long-life
17 assets won't be built for near-term oil price
18 reductions.

19 MR. OLIKER: Your Honor, I would move to
20 strike his answer. There wasn't a pending question.
21 It was also inconsistent with my question which was
22 "Did I read that correctly?"

23 MR. BZDOK: I join the motion.

24 MR. CONWAY: And, your Honor, I think he
25 is entitled to explain why the obvious effort to try

1 to criticize and impeach his current testimony
2 through the deposition why, in fact, they are not
3 inconsistent and why his testimony here today is
4 appropriate. I think he is entitled to have that
5 opportunity in response to Mr. Olikier's
6 cross-examination.

7 EXAMINER PARROT: I am going to grant the
8 motion to strike. If you need to revisit this on
9 redirect, we can do that.

10 MR. OLIKER: Thank you, your Honor.

11 Q. (By Mr. Olikier) Mr. Bletzacker, regarding
12 the bcf number you provided earlier in your testimony
13 regarding the 2013 and the 2015 forecasts, isn't it
14 true that you don't know the actual destinations
15 globally that that LNG would be shipped to?

16 A. I know that I don't know those
17 destinations as I sit here on the stand, but I can
18 know them in a very short order. But I also offer
19 that that's unnecessary because we are looking at
20 potential new demands which LNG is potential new
21 demand and that 8 bcf is just a fraction of the
22 perhaps 90 that's being proposed. That's the point.

23 Q. And am I correct that there is shale gas
24 globally in countries other than the United States?

25 A. I would agree.

1 Q. And would you agree that the United
2 States, in fact, is not the -- doesn't have the most
3 shale reserves in the world?

4 A. I don't know that specifically, but,
5 generally speaking, I could agree with you.

6 Q. And would you agree that China has the
7 largest shale reserves in the world?

8 A. They may be one of the top two, yes.

9 Q. What do you think No. 2 is?

10 A. Russia.

11 Q. And when you say that, are you talking
12 about -- first, are you familiar with the term
13 "technically recoverable reserves or resources"?

14 A. Yes, I am a petroleum engineer and that's
15 a common technology.

16 Q. And the EIA records the estimates of
17 technically recoverable reserves globally, correct?

18 A. Well, that would be the IEA which is the
19 International Energy Administration, not the Energy
20 Information Administration, one looks domestically,
21 the other is globally, but essentially I agree with
22 where you are headed with that question.

23 Q. Well, the EIA, the U.S. EIA, they record
24 that information as well, correct?

25 A. I don't know.

1 MR. OLIKER: Well, your Honor, may I
2 approach, please?

3 EXAMINER PARROT: You may.

4 MR. OLIKER: I think I am on exhibit
5 No. 9, your Honor.

6 EXAMINER PARROT: I believe that's
7 correct.

8 MR. OLIKER: I would like to mark as IGS
9 Exhibit No. 9 a U.S. Energy Information
10 Administration document titled "Analysis &
11 Projections World Shale Resource Assessments," last
12 updated September 24, 2015.

13 EXAMINER PARROT: So marked.

14 (EXHIBIT MARKED FOR IDENTIFICATION.)

15 Q. Mr. Bletzacker, the document that's been
16 placed in front of you, does that appear to be a U.S.
17 EIA document?

18 A. Yes, it does.

19 Q. And does it appear to contain statistics
20 regarding global shale reserves?

21 A. Yes. Categories -- categorized as
22 "unproved technically recoverable" reserves.

23 Q. Okay. And let's talk about, first, you
24 are familiar with the difference between unproved
25 technically recoverable and shale resources

1 themselves, correct?

2 A. There isn't a difference. You may need to
3 think about that.

4 Q. Okay.

5 A. I can help though.

6 Q. Well, first of all -- I'll move on from
7 that. This document does appear to, in fact, on the
8 second page, identify China as the largest shale
9 resource, correct, globally? It's over 1,000 tcf.

10 A. Of course, this is unproved technically
11 recoverable.

12 Q. Yes.

13 A. Yes, according to this EIA document, they
14 list China as having the most unproved technically
15 recoverable reserves.

16 Q. And their unproved technically resources
17 is nearly double what exists in the United States; is
18 that correct?

19 A. Yes.

20 Q. And Mexico and Canada have unproved
21 technically recoverable resources very close in
22 quantity to the United States, correct?

23 A. Yes.

24 Q. Okay. And Argentina, in fact, has even
25 more resources than the United States; is that

1 correct?

2 A. That's correct. Unproved technically
3 recoverable reserves, that is correct.

4 Q. And if you look at Russia, they actually
5 have about 284.5 tcf in unproved technically
6 recoverable shale resources, correct?

7 A. That's correct.

8 Q. But currently Russia is the largest
9 producer of LNG; isn't that true? As an export
10 commodity?

11 A. I don't know as I sit here today.

12 Q. But you agree they are a large player in
13 the global energy?

14 A. I would agree with that, yes.

15 Q. So that's a good indication that having
16 resources of this -- of 284.5 tcf can allow you to
17 impact global commodity markets, correct?

18 A. The worry is that you are looking at an
19 unproved technically recoverable number as it will be
20 proven and then put into liquefaction and into
21 production. So you are taking several steps to the
22 question there, but generally speaking I can go with
23 your line of thinking.

24 Q. Okay. You would agree that it is very
25 difficult to determine how LNG markets will develop

1 over a 10-year period.

2 A. I am focusing in on your word "difficult."
3 It becomes necessary to do that to understand demands
4 in certain regions, supply in certain regions, but I
5 don't consider it difficult.

6 Q. Would you agree that in 2006 you believed
7 in 2015 and 2020 the U.S. would be importing LNG?

8 A. I don't know about 2006, but certainly
9 2002.

10 MR. OLIKER: May I approach, your Honor?

11 EXAMINER PARROT: You may.

12 MR. OLIKER: Thank you. I would like to
13 mark as IGS Exhibit 10 an article from the website
14 Electric Light & Power titled "LNG's effect on the
15 demand/supply equation," titled -- or dated March 1,
16 2006.

17 EXAMINER PARROT: So marked.

18 (EXHIBIT MARKED FOR IDENTIFICATION.)

19 MR. OLIKER: I'm sorry for the poor
20 printing, but my computer didn't do a very good job
21 and the last five pages are just ads in other
22 articles you can disregard.

23 Q. Mr. Bletzacker, if you turn to page 5, you
24 are identified as one of the individuals involved in
25 drafting that article, correct?

1 A. Yes. I cowrote this article for Electric
2 Light & Power.

3 Q. Okay. And in this article am I correct
4 that you identify that you believe over the next 10,
5 15 years the United States will be an LNG importer?

6 A. That's correct.

7 Q. And am I also correct that you believe
8 that the LNG would cause \$5 to be a hard floor on
9 natural gas prices?

10 A. That's correct. That's correct.

11 Q. And at the current time in 2006 you
12 believed that at \$5 per MMBtu natural gas-fired
13 generation would displace coal-fired generation
14 because of the high coal prices that existed at that
15 time?

16 A. Subject to check, that's correct.

17 Q. Okay. And would you agree that on page 1
18 you indicated that "siting difficulties are likely to
19 deter most of the proposed projects along the East
20 and West coasts"?

21 A. That's correct, in this 2006 article,
22 that's correct.

23 Q. Okay. And at the time you indicated your
24 long-term price outlook was closer to \$6 per MMBtu at
25 the Henry Hub on a cash basis.

1 A. That's correct.

2 Q. Turning to the additional upside factors
3 you talk about in your testimony, would you agree
4 that the current low prices for oil have stunted
5 additional development of LNG for usage in long-haul
6 trucking?

7 A. If by "stunted" you believe in delayed
8 implementation, that would be a reasonable
9 conclusion.

10 Q. And do you know how trucking companies
11 contract for fuel costs?

12 A. I want to make sure I understand that
13 question. I do know that some companies hedge their
14 fuel costs. So to that extent I would agree.

15 Q. Well, isn't it true that most trucking
16 companies have fuel as a passthrough?

17 A. I am aware of that.

18 Q. So the incentive to retrofit an engine to
19 a different fuel type to save money is much lower in
20 the trucking industry.

21 MR. CONWAY: Objection. Form of the
22 question. Use of the word "lower." It's ambiguous.

23 MR. OLIKER: I think the witness
24 understands the question.

25 EXAMINER PARROT: Mr. Bletzacker, if you

1 understand the question. If you need to ask for
2 clarification, you may do that as well.

3 THE WITNESS: You would be kind enough to
4 restate, that would help me.

5 Q. If fuel is a passthrough in the trucking
6 industry, would you agree that there is -- there may
7 not be an incentive to contract for a lower-priced
8 fuel through a retrofit of an engine?

9 A. I am comfortable in saying I am not an
10 expert on trucking incentives.

11 Q. Okay. So would your answer be the same
12 for the CNG industry and long-haul trucking?

13 A. The answer would be the same, but to
14 repeat it, I am not an expert on the passthrough or
15 the -- not the passthrough but the incentives, the
16 driving forces of those contracts.

17 Q. Okay. And you are not familiar with
18 what's known as the Class 8 truck engine, are you?

19 A. I may prove that to you. Did you say
20 Class A or Class 8?

21 Q. 8.

22 A. No.

23 Q. And you don't know how much it costs to
24 convert a long-haul engine to CNG.

25 A. No.

1 Q. And you don't know how much it costs to
2 build a commercial-grade CNG fueling station.

3 A. I am going to answer no to that question,
4 but implying that if I needed to know, I could do
5 that very quickly.

6 Q. Also, you don't know how much it costs to
7 build a commercial-grade LNG filling station?

8 A. No.

9 Q. Turning to page 1, line 16 through 19 of
10 your testimony.

11 A. Yes.

12 Q. Where you state "The appropriate method or
13 manner to forecast long-term energy market prices is
14 to capture the best-available information regarding
15 all aspects of the long-term energy markets and to
16 employ comprehensive and reliable electricity market
17 forecasting models such as AuroraXMP." You are not
18 offering those statements in support of the 2014
19 forecast, correct?

20 A. I am offering those statements as a set-up
21 to the -- to the rebuttal points I intended to make
22 and it has nothing to do with 2013 or 2015
23 fundamentals forecast. It is just simply an
24 introductory Q and A.

25 Q. Okay. And turning a minute to -- you talk

1 about the CME Group in your testimony, correct, and
2 futures?

3 A. Yes.

4 Q. Would you agree that if we wanted to --
5 well, first, you would agree there are other trading
6 platforms such as ICE, correct?

7 A. Yes.

8 Q. Also known as the InterContinental
9 Exchange?

10 A. That's correct.

11 Q. And if we were to look out in the 2019 to
12 2025 period, you would agree that we are more likely
13 to see a higher level of transactions occurring on
14 ICE than we would see on the CME Group?

15 A. Are you talking about in the period of
16 illiquidity or another period?

17 Q. I am just asking to you compare 2019 to
18 2025 on ICE, to 2019 to 2025 on the CME Group. My
19 question is: You would agree that ICE is going to
20 have more transactions occurring than the CME Group?

21 A. Well, fortunately, that's a very objective
22 answer. I can't say that I know right here, right
23 now, but I'm sure a document can prove that.

24 Q. And one second.

25 A. But if it helps move things along, I could

1 generally agree that ICE has more transactions than
2 CME Group does.

3 Q. In the out years, correct?

4 A. Yes, in the out years.

5 Q. Thank you. That's much easier.

6 A. I am here to help.

7 Q. Okay. And you agree that transactions
8 occurring on ICE and the CME group, those are
9 transactions between willing buyers and willing
10 sellers regarding a point in time?

11 A. Yes.

12 Q. And if we were to look at any transaction
13 occurring after 2022, you would agree that those
14 parties are likely aware that the Clean Power Plan
15 exists?

16 A. I have written an awful lot about hedging
17 and hedging involves a willing buying -- buyer and
18 seller come together for whatever purposes they see
19 fit. An industrial customer happy with a fixed price
20 or a producer happy with selling at a fixed price, I
21 don't have any indication as to whether they are
22 thinking about fundamentals. As a matter of fact,
23 based on the lack of spreads that I show in those
24 years, I don't think they are thinking about it at
25 all. Clean Power Plan, that is.

1 Q. But you agree if there is a transaction
2 that occurs after 2022, they are not going to
3 renegotiate that price regardless of what happens to
4 the Clean Power Plan, correct?

5 A. Oh, I would agree with that, yes.

6 Q. Okay. Mr. Bletzacker, isn't it true that
7 the Public Utilities Commission of Ohio has
8 established default service prices for customers and
9 natural gas utilities based on the NYMEX price?

10 A. I don't know.

11 MR. OLKER: Your Honor, could I please
12 approach?

13 EXAMINER PARROT: You may.

14 MR. OLKER: I think my associate. I
15 would like to mark the "Columbia Gas of Ohio Standard
16 Choice Offer" document from the PUCO website as IGS
17 Exhibit 11.

18 EXAMINER PARROT: So marked.

19 (EXHIBIT MARKED FOR IDENTIFICATION.)

20 MR. OLKER: In the alternative, we could
21 take administrative notice of it, but I will defer to
22 the Bench.

23 EXAMINER PARROT: It's already been
24 marked.

25 MR. OLKER: Thank you, your Honor.

1 Q. (By Mr. Olikar) Mr. Bletzacker, before we
2 get to the document itself, are you familiar with
3 Columbia Gas of Ohio?

4 A. Yes.

5 Q. And would you agree that they establish
6 their default service price through an auction
7 process?

8 A. Yes.

9 Q. And does that auction process involve the
10 NYMEX clearing price plus an adder?

11 A. I'm not familiar.

12 Q. Okay. But --

13 MR. OLIKER: Your Honor, because he is not
14 familiar with the document, instead of making him
15 read the document himself, maybe we could take
16 administrative notice of the manner in which the
17 Columbia standard choice offer is established which
18 is described in this document from the PUCO's
19 website?

20 MR. CONWAY: And, your Honor, I would
21 object to either examining the witness about the
22 document which he is not familiar with, or taking
23 administrative notice of the document on the grounds
24 of relevance. There is no basis that Mr. Olikar has
25 established as to why this is pertinent to

1 Mr. Bletzacker's rebuttal testimony.

2 This deals with monthly NYMEX settlement
3 prices, and Mr. Bletzacker's testimony is a criticism
4 of the use of futures prices to substitute for a
5 forecast. So I don't see the -- long-term
6 forecast -- so I don't see the relevance of the
7 information, so I would object.

8 MR. OLIKER: Your Honor --

9 MR. CONWAY: Just to be clear, I said "the
10 information," I meant of Exhibit 11.

11 MR. OLIKER: Your Honor, the Commission
12 has been establishing default service prices used in
13 NYMEX plus an adder for quite a while now. And if
14 it's good enough for the Commission, I think it
15 should be considered here as providing stability and
16 providing transparency for what the forward price
17 will look like. It's something the Commission should
18 consider. It's a document that's on the Commission's
19 website. I don't believe it can be questioned
20 regarding its authenticity. And I was recognizing
21 that Mr. Bletzacker hadn't seen the document, so I
22 was content with just taking administrative notice of
23 it and moving on for the sake of time.

24 MR. CONWAY: Your Honor, there is no
25 question to this document that he's offering and the

1 Commission's blessing of the use of current monthly
2 settlement prices to substitute for futures prices or
3 to validate futures prices as a proxy for long-term
4 forecast of prices. So I renew my objection. He
5 didn't explain how it connects up in his explanation.

6 EXAMINER PARROT: Anything else,
7 Mr. Olikar, to that point?

8 MR. OLICKER: He doesn't say that it's only
9 long-term forecasts. He doesn't use futures really
10 for anything in his forecast. And the Commission is
11 using it for at least a yearly basis in taking bids
12 for -- to provide a product a year in advance plus an
13 adder which is described in this document.

14 MR. CONWAY: Your Honor, this is a
15 misrepresentation, as I understand it, of what the
16 Commission does. The Commission takes a -- takes
17 bids on what the adder will be, but the adder is
18 tacked on to the settlement price which is not a
19 futures price. So there is no -- so there is no
20 connection here to the testimony on rebuttal.

21 EXAMINER PARROT: All right. I agree,
22 Mr. Conway. I am failing to see the relevance, so
23 let's move on, please, Mr. Olikar.

24 MR. OLICKER: One moment, please.

25 Q. (By Mr. Olikar) Mr. Bletzacker, you talk

1 about potential upsides to demand that may exist in
2 your testimony, correct? Now, have you considered --
3 what about potential downsides? Would you agree they
4 exist as well?

5 A. There are downsides. What is reflected in
6 this forecast is the net.

7 Q. And one of the potential downsides that
8 could exist is increased production levels from wells
9 in either Marcellus shale or any other shale plant in
10 the U.S., correct?

11 A. I can't connect increased production
12 levels as a downside.

13 Q. Downside to price.

14 A. You would have to take things in a
15 balance. You have an increase in one area and a
16 decrease in another area, that may net to not be an
17 overall United States decrease.

18 Q. So all else being equal, Mr. Bletzacker,
19 if you increase the total amount of production in the
20 shale reserves that exist domestically, would you
21 agree price will likely go down?

22 A. All else being equal, if you were to
23 decrease the production -- the exploration and
24 production costs and price would then follow, would
25 drop after that, yes.

1 Q. Okay.

2 A. If that's your question.

3 Q. Okay. And --

4 A. But I am not sure that was your question.

5 Q. Was your -- could I have the last part of
6 his answer read back, please.

7 (Record read.)

8 Q. My question is all else being equal, if
9 you increase the total amount of production on a bcf
10 per day basis, would you agree that prices will
11 decrease?

12 MR. CONWAY: And, your Honor, at this
13 point I am going to object. There is no basis for
14 this hypothetical question other than the one that
15 the witness suggested, which Mr. Olikar is trying to
16 ignore, which is you have got to decrease the costs
17 of production in order to get a hypothetical that
18 has, in his mind, some -- some connection to reality.
19 And now Mr. Olikar is continuing to pursue this
20 hypothetical about what if you increase production
21 without consideration of the factors that
22 Mr. Bletzacker has already posited. So I think it's
23 a hypothetical without a basis.

24 Excuse my long-winded objection, but
25 there's no basis for this hypothetical. There is no

1 basis for this witness responding further about it,
2 so I object.

3 MR. OLIKER: Your Honor, I don't know if
4 Mr. Conway even understands the question with that
5 response, to be honest.

6 MR. CONWAY: I think I understand it.

7 MR. OLIKER: I would like to finish,
8 please, Mr. Conway.

9 EXAMINER PARROT: Let's wait for the --

10 MR. OLIKER: My question was simply very
11 clearly, Mr. Conway, all else being equal, if you
12 increase the total amount of production on a bcf per
13 day basis, which has nothing to do with production
14 costs which was the large part of his response, then
15 what happens to price. It's very simple.

16 MR. CONWAY: And, your Honor, I object,
17 because the witness, in his prior answer, had a
18 caveat to the hypothetical that he insisted upon, and
19 now Mr. Olier is asking him to eliminate it through
20 this "all else being equal" kind of blessing that he
21 is trying to put on his question, and Mr. Bletzacker
22 did not accept it. And so, now I object to the
23 follow-up question which is pursuing a line that the
24 witness has said he can't agree to. So it's
25 objectionable.

1 EXAMINER PARROT: I am going to allow the
2 question. And, Mr. Bletzacker, you feel free to
3 expound in responding in any way you feel you need
4 to, all right? Do you need us to?

5 THE WITNESS: If you would be so kind.

6 MR. OLIKER: How about I just restate it?

7 EXAMINER PARROT: Okay.

8 Q. (By Mr. Oliker) Mr. Bletzacker, all else
9 being equal, if you increase the total amount of
10 production domestically in the United States, would
11 you agree that price would go down?

12 A. I can't increase the amount of production
13 by finding new reserves, increasing production
14 because of those reserves -- those new reserves that
15 you found unless you have reduced exploration and
16 production costs. So the hypothetical has a caveat
17 to it that just doesn't work for me.

18 Q. Well, do you know how much trapped natural
19 gas exists in the Marcellus and Utica shale today,
20 and by "trapped" I mean gas associated with wells
21 that have been drilled but have not been connected to
22 a pipeline or fracked?

23 MR. CONWAY: Your Honor, at this point I
24 object to the relevance of it. Where is this
25 possibly headed?

1 MR. OLIKER: Your Honor, if he is talking
2 about upsides that exist in his testimony, I think we
3 should be able to talk about the downsides.

4 MR. CONWAY: And the witness already
5 previously explained that the world of gas --
6 potential gas supply in the U.S. is not limited to
7 the Marcellus and Utica shales; it's a national
8 market. So my objection then, we have already been
9 through this and it's duplicative.

10 EXAMINER PARROT: I am going to overrule
11 the objection.

12 A. Okay. I have a concern and that concern
13 is you're about -- with all due respect, your
14 understanding of what are proved recoverable
15 reserves, proved undeveloped reserves, and then
16 probable possible which sometimes are called
17 "technically recoverable reserves." So in that
18 context you have asked that question about the
19 Marcellus. And are you referring to specifically
20 what has been proven to this point and developed, or
21 proven but undeveloped?

22 Q. My question, Mr. Bletzacker, is -- and
23 let's break this down, maybe this will make it
24 easier. Would you agree there have been about 2,500
25 wells that have already been drilled but have not

1 been completed in the Marcellus and Utica shale?

2 A. I don't know, so the answer is no.

3 Q. So do you know that there are many wells
4 that have, in fact, been drilled but haven't been
5 either connected to the pipeline or fracked, without
6 attaching that to a number?

7 A. What I do know is that the moment you
8 start spending money in exploration and production,
9 you need to get things done as quickly as you can so
10 you can recover that money. So the lag time between
11 when something is drilled and put to the market is
12 just naturally minimized. So attaching any sort of
13 long span between that is -- is kind of counter to
14 the economic driving forces.

15 Q. Are you familiar with Bentek Energy?

16 A. Yes.

17 Q. Do you rely on them from time to time?

18 A. We don't have a subscription to Bentek.

19 Q. But do you believe they are a credible
20 resource for gathering information?

21 A. They are a Platts company and I wouldn't
22 dismiss their information.

23 Q. So do you look at any presentations from
24 Bentek?

25 A. Since we don't have a license agreement to

1 do that, I am not allowed to.

2 Q. But they put on presentations for third
3 parties from time to time, don't they, that are
4 publicly available?

5 A. Perhaps so. I don't have any.

6 Q. And have you -- and you have not heard
7 from any source whatsoever that there's 19 bcf a day
8 of trapped production associated with wells that have
9 already been completed, but have not been fracked or
10 connected to a pipeline in Marcellus and Utica shale,
11 that number doesn't make any sense to you?

12 A. Oh, it makes sense as to what it's trying
13 to describe. The authenticity of that number or
14 the -- when that's related to what is proven, drilled
15 and has been tested to flow at those rates, that's
16 where I have to go do some more research. And you
17 might need to, too.

18 Q. Okay.

19 MR. OLIKER: Can I mark an exhibit,
20 please, your Honor?

21 A. I am going to assume, Joe, that's not
22 copyright protected?

23 Q. We have permission.

24 A. Written permission?

25 Q. Yes. It's public.

1 A. Good.

2 Q. This is an expert, Mr. Bletzacker.

3 MR. OLIKER: I would like to mark, as IGS
4 Exhibit 12, Bentek Energy's "Natural Gas Market
5 Update 2015 LDC/SCC Conference, Fredericksburg,
6 Virginia."

7 MR. CONWAY: Your Honor, at this point I
8 will interpose an objection. He's already tried to
9 develop a foundation, a familiarity, by the witness,
10 with this particular source of information, and the
11 witness says he doesn't -- he doesn't subscribe to
12 it, doesn't review it. He is not familiar with it.

13 And so, where we are at this point is
14 looking at, apparently, presentation documents that
15 this entity has prepared that provides information
16 that -- whose -- whose accuracy and ability to be --
17 ability to be dealt with by us is not possible and by
18 this witness who said he is not familiar with it. So
19 I think it's a nonstarter to go down this line. And
20 it's one pages -- it's one page out of eight
21 apparently or more.

22 And so, I just have -- there are several
23 levels of objection, but the most fundamental is the
24 witness has already indicated he's not going to be
25 able to authenticate this or to indicate any

1 familiarity with it. So his role in this exercise,
2 the witness's role is nil.

3 MR. OLIKER: Your Honor, I don't
4 appreciate the coaching.

5 EXAMINER PARROT: It is not clear what use
6 Mr. Oliker intends to make of this yet, Mr. Conway,
7 so I think you are a little bit premature at this
8 point. Let's see where he goes with it. The exhibit
9 has been marked as IGS Exhibit 12.

10 (EXHIBIT MARKED FOR IDENTIFICATION.)

11 EXAMINER PARROT: Go ahead, Mr. Oliker.

12 MR. OLIKER: Thank you.

13 Q. (By Mr. Oliker) Mr. Bletzacker, do you see
14 the document that has been marked as IGS Exhibit 12?

15 A. I do, but I need to interject something
16 here. I'm really personally uncomfortable because I
17 signed the contracts with these consultancies. You
18 are not to distribute their information. It says
19 "You may use the prices, indexes, assessments and
20 other related information (collectively, 'Data') in
21 this presentation only for your personal use. You
22 may not publish, reproduce, distribute, retransmit,
23 resell, create any derivative work from and/or
24 otherwise provide access to Data or any portion
25 thereof to any person (either within or outside your

1 company, including, but not limited to, via or as
2 part of any internal electronic system or Internet
3 site), firm or entity."

4 And so, my -- my discomfort is outside the
5 subject matter. I just get very uncomfortable when
6 people pass me things that they really -- they have
7 got to show me that they are allowed to pass this on
8 and use it for, to put it in the public.

9 Q. Do you know Chris Foster?

10 MR. CONWAY: Your Honor, he has already
11 indicated his reluctance, and Mr. Olikier has not
12 demonstrated that he has the permission or the
13 authority to do what he is doing with this document.

14 MR. OLIKER: Your Honor, this is on me and
15 my company that we are using this, and Mr. Foster has
16 given us permission.

17 MR. CONWAY: It's also on this witness as
18 he is bringing the witness into it.

19 EXAMINER PARROT: I appreciate you
20 bringing this to our attention. Again, I am going to
21 see where this goes. I'm still waiting to hear a
22 question from you, Mr. Olikier, so.

23 MR. OLIKER: I haven't gotten there yet.

24 EXAMINER PARROT: Yes. We have not, so
25 let's go there, please.

1 Q. Mr. Bletzacker, first, do you know Chris
2 Foster?

3 A. I don't.

4 Q. But you do know that Bentek compiles
5 information regarding shale gas drillings, correct?

6 A. Yes, and other information.

7 Q. Okay. And understanding your concerns, I
8 just want to focus on the excerpt from the next page
9 because it describes a lot of the discussion that we
10 had about production on a daily basis. Do you
11 remember the discussion?

12 MR. CONWAY: Your Honor, I object. I
13 object to that. Now we have Mr. Olikier testifying
14 that the information on this sheet is reflective of
15 something that he's discussed previously with
16 Mr. Bletzacker, and Mr. Bletzacker has already said
17 he is not familiar with the report or the -- or the
18 presentation papers that have been -- have been
19 presented here to us.

20 MR. OLIKER: Your Honor, I would like the
21 witness to tell me if he is not familiar with it
22 rather than Mr. Conway coaching him through the
23 objections.

24 EXAMINER PARROT: I don't think it's fair
25 to ask Mr. Bletzacker substantive questions about

1 this, Mr. Oliker. He has made it very clear, I
2 think, that he's not -- let's ask him that, first of
3 all. Have you seen this before, Mr. Bletzacker?

4 THE WITNESS: No. I am not allowed to
5 see.

6 EXAMINER PARROT: If you are using this
7 for impeachment purposes or something, fine.
8 Otherwise, let's move on.

9 MR. OLIKER: Okay.

10 Q. (By Mr. Oliker) What is your understanding
11 of the backlog of wells that have been drilled in the
12 Marcellus and Utica shale?

13 A. My understanding is that their economic
14 driving forces to make that is minimal. I also have
15 an understanding that their subscription services
16 that we do subscribe to that have mistakenly been
17 called "permits to drill" when they haven't been
18 drilled and have incorrectly called those "drilled
19 wells." And they refer to that as an "inventory."
20 So that there -- you have to really dig in deeply to
21 know what numbers you are looking at, and I have no
22 familiarity with the Bentek product.

23 Q. So you can't identify how many rigs -- let
24 me rephrase that.

25 You cannot identify, as you sit here

1 today, how many wells have been completed but not
2 either connected to a pipeline or awaiting fracking?

3 A. I can't as I sit here today.

4 Q. Not even in the ballpark of 100 or 500
5 rigs or wells?

6 A. No.

7 Q. And do you ever look at the Ohio
8 Department of Natural Resources' website to see well
9 counts?

10 A. I do from time to time, yes.

11 Q. When was the last time?

12 A. Excuse me. I look at permits, look at
13 what's currently drilling, and what's been drilled
14 and completed.

15 MR. OLIKER: If I could have one minute,
16 your Honor, that might be it.

17 I believe those are all the questions I
18 have. Thank you, Mr. Bletzacker.

19 THE WITNESS: Thank you, Mr. Olikier.

20 EXAMINER PARROT: Ms. Bojko?

21 MR. DARR: Would it be appropriate to take
22 a break?

23 EXAMINER PARROT: Okay. Let's do that.
24 Take a 10-minute break.

25 (Recess taken.)

1 EXAMINER PARROT: Let's go back on the
2 record.

3 Ms. Bojko.

4 MS. BOJKO: I have no questions. Thank
5 you, your Honor.

6 EXAMINER PARROT: Ms. Bair.

7 MS. BAIR: Thank you. I have a few
8 questions.

9 - - -

10 CROSS-EXAMINATION

11 By Ms. Bair:

12 Q. Could you please look to page 1, lines 16
13 and 17 of your rebuttal testimony?

14 A. Yes, I'm there.

15 Q. Okay. And you've said that "The
16 appropriate method or manner to forecast long-term
17 energy market prices is to capture the best-available
18 information"; is that correct?

19 A. That's correct.

20 Q. And how would you define in the testimony
21 that we are talking about "best-available
22 information"?

23 A. The way I would define that is you have to
24 consider a large quantity of information. You don't
25 know it's the best until you realize and analyze

1 what's on the fringes. So there's a quantity
2 component of this statement and you need to look at a
3 large quantity of information in order to -- in a
4 way, develop a Bell curve of consensus, you may say.

5 Q. Aside from quantity, wouldn't you need to
6 also look at timeliness of the information,
7 particularly when you are talking about the price of
8 energy in the future?

9 A. Timeliness would be a consideration, yes.

10 Q. And how would timeliness factor into being
11 the best-available information in your mind?

12 A. Some information changes radically.
13 Certainly the nearby changes radically. In longer
14 term, in the longer term, let's just say five years
15 and out, those -- those features don't change quite
16 as radically.

17 An example would be shale gas. Shale gas
18 has become more prominent over, let a say, the last
19 eight or ten years, and it hasn't made a sea change
20 of difference, the minute you first heard of shale
21 gas. So you have to assess what particular item you
22 are looking at and whether it affects the long term
23 or nearby.

24 Q. Wouldn't you agree that more recent
25 information should be used in this type of analysis?

1 MR. CONWAY: Your Honor, at this point I
2 am going to interpose an objection. There's no
3 particular connection between this line that Mr. --
4 Ms. Bair is pursuing and the very specific criticisms
5 that this witness has raised about the intervenors'
6 methods for forecasting what those shortcomings are.
7 And so I think, you know, the line of questioning is
8 not connected up to the rebuttal testimony or the
9 criticisms of the intervenor witnesses that the
10 rebuttal testimony is directed towards. So I think
11 it's going towards something else, but not the
12 rebuttal, and so I object.

13 MS. BAIR: Your Honor, may I respond?

14 EXAMINER PARROT: You may.

15 MS. BAIR: I am asking him absolutely what
16 is in the rebuttal testimony on line 17 regarding
17 best-available information and the timeliness of it.
18 It is particularly relevant to what he has put forth
19 in the record here today.

20 MR. CONWAY: It has -- there is no -- your
21 Honor, if I may, there's no connection she's even
22 begun to make to the criticisms that he has proposed
23 here of the intervenor methods and the timeliness of
24 the information used in their methods. And he
25 explained earlier that the first introductory Q and A

1 was just that it provides a context for his specific
2 criticisms. And whatever -- whatever is being
3 pursued doesn't appear to be connected to the
4 rebuttal testimony, so I object.

5 EXAMINER PARROT: The objection is
6 overruled.

7 MS. BAIR: Could we go back and reread
8 that, please? Thank you.

9 (Record read.)

10 A. I would agree that most -- that most
11 recent information regarding the nearby would be
12 important in this part of the -- in this type of
13 analysis, but it doesn't necessarily affect
14 longer-term parts of this analysis.

15 Q. Thank you.

16 Could you please go to page 5, and I am
17 going to ask questions regarding Figure 1 on that
18 page.

19 A. Yes, I'm there.

20 Q. And your most recent date that you have
21 provided the futures prices is April 1, 2015; is that
22 correct? On this chart?

23 A. That's correct.

24 Q. Okay.

25 MS. BAIR: Your Honor, may we approach?

1 EXAMINER PARROT: You may.

2 MS. BAIR: I am presenting an exhibit
3 marked as OCC Exhibit 21.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 Q. And I believe you responded earlier that
6 you had looked at more recent Henry Hub futures
7 prices than April 1, 2015, earlier today; is that
8 correct?

9 A. That's correct.

10 Q. And do you see the line that has been
11 added to the bottom there that is the October 27,
12 2015, line?

13 A. Yes, I see that line.

14 Q. And as you said you have looked at those
15 prices. Do you believe that would be a correct
16 graphical demonstration of those prices?

17 A. I would absolutely. It is a correct
18 graphical representation of the tethering of future
19 prices to spot prices.

20 MS. BAIR: Thank you. I have no more
21 questions.

22 EXAMINER PARROT: Mr. Pritchard.

23 MR. PRITCHARD: Yes. Thank you.

24 - - -

25 CROSS-EXAMINATION

1 By Mr. Pritchard:

2 Q. Mr. Bletzacker, you indicate future market
3 participants escape the volatility of energy prices,
4 correct?

5 A. Those that are hedging, yes, that's
6 correct.

7 Q. And you also indicate in your rebuttal
8 testimony that once these market participants escape
9 the volatility of energy prices, they are not
10 concerned with the actual future price of energy,
11 correct?

12 A. That's correct.

13 Q. And that is because the futures contract
14 locks in the price that will be paid in the future,
15 correct?

16 A. That's correct.

17 Q. And so if a customer today wanted to
18 predict its price of power in 10 years, they could
19 enter into a future contract for 100 percent of their
20 supply and that would be the price the customer would
21 pay for delivery in 10 years, correct?

22 A. I might not use the word "predict." At
23 the present time to know for certain what their price
24 will be, they want to lock it down and know, that's
25 correct.

1 Q. And AEP could do the same thing for power
2 or natural gas or the other commodities that you
3 discuss in page 3 and 4 of your testimony regarding
4 the spreads, correct? Let me rephrase that question.

5 At page 3 and 4, you discuss other
6 commodity prices and the spreads between them. Isn't
7 it true that AEP could enter into a futures contract
8 and lock down its price for those commodities at some
9 point in the future?

10 MR. CONWAY: And, your Honor, I'll object
11 to the form of the question. It's -- it's vague as
12 to what entity it is. Is it AEP Ohio? Is it AEP
13 generally or AEP East? And then, secondly, from what
14 period and to what extent are we locking down prices
15 that he is proposing in his hypothetical? So I think
16 it's vague.

17 EXAMINER PARROT: Mr. Pritchard, could you
18 just clarify at least what you mean when you say
19 "AEP"? I think with that then we will allow the
20 question.

21 MR. PRITCHARD: I'll rephrase, your Honor.
22 Thank you.

23 Q. (By Mr. Pritchard) AEP, or any of the
24 affiliated AEP companies that are permitted by
25 regulation to participate in a futures market, they

1 could lock down a price for a commodity price -- or a
2 commodity in the future by entering into a futures
3 contract.

4 A. Those tools are available to them, yes,
5 that's correct.

6 Q. And you've personally entered into futures
7 trades on NYMEX, correct?

8 A. Yes, I have.

9 Q. And you've also personally entered into
10 futures trades that weren't done through an exchange,
11 correct?

12 A. Yes, I have.

13 Q. And in these trades that weren't done
14 through the exchange, you have been involved in
15 futures contracts that have been 10 years or longer,
16 correct?

17 A. That's correct.

18 Q. And you are aware of other entities
19 entering into a futures contracts that are also in
20 excess of 10 years, correct?

21 A. Yes.

22 Q. And one thing you would -- a party looking
23 to enter into a futures contract might consider is
24 the future year price propositions identified by
25 NYMEX or the ICE exchange, for example, correct?

1 A. You said they might consider, yes, they
2 would see that as a -- they would see that as a rough
3 indication.

4 Q. And for customers, building off of a
5 response you gave earlier today, an industrial
6 customer looking to enter into a future contract
7 might enter into that contract for budgetary
8 certainty reasons, correct?

9 A. Yes, that's correct.

10 Q. And that industrial customer might
11 determine it's reasonable to enter into a future
12 contract to meet its individual needs without needing
13 to look at the out-year prices on NYMEX or some other
14 modeling, correct?

15 A. I'm mostly with you.

16 THE WITNESS: If you would please read
17 that again.

18 Q. I can rephrase.

19 A. Thank you.

20 Q. A customer might determine it's reasonable
21 to enter into the futures contract without needing to
22 look at the out-year prices on NYMEX or without
23 needing to resort to some sort of other modeling
24 similar to a fundamental forecast, correct?

25 A. Yes. A customer might do that.

1 Q. And when AEP or the AEP affiliates that
2 are authorized to participate in a futures contract,
3 one thing that AEP or those affiliates might consider
4 would be your fundamental forecast, correct?

5 A. That's correct.

6 Q. And the larger the spread between your
7 fundamental forecast and the prices identified on an
8 exchange, that would indicate a greater potential for
9 profit for AEP if your fundamental forecast were
10 accurate, correct?

11 A. That's correct.

12 Q. Now, I want to talk about your criticisms
13 that start on page 2 and continue generally through
14 page 5 where you respond and have criticisms for
15 intervenor witnesses who rely on the futures market
16 to approximate the value of AEP's proposal in this
17 case. Now, generally, you disagree with their
18 reliance on the futures market, correct?

19 A. Yes, specifically I disagree.

20 Q. Now, AEP has a fair value accounting
21 methodology -- let me rephrase that.

22 AEP has established a fair value
23 accounting hierarchy that prioritizes the inputs used
24 to measure fair value, correct?

25 A. I don't have any knowledge of that.

1 MR. PRITCHARD: Your Honor, I would like
2 to have a document marked as IEU-Ohio Exhibit 18.
3 May I approach, your Honor?

4 EXAMINER PARROT: You may.

5 MR. PRITCHARD: And, your Honor, I would
6 like to represent for the record, this is -- what I
7 have handed out is a copy of the AEP third quarter
8 10-Q SEC filing, and for the Bench and counsel and
9 the court reporter I have handed out the entire draft
10 of the 10-Q, and for the parties in the room, the
11 Bench, AEP's counsel and the witness, I have also
12 handed out the -- an excerpt of the 10-Q for
13 legibility. It's -- the excerpt is printed in larger
14 font, so.

15 EXAMINER PARROT: So IEU Exhibit 18, you
16 are marking the full exhibit, correct?

17 MR. PRITCHARD: The entire exhibit,
18 correct.

19 EXAMINER PARROT: So marked.

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

21 Q. (By Mr. Pritchard) Mr. Bletzacker, could
22 you turn to page 87.

23 A. Yes, I am there.

24 Q. And let me know if I am reading the very
25 first sentence at the top of this page correctly.

1 MR. CONWAY: Your Honor, at this point I
2 would object to the approach that Mr. Pritchard is
3 taking. There has been no -- been no question about
4 any line of question or prefatory questions about
5 this witness's familiarity with the document or its
6 contents or any portion of it.

7 MR. PRITCHARD: Your Honor, this document
8 is a party admission. This is an AEP corporate
9 document and it discusses the appropriateness of how
10 to determine fair value, and this question is
11 somewhat foundational, but this entire page and
12 another page of this document talk about when to use
13 internal forecasts and when to use market data and
14 it's a party admission. It's not hearsay. And it's
15 relevant to Mr. Bletzacker's criticisms of relying on
16 futures market and other market data that has been
17 presented by the intervenor witnesses.

18 MR. CONWAY: And my objection to the
19 approach being taken is simply that there has not
20 been any discussion with the witness of his
21 familiarity with the document or any particular part
22 of the document. I wasn't suggesting that it wasn't
23 what you said it is, Mr. Pritchard.

24 MR. PRITCHARD: To the extent that this
25 witness is unfamiliar with how AEP has represented

1 things should be -- the fair value of items should be
2 measured, it would impeach this witness, and I don't
3 believe I need to establish that the witness is
4 familiar with this document if it's a party admission
5 by AEP.

6 MR. CONWAY: Your Honor, the point is that
7 no foundation has been laid yet with this witness to
8 examine him about the document. And Mr. Pritchard's
9 other comments, I think, are beside the point.
10 That's my point, foundation.

11 EXAMINER PARROT: Are you using this
12 purely for impeachment purposes, Mr. Pritchard, or
13 are you intending to go beyond that? If so, I think
14 you need to at least ask him if he has seen the
15 document before you launch into --

16 MR. PRITCHARD: I plan to use it for both
17 purposes, both what -- I'll rephrase.

18 EXAMINER PARROT: Ask some foundational
19 questions first.

20 Q. (By Mr. Pritchard) Mr. Bletzacker, are you
21 aware that AEP files a 10-Q with the SEC?

22 A. Yes.

23 Q. And have you ever reviewed SEC filings
24 before?

25 A. No.

1 Q. Are you aware that in the SEC filings AEP
2 has represented to the Securities and Exchange
3 Commission how the fair value of -- should be
4 measured?

5 A. No. I know nothing about that.

6 Q. Are you aware that AEP uses three
7 methodologies to determine the fair value of futures
8 contracts -- sorry, of commercial activities?

9 A. No. That's not my area of responsibility.

10 MR. CONWAY: Your Honor, I would --
11 continuing objection. He has already explained he's
12 not familiar with the document. He's not responsible
13 for fair value accounting at AEP. We did have a
14 witness, Mr. Mitchell, who testified earlier and was
15 available to answer such questions.

16 And so, at this point, I think that in
17 addition to the objection to using this witness as a
18 conduit for whatever purpose he is seeking to
19 achieve, that it should be recognized that it appears
20 to be directed at issues that relate to the direct
21 case. So it's beyond the scope of rebuttal and so I
22 object on that basis also, now that we've seen the
23 line develop here.

24 MR. PRITCHARD: Two points, if I may,
25 your Honor?

1 EXAMINER PARROT: You may.

2 MR. PRITCHARD: First, Mr. Bletzacker's
3 rebuttal testimony squarely raises the issue of
4 whether it's appropriate to rely on the futures
5 market data to value the proposal in this case. That
6 issue was not presented by Company Witness Mitchell
7 in their direct case, so I -- I can't impeach
8 Mr. Bletzacker's statement before he makes the
9 statement.

10 And, secondarily, if Mr. Bletzacker is
11 taking a position contrary to AEP, I think that I
12 should be -- or I would request a little leeway to
13 explore whether he believes AEP's statements are
14 contrary to the representations he's making in his
15 rebuttal testimony.

16 EXAMINER PARROT: The objection is noted,
17 Mr. Conway, but let's go ahead and proceed,
18 Mr. Pritchard.

19 Q. (By Mr. Pritchard) Now, you indicate on
20 page 3 through 5 that you have a criticism of several
21 intervenor witnesses' reliance on specifically the
22 futures market to value AEP's proposal in this case,
23 correct?

24 A. Not exactly correct. My criticism that
25 they use the futures market as a proxy for long-term

1 forecast spot prices.

2 Q. So you don't take any issue with using the
3 futures market or other market data in the near term?

4 A. I don't take any issue with considering
5 futures information in the very, very near term.

6 Q. Do you think it would be a more
7 appropriate way to value AEP's proposal in this case
8 to rely on the futures market rather than your
9 fundamental forecast?

10 A. See, I am not here to value AEP's proposal
11 specifically. I am here to provide the long-term
12 forecast for others to do that valuation. I provide
13 a credible long-term forecast.

14 Q. And for the basis of the Commission
15 determining the value of AEP's proposal, do you think
16 it would be more appropriate for the Commission for,
17 in the near term, to look at the futures market
18 rather than your fundamental forecast?

19 A. I would think it would be most appropriate
20 to use my fundamentals forecast.

21 Q. Now, will you turn back to page 87.

22 And --

23 MR. CONWAY: Are you on the exhibit, the
24 exhibit you identified, or some other exhibit?

25 MR. PRITCHARD: Page 87 of the 10-Q.

1 Q. Now, let me know if I am reading this
2 correctly. The accounting guidance for "Fair Value
3 Measurements and Disclosures establishes a fair value
4 hierarchy that prioritizes the inputs used to measure
5 fair value. The hierarchy gives the highest priority
6 to unadjusted quoted prices in active markets for
7 identical assets or liabilities (Level 1 measurement)
8 and the lowest priority to unobservable inputs (Level
9 3 measurement)." Did I read that correctly?

10 A. It appears that you read it correctly.

11 Q. Now, if you go to the next paragraph, let
12 me know if I read this correctly, "For our commercial
13 activities, exchange traded derivatives, namely
14 futures contracts, are generally fair valued based on
15 unadjusted quoted prices in active markets and are
16 classified as Level 1. Level 2 inputs primarily
17 consist of over-the-counter or OTC broker quotes in
18 moderately active or less active markets, as well as
19 exchange traded contracts where there is insufficient
20 market liquidity to warrant inclusion in Level 1."
21 Did I read that correctly?

22 A. It appears as if you did.

23 Q. Now, if we go down a few more lines, you
24 will see about halfway through there is a sentence
25 that starts "Certain OTC." Let me know when you get

1 there.

2 A. I found it.

3 Q. Let me know if I am reading this
4 correctly.

5 MR. CONWAY: Just a moment, Mr. Pritchard.

6 MR. PRITCHARD: Sure.

7 MR. CONWAY: Okay. Go ahead.

8 Q. "Certain OTC and bilaterally executed
9 derivative instruments are executed in less active
10 markets with a lower availability of pricing
11 information. Illiquid transactions, complex
12 structure transactions, FTRs, and counterparty credit
13 risk may require nonmarket based inputs. Some of
14 these inputs may be internally developed or
15 extrapolated and utilized to estimate fair value.
16 When such inputs have a significant impact on the
17 measurement of fair value, the instrument is
18 categorized as Level 3." Did I read that correctly?

19 A. It appears that you did.

20 Q. And on to the rest of that paragraph, let
21 me know if I am reading this correctly, "The main
22 driver of our contracts being classified as Level 3
23 is the inability to substantiate our energy price
24 curves in the market," correct?

25 A. You have read that correctly.

1 Q. And the last sentence reads "A significant
2 portion of our Level 3 instruments have been
3 economically hedged which greatly limits potential
4 earnings volatilities -- earning volatility." Did I
5 read that correctly?

6 A. "Earnings volatility," yes.

7 Q. And there are inherent risks related to
8 the underlying assumptions in the models used to
9 determine fair value for these kind of futures
10 contracts, correct?

11 A. I don't know anything about this
12 accounting or calculating fair value. I have just
13 never done that before, so I can't really comment.

14 MR. PRITCHARD: I have nothing further for
15 this witness. Thank you, your Honors.

16 EXAMINER PRICE: Mr. Kurtz?

17 MR. KURTZ: Thank you, your Honor.

18 - - -

19 CROSS-EXAMINATION

20 By Mr. Kurtz:

21 Q. Mr. Bletzacker, did you file any rebuttal
22 testimony rebutting the testimony of the OEG
23 Witnesses Alan Taylor, Steve Baron, or Lane Kollen?

24 A. No, sir, I did not.

25 MR. KURTZ: No questions, your Honor.

1 EXAMINER PARROT: Ms. Mooney?

2 MS. MOONEY: Oh, no questions.

3 EXAMINER PARROT: Ms. Fleisher?

4 MS. FLEISHER: No questions.

5 EXAMINER PARROT: Mr. Settineri?

6 MR. SETTINERI: No questions, your Honor.

7 EXAMINER PARROT: Mr. Beeler?

8 MR. BEELEER: No questions. Thank you.

9 EXAMINER PARROT: Would you like a few
10 moments, Mr. Conway?

11 MR. CONWAY: Yes, your Honor.

12 EXAMINER PARROT: Let's take a few
13 minutes. Off the record.

14 (Discussion off the record.)

15 EXAMINER PARROT: Okay. Let's go back on
16 the record. Any redirect, Mr. Conway?

17 MR. CONWAY: Yes, just a few questions,
18 your Honor. Thank you.

19 - - -

20 REDIRECT EXAMINATION

21 By Mr. Conway:

22 Q. Mr. Bletzacker, do you recall a series of
23 questions from Mr. Olikier regarding Figure 2 in your
24 rebuttal testimony, which graphs the winter of
25 2014-'15 storage levels represented by a blue line,

1 and then comparatively also graphs the 2014-'15
2 winter gas storage inventory levels which is on --
3 which, again is a red line. Do you recall that line
4 of questions?

5 A. Yes, sir, I do.

6 Q. And focusing on the 2014-2015 gas storage
7 inventory levels represented by the red line, I
8 believe you indicated that -- or agreed they were
9 during the period December through mid -- mid to late
10 February, they departed from normal by what amount,
11 what range of amounts would you say?

12 A. Oh, by less than 10 percent.

13 Q. Okay. And the winter of 2013-'14 during
14 the -- during the January through mid February and
15 after -- even after mid February period, how low did
16 that -- how far from normal did the departure go for
17 that period?

18 A. The blue line indicates that it deviated
19 by 15 percent or more -- and more.

20 Q. And at what point percentage-wise, below
21 normal storage levels during this period, this
22 December through mid February period that you discuss
23 here in your testimony, regarding the information
24 that you have in Figure 2, at what point does the
25 price response that you discuss become significant as

1 prices go up more significantly?

2 A. 15 percent or greater.

3 Q. So until the storage level inventory
4 levels depart from normal down to the 15 percent
5 below level, the price response is not -- not
6 significant; is that what you are saying?

7 A. That's correct.

8 Q. Okay. Let me turn your attention to
9 another series of questions from -- series of
10 questions from Mr. Olikar. And do you recall his --
11 his line of questions regarding your understanding or
12 your -- your agreement with the point that analysts
13 have predicted that LNG export facilities being
14 considered or under development are adversely
15 affected by current oil prices? Do you recall that
16 line of questions?

17 A. Yes, I do.

18 Q. And what is your -- what is your regard
19 about an analyst that would predict that LNG export
20 facilities in the United States not currently under
21 construction won't be built largely due to the
22 current price of oil?

23 A. Well, a credible analyst will look at the
24 life of the expected physical asset facility.

25 Analysts that only look at the short-term oil prices

1 will miss that opportunity. So I would -- I would
2 dismiss a very short-sided analysis with regard to
3 oil price.

4 Q. Okay. And I believe also questions from
5 Mr. Olikier were posed regarding the level of
6 transaction activity on the ICE platform compared to
7 the CME platform during the proposed 2018 period. Do
8 you recollect that line of questions?

9 A. Yes, sir, I do.

10 Q. And I believe Mr. Olikier proposed a
11 question whether or not the level of transactions
12 during that period on the ICE platform might be
13 greater than what they are reported to be on the CME
14 Group's platform?

15 A. Yes, I recall that.

16 Q. Okay. What's your understanding on a more
17 kind of objective absolute level as to what level of
18 transactions are occurring on the ICE platform post
19 2018, and not simply a comparison of what's happened
20 on CME, but what that level of transaction activity
21 is on the ICE platform, and whether or not it
22 indicates anything about the liquidity of the ICE
23 platform?

24 A. Well, those -- that -- those levels --
25 that level of transaction as identified by open

1 interest is either zero or near zero. So there
2 aren't any transactions being made or next to no
3 transactions being made beyond that time frame.

4 Q. Okay. So even if -- if -- "next to no" is
5 more than no, correct?

6 A. That's correct.

7 Q. But it's still very close to no, and next
8 to no still indicates illiquidity to you; is that
9 correct?

10 A. Oh, absolutely.

11 MR. CONWAY: Okay. No further questions,
12 your Honor.

13 EXAMINER PARROT: Mr. Bzdok?

14 MR. BZDOK: No redirect.

15 EXAMINER PARROT: Mr. Olikier?

16 MR. OLIER: Sure. Thank you, your Honor.

17 - - -

18 RECROSS-EXAMINATION

19 By Mr. Olikier:

20 Q. Mr. Bletzacker, you review ICE summaries
21 from time to time, I understand, based upon your
22 exchange with Mr. Conway; is that correct?

23 A. That's correct.

24 Q. And you indicated that the open interest
25 after 2020 is close to zero -- or 2018 is close to

1 zero; is that correct?

2 A. I define it as de minimis.

3 MR. OLIKER: May I approach, please?

4 EXAMINER PARROT: You may.

5 MR. OLIKER: I would like to mark as IGS
6 Exhibit 13, a Futures Daily Market Report for Henry
7 Hub, October 21, 2015, from the Intercontinental
8 Exchange.

9 EXAMINER PARROT: So marked.

10 (EXHIBIT MARKED FOR IDENTIFICATION.)

11 Q. (By Mr. Oliker) Mr. Bletzacker, does the
12 document marked as IGS Exhibit 13 appear to come from
13 the Intercontinental Exchange?

14 A. Not that I can see.

15 Q. Would it be in this format?

16 A. I don't recognize this format. I'm
17 showing on here it says it's from ICE. I just can't
18 find it. Nope, it's not here.

19 Q. Okay. Do you believe that an open
20 interest of 23,564 is di minimis?

21 A. I don't know exactly what you are
22 referring to, but a calculation you could make would
23 be -- what does that represent, and those are 10,000
24 MMBtu contracts, presumably? What percentage of
25 total demand does that represent?

1 Q. Can you take a look at what's been marked
2 as IGS Exhibit 13, and are the numbers under open
3 interest that are recorded in this document post 2018
4 similar to your understanding of what open interest
5 would be on the ICE platform for that same time
6 frame?

7 A. I can't verify that.

8 MR. CONWAY: Your Honor, I'll object at
9 this point. The witness has indicated he is not
10 familiar with this document. He doesn't know what
11 its source is, and so I think it's inappropriate to
12 conduct a cross-examination based on this document
13 which is itself based upon some assumption that these
14 numbers represent what Mr. Olikier says that they do.

15 MR. OLIER: Your Honor, I am just trying
16 to get an understanding --

17 EXAMINER PARROT: He already answered the
18 question, so we are going to allow his answer to
19 stand, and if you have a follow-up, we will see where
20 it goes.

21 Q. (By Mr. Olikier) Mr. Bletzacker, when you
22 looked at ICE, what amount of open interest did you
23 see in 2022, for example?

24 A. Oh, I don't remember at that level of
25 specificity.

1 Q. How about in 2018?

2 A. I don't recall.

3 Q. How about 2019, do you know what level of
4 open interest you saw?

5 A. I don't recall, but I could look it up
6 very quickly.

7 Q. Okay. So before to Mr. Conway did you not
8 indicate that you thought it was zero or close to
9 zero?

10 A. Yes. Of course, we are talking about
11 natural gas and power. Which run are you referring
12 to?

13 Q. I am talking about natural gas. So you
14 agree it's not -- the open interest is not close to
15 zero for 2018.

16 A. I don't know that. I haven't looked. You
17 haven't provided me a document to show me that.

18 Q. Well, as you sit here today then, are you
19 changing your response that you provided in your
20 redirect to Mr. Conway?

21 A. No, not at all.

22 Q. But you have no basis for that response;
23 is that correct?

24 A. When I wrote my testimony, that was
25 correct.

1 Q. So in 2019, as you sit here today, you
2 can't tell me if the open interest was zero or
3 35,000?

4 A. I can tell you that at the time I wrote my
5 rebuttal testimony it was near at zero or near zero.

6 Q. And was that on CME Group or on ICE?

7 A. I don't recall.

8 Q. When was the last time you looked at ICE
9 regarding the Henry Hub?

10 A. Oh, probably during the preparation of
11 this testimony so a few weeks ago.

12 Q. So in the October 21 time frame?

13 A. I don't recall, somewhere around the time
14 of this rebuttal testimony.

15 Q. And you also can't recall what the open
16 interest was in 2023 on ICE for natural gas?

17 A. I don't commit those numbers to memory.
18 But the point still stands there is little or no
19 activity in futures markets during the period that I
20 offer a long-term fundamentals forecast.

21 Q. Looking at the numbers on IGS Exhibit
22 13 --

23 MR. CONWAY: Objection, your Honor.

24 MR. OLIKER: I haven't finished my
25 question.

1 MR. CONWAY: He has already indicated he
2 isn't familiar with the document and doesn't know
3 where it came from, and so I think it's inappropriate
4 to continue asking questions about it. No
5 foundation, there is no identification really, let
6 alone authentication.

7 MR. OLIKER: I am not trying to
8 authenticate the document, your Honor.

9 EXAMINER PARROT: Overruled. Go ahead,
10 Mr. Oliker.

11 Q. (By Mr. Oliker) Mr. Bletzacker, looking at
12 this document on IGS Exhibit 13, the open interest
13 under the column "OI" for January 8 of 2018 through
14 December of 2018, does the open interest in this
15 document correspond with the open interest that you
16 reviewed when you looked on ICE a few weeks ago?

17 MR. CONWAY: And, your Honor, I again
18 object for the same reason I provided before. He is
19 not familiar with this document. We haven't
20 identified it. And, secondly, we are now focusing on
21 2018, and my redirect question was directed towards
22 2019 to 2026, corresponded with Mr. Oliker's line of
23 questions on cross-examination. So this is outside
24 the bounds of my redirect also.

25 MR. OLIKER: Your Honor, he talked about

1 ICE in general. I am happy to talk about 2019, but
2 it's barely any different. We are talking about time
3 frame of the year. It's still beyond the very short
4 term he has been discussing. I'm exploring his
5 personal understanding.

6 MR. CONWAY: Your Honor, my question was
7 limited to the 2019 and beyond period.

8 MR. OLIKER: Let's look at 19 then, your
9 Honor.

10 MR. CONWAY: Your Honor, I also have the
11 objection to the use of this document which he is not
12 familiar with and doesn't --

13 MR. OLIKER: I am just using the numbers,
14 not the document.

15 MR. CONWAY: He is asking him to verify
16 numbers on this document.

17 EXAMINER PARROT: We will see where it
18 goes. Overruled, Mr. Conway.

19 Q. (By Mr. Oliker) So looking at IGS Exhibit
20 13, the January open interest of 25,000 and
21 fluctuating a few thousand each month through
22 December of 2019 where it's 18,220, are those numbers
23 in the ballpark of what you saw on ICE when you
24 looked at those same months?

25 A. I don't recall. I don't know how big your

1 ballpark is.

2 Q. So where were the numbers on ICE when you
3 looked at them on those months?

4 A. I don't recall.

5 MR. OLIKER: Okay. That's fine. I
6 believe those are all the questions I have. Thank
7 you, Mr. Bletzacker.

8 THE WITNESS: Thank you, Joe.

9 EXAMINER PARROT: Ms. Bojko?

10 MS. BOJKO: Yes. No questions. Thank
11 you.

12 EXAMINER PARROT: Ms. Bair?

13 MS. BAIR: No questions.

14 EXAMINER PARROT: Mr. Pritchard?

15 MR. PRITCHARD: No questions.

16 EXAMINER PARROT: Mr. Kurtz?

17 MR. KURTZ: No questions.

18 EXAMINER PARROT: Ms. Mooney?

19 MS. MOONEY: No questions.

20 EXAMINER PARROT: Ms. Fleisher?

21 MS. FLEISHER: No questions.

22 EXAMINER PARROT: Mr. Settineri?

23 MR. SETTINERI: No questions.

24 EXAMINER PARROT: Mr. Beeler?

25 MR. BEELER: No questions.

1 EXAMINER PARROT: Mr. Conway, I believe
2 you have already moved for the admission of AEP
3 Exhibit 50. Are there any objections to its
4 admission?

5 All right. Hearing none, AEP Ohio Exhibit
6 50 is admitted into the record.

7 (EXHIBIT ADMITTED INTO EVIDENCE.)

8 EXAMINER PARROT: Thank you,
9 Mr. Bletzacker.

10 Mr. Olikar, your exhibits?

11 MR. OLICKER: Let's see, I would move for
12 the admission of IGS Exhibits 9, 10, and 11, I
13 believe we could take administrative notice of, your
14 Honor. I wasn't going to move the admission of 12
15 and 13.

16 MR. CONWAY: Your Honor, I think you
17 already declined the administrative notice approach
18 to Exhibit No. 11, so we would object to that again,
19 and no objection to IGS Exhibit Nos. 9 or 10.

20 EXAMINER PARROT: With that, IGS Exhibits
21 9 and 10 are admitted.

22 (EXHIBITS ADMITTED INTO EVIDENCE.)

23 EXAMINER PARROT: I did decline, you are
24 correct, Mr. Conway, to take administrative notice of
25 the information presented in IGS Exhibit 11.

1 Ms. Bair.

2 MR. CONWAY: Your Honor, may I just make a
3 request of Mr. Olikar which is Exhibit 10 --

4 EXAMINER PARROT: I am going to get to
5 that. Thank you, Mr. Conway, for reminding me.
6 Let's go through the rest of them and we will do that
7 when we are finished.

8 MS. BAIR: Thank you, your Honor. I move
9 for the admission of OCC Exhibit 21.

10 EXAMINER PARROT: Any objection to the
11 admission of OCC Exhibit 21?

12 MR. CONWAY: No, your Honor.

13 EXAMINER PARROT: OCC Exhibit 21 is
14 admitted.

15 (EXHIBIT ADMITTED INTO EVIDENCE.)

16 EXAMINER PARROT: Mr. Pritchard.

17 MR. PRITCHARD: I would move for IEU-Ohio
18 Exhibit 18.

19 EXAMINER PARROT: Any objection to
20 IEU-Ohio Exhibit 18?

21 MR. CONWAY: No objection, your Honor.

22 EXAMINER PARROT: It is admitted into the
23 record.

24 (EXHIBIT ADMITTED INTO EVIDENCE.)

25 EXAMINER PARROT: Mr. Olikar, on Exhibit

1 No. 10, you are -- Mr. Olikar.

2 MR. OLICKER: Sorry, your Honor.

3 EXAMINER PARROT: Exhibit No. 10, you do
4 need to provide everyone, the Bench, the court
5 reporter a clean copy of the exhibit, and if you
6 could do that by the end of the day, that would be
7 appreciated.

8 MR. OLICKER: Would you like me to move the
9 ads as well?

10 EXAMINER PARROT: That doesn't concern me
11 but it's very clear there are portions of the bottom
12 of the first several pages anyway that are completely
13 cut off, also some printing issues, overlapping print
14 in places.

15 MR. OLICKER: I will do my best.

16 EXAMINER PARROT: I am not concerned with
17 what's there as long as what is there is legible.

18 Does that cover your concern, Mr. Conway?

19 MR. CONWAY: Substantially, yes, your
20 Honor. Thank you. I would just suggest that the ads
21 or whatever the extraneous material is at the -- you
22 even mentioned at the outset that you were using it,
23 that it was not necessary, that the exhibit also be
24 excluded.

25 MR. OLICKER: Yeah. I just attached them,

4185

1 so I didn't look like I only included a portion of
2 it.

3 MS. BOJKO: Are you going to do this
4 electronically?

5 MR. OLIKER: Yes. I'll send it around
6 electronically.

7 EXAMINER PARROT: Thank you, Mr. Oliker.
8 Appreciate that.

9 At this point we are going to break for
10 lunch. We will reconvene at 12:45.

11 (Thereupon, at 12:10 p.m., a lunch recess
12 was taken.)

13 - - -

14

15

16

17

18

19

20

21

22

23

24

25

1 Tuesday Afternoon Session,
2 November 3, 2015.

3 - - -

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

6 Mr. Satterwhite.

7 MR. SATTERWHITE: Thank you, your Honor.
8 The company would call William Allen to the stand.

9 EXAMINER SEE: Mr. Allen, you continue to
10 be under oath for purposes of this hearing.

11 THE WITNESS: Thank you.

12 MR. SATTERWHITE: Thank you, your Honor.

13 - - -

14 WILLIAM A. ALLEN

15 being previously duly sworn, as prescribed by law,
16 was examined and testified on rebuttal as follows:

17 DIRECT EXAMINATION

18 By Mr. Satterwhite:

19 Q. Mr. Allen, could you state your name and
20 business address for the record.

21 A. It's William A. Allen, and my business
22 address is One Riverside Plaza, Columbus, Ohio 43061.

23 Q. And did you have testimony filed in this
24 docket as rebuttal testimony on October 27, 2015?

25 A. Yes, I did.

1 MR. SATTERWHITE: Your Honor, at this time
2 we would like to mark that testimony as AEP Exhibit
3 51.

4 EXAMINER SEE: So marked.

5 (EXHIBIT MARKED FOR IDENTIFICATION.)

6 Q. Mr. Allen, do you have a copy of that
7 testimony in front of you?

8 A. I do.

9 Q. And was this prepared by you or under your
10 direction?

11 A. Yes, it was.

12 Q. Do you have any changes or corrections to
13 this testimony?

14 A. I do not.

15 Q. And when you filed this testimony, did you
16 answer these questions honestly and truthfully?

17 A. Yes, I did.

18 Q. Do you adopt this as your testimony for
19 the Commission and rebuttal in this case?

20 A. I do.

21 MR. SATTERWHITE: Your Honor, at this time
22 I would move for admission of AEP Exhibit 51 and
23 tender the witness for cross-examination.

24 MR. MICHAEL: Your Honor, before we start
25 the cross-examination, if the Bench would entertain

1 two motions to strike that OCC would like to make.

2 EXAMINER SEE: Okay.

3 MR. MICHAEL: First, your Honor, relates
4 to page 8, lines 9, beginning after the word "No,"
5 through line 10, to the end of the quotation. And
6 related to that, your Honor --

7 EXAMINER SEE: Is that including the
8 footnote?

9 MR. MICHAEL: Yes, your Honor, it is
10 including the footnote. And then related to that and
11 my first motion to strike is on page 9, line 2,
12 beginning with the word "Nevertheless" through line
13 4, ending with "still widely used."

14 Your Honor, that offered direct testimony
15 in Mr. Allen's prefiled rebuttal testimony is clearly
16 hearsay. It's being offered for the truth of the
17 matter asserted. It's clearly based on an
18 out-of-court statement. And because it's hearsay,
19 the Bench should strike that testimony from
20 Mr. Allen's prefiled rebuttal testimony.

21 MR. SETTINERI: Your Honors, I would have
22 something to add to that motion if you would like to
23 hear that now or wait, but my motion to strike would
24 be broader than what's being proposed.

25 EXAMINER SEE: Okay. Go ahead,

1 Mr. Settineri.

2 MR. SETTINERI: Thank you, your Honors.
3 We would move to strike the entirety of the answer.
4 The purpose of the answer is to opine on the model,
5 the base economic model. The previous -- during
6 Mr. Allen's direct and cross-examination previously,
7 it was established in the transcript Volume VII, page
8 1754, he is not an expert in the economic model, page
9 1936, he is not an economist. He is not qualified to
10 opine on this. So we would therefore move to strike
11 the entirety of the answer. In the alternative, we
12 would also join in Mr. Michael's motion, but, again,
13 we believe the entire answer should be stricken.

14 EXAMINER PARROT: Mr. Settineri, on whose
15 behalf are you making the motion when you say "we"?
16 Are your clients?

17 MR. SETTINERI: For the record, it would
18 be all of the clients that I represent, RESA, P3,
19 EPSA, Constellation, and Exelon.

20 EXAMINER PARROT: Thank you.

21 MS. BOJKO: Your Honor, it's related to
22 the same, obviously we would -- OMAEG would support
23 striking the entire answer, but a more narrow request
24 would be in addition to Mr. Michael, I would move to
25 strike the sentence on page 9, beginning with the

1 word "Agencies" and continuing to line 7 ending with
2 "few" including footnotes 11 and 12.

3 EXAMINER SEE: I am sorry. Start your
4 motion to strike again, Ms. Bojko.

5 MS. BOJKO: I'm sorry. You mean in
6 addition to Mr. Michael? I would support striking
7 the entire answer as Mr. Settineri just set forth,
8 but in lieu of striking the entire answer, in
9 addition to Mr. Michael's striking of the sentence on
10 page 8 and the sentence on page 9, I would add to
11 that, for the same reasons, the sentence that begins
12 on page 9, line 5, with the word "Agencies" that goes
13 all the way through to the end of that sentence that
14 ends with "few" and that would include footnotes 11
15 and 12 as those economic development models are
16 hearsay.

17 Mr. Allen has, to my knowledge, and I
18 think he would support this, I don't believe he has
19 drafted the studies he references. He is not an
20 author of those studies. He does not know what was
21 involved in the studies as he was not part of the
22 preparation of the studies given that they occurred
23 in 2009 and '10. And I would move to strike those as
24 hearsay in addition to all of the arguments that have
25 been made here today.

1 MR. MICHAEL: And, your Honor, what
2 Ms. Bojko just explained was going to be my second
3 motion in limine so I will join in what she just
4 said. She anticipated what my second motion was
5 going to be but I would extend the motion to strike,
6 if I might, your Honor, on that second set of
7 sentences all the way back to "In addition." So I
8 would move to strike "In addition" all the way down
9 to "name a few." It's clearly hearsay being -- it's
10 out-of-court statements being offered for the truth
11 of the matter asserted and it's not proper.

12 EXAMINER SEE: Anyone else? Any other
13 intervenor?

14 MS. BOJKO: Just on that topic, your
15 Honor?

16 EXAMINER SEE: Uh-huh.

17 MS. BOJKO: Okay.

18 EXAMINER SEE: Are there any other motions
19 to strike to Mr. Allen's testimony?

20 MS. BOJKO: Yes, your Honor.

21 EXAMINER SEE: Okay. Go ahead.

22 MS. BOJKO: I move to strike -- OMAEG
23 moves to strike attachments WAA -- WAA-R2 and these
24 attachments are purported Constellation -- or
25 different CRES provider contracts. These are also

1 hearsay. The contracts are not prior statements by a
2 witness offering it for the truth of the matter
3 asserted, but the company is trying to offer it for
4 the truth of the matter asserted. Mr. Allen cannot
5 attest to their accuracy. He has not authored the
6 documents. He has not been part of the review of the
7 documents. He is not qualified to be a custodian of
8 the record. He is also -- it is not a document for
9 the public agency. It's a form contract and he can't
10 verify that it's an actual contract that has been
11 entered into, thus, it is also speculative.

12 There's no information that this is an
13 executed contract; that it's a viable contract. We
14 have no proof that it has not been negotiated and
15 modified. He is also not an attorney so he can't
16 interpret contracts. So this does not fall under any
17 of the hearsay exceptions and it is pure hearsay and
18 the contract should be stricken.

19 EXAMINER SEE: Anyone else?

20 MR. SETTINERI: Yes, your Honor. On
21 behalf of RESA, P3, Constellation, and Exelon, we
22 would move to strike, on page 7, line 4, through line
23 8, stopping on line 8 after the word "providers."

24 MS. BOJKO: Can you say that again,
25 please?

1 MR. SETTINERI: Sure. Starting at page 7,
2 line 4, down to line 8 stopping after the word
3 "providers." We would also move to strike line 10
4 starting with the phrase "In contrast" through the
5 end of line 13. Although, in the alternative, as to
6 lines 10 through 13, we would be willing to accept
7 striking the phrase "In contrast," the phrase "this
8 same" in line 10, and in line 12 the phrase "having
9 the effect of" and all of line 13.

10 The reason we offer the alternative is
11 that sentence is linked to the prior paragraph. It's
12 easiest for the record to strike it, but if the Bench
13 grants the motion, there is an alternative term there
14 to try to save some of that language.

15 EXAMINER SEE: Let me make sure I have the
16 last portion correct. In the alternative, you would
17 only strike, from lines 11 through 13 on page 7, the
18 phrase "In contrast," "this same," and "having the
19 effect of"?

20 MR. SETTINERI: And then all of line 13
21 "offsetting a portion of the increase" to the end of
22 the sentence.

23 EXAMINER SEE: Okay.

24 MR. SETTINERI: The basis for this motion
25 is that paragraph's language is a legal conclusion.

1 In his testimony Mr. Allen has taken a contract
2 provision from another company. It's not an AEP
3 contract. And he is applying what I would loosely
4 call a "hypothetical," although there has been no
5 foundation laid for some of the factual allegations
6 in that sentence about passthrough of events, but he
7 is applying a hypothetical to contract language and
8 providing a legal interpretation and application of
9 that language to that hypothetical. Clearly, a legal
10 conclusion, and to that extent based on that, we
11 would move to strike the language that we have
12 indicated to the Bench.

13 MR. OLIKER: Your Honor, if I may as well?

14 EXAMINER SEE: Go ahead.

15 MR. OLIKER: Mr. Allen offers that
16 conclusion based upon contractual language that
17 doesn't have a date that may or may not have been
18 taken before the capacity performance product was
19 approved. So there has been no demonstration that
20 this contract may apply to the situation described in
21 his testimony in addition to the fact that he is not
22 an attorney to interpret the language in those
23 contracts.

24 MS. HENRY: Sierra Club would join in the
25 motion about the legal opinion.

1 EXAMINER SEE: So you're joining in
2 Mr. Olikier's motion?

3 MS. HENRY: I believe it was
4 Mr. Settineri's motion.

5 EXAMINER SEE: Settineri's.

6 MR. SATTERWHITE: The company is prepared
7 to respond whenever you like, your Honor.

8 EXAMINER SEE: Hold on just a second,
9 Mr. Satterwhite.

10 Go ahead with your response,
11 Mr. Satterwhite.

12 MR. SATTERWHITE: Thank you, your Honor.
13 I will try to start broad and narrow it down. I
14 think Mr. Settineri raised a broad objection to the
15 overall. I will start with the question and answer
16 on 8, the testimony that's involved there. I believe
17 one of the objections was to the expert status of
18 Mr. Allen and whether he could provide testimony on
19 this.

20 I think, as your Honor will read the
21 question and answer, it's a very narrow question and
22 answer. It's solely a response to the question from
23 Mr. Dormady, OCC's witness, about whether this model
24 was used or not. It doesn't get into applying the
25 model. It's just the presence of the model. He made

1 a sweeping statement in his testimony. And this
2 witness has found multiple examples of why that
3 sweeping statement was incorrect. That's really the
4 focus of this. So it doesn't get into the model.

5 Hopefully, it avoids the five hours of
6 cross-examination we will have as well, because we
7 don't need to get into the model because that's not
8 the point of his question.

9 Also, as far as the footnotes and
10 different documents he cites here, I point out on
11 page 2319 to 2320 of the transcript, OCC Witness
12 Dormady says that the World Bank is a reliable
13 financial institution to rely upon. The first
14 footnote, footnote 10, is something from the World
15 Bank. I think the World Bank documents can be
16 considered a public document as they fund many
17 countries around the world. And Mr. Dormady, another
18 expert in this case, opposed to the company, has
19 already validated that we can rely upon the World
20 Bank.

21 If you look at the other footnotes that
22 are mentioned, I believe there was opposition to
23 footnote 11. This is a document from Texas A&M.
24 It's an educational website. All of the documents in
25 these footnotes as well, your Honor, were provided to

1 all of the parties as workpapers so they had them in
2 advance and are easily locatable on the internet to
3 find.

4 Mrs. -- or Ms. Bojko earlier mentioned a
5 public record in response to her other opposition.
6 These are public records that are available for the
7 public to rely upon. And there is footnote 12, this
8 is from the jobs.utah.gov site, also a public
9 document that the state of Utah relies upon.

10 Mr. Allen, again, provided these examples
11 in direct conflict with what Mr. Dormady provided
12 just to show the Commission that this stuff does
13 exist, that this model is used out there in the
14 regular domain within the public. He provided access
15 to all of those and provides those documents to all
16 of the parties.

17 The Commission also recognized and even
18 this Bench has recognized how hearsay is applied to
19 the Commission cases. The Commission in the merger
20 case in 2011 put it out that if there are any
21 concerns with hearsay, it's to the extent it
22 prejudices a jury that it can't rely upon something.
23 We don't have that problem here. This is a direct
24 conflict of experts how this model is used and this
25 witness provided information and can be asked about

1 each of those things and all the parties have them if
2 need be.

3 As far as attachments WAA-R2, all the
4 different contracts, I will point out that the first
5 contract included in there is already AEP Exhibit 41.
6 It's already in the record. The other contracts are
7 direct links from the Commission website in the
8 Apples to Apples tool.

9 I find it ironic, I don't think any CRES
10 provider would like to put the caveats, what they
11 attacked the testimony in this case with, on the
12 Apples to Apples website, to say that they are not
13 reliable and you can't count on those contracts.
14 Those are offers and this witness has put in his
15 testimony a description of where he found them, the
16 website -- the web address of how you can find them
17 and the path that he took to get them by going to the
18 Commission's website.

19 So those are easily verifiable and
20 pertinent to this proceeding as we have seen in
21 testimony in direct response to show the full
22 context -- context of what prior witnesses have
23 testified to.

24 Mr. Olikier's point of no date on the
25 contract. Surely, he can ask Mr. Allen anything he

1 wants about these contracts. Mr. Allen can say when
2 he gathered them. Really, these are the public
3 documents that the CRES providers provide through a
4 link on the Commission's website. To not allow
5 these, all these parties are really indicting the
6 Commission process of having an Apples to Apples
7 website and walking away from all of those offers.

8 Let me make sure I have addressed
9 everything real quick.

10 Oh, in response to RESA and P3's argument,
11 also back on page 7 about this being a legal
12 conclusion, Mr. Allen clearly says on line 7 that
13 customers could see increases. He's already
14 established as a regulatory expert in these cases --
15 in this case in particular, and he is providing,
16 based on the language he reads, what could happen.
17 It is not a legal conclusion. It is plain language
18 of what those contracts say, including a contract
19 that's already in the record, and the possibility of
20 what could happen. And then he is also providing the
21 flip side of how the company would apply that to its
22 own proposal in this case in a regulatory matter.

23 I believe that's everything. If I missed
24 something your Honor would like to hear about, please
25 let me know.

1 EXAMINER SEE: And that's your entire
2 response to the motions to strike page 7, line 4
3 through 8, as well as lines 10 through 13, and then
4 the alternative proposal by Mr. Settineri?

5 MR. SATTERWHITE: Yeah. The alternative
6 proposal, I believe, was based on striking the prior
7 answer which I don't think is appropriate because
8 clearly this witness is here to provide his opinion,
9 his expert opinions on these regulatory matters. And
10 so he is able to -- they have asked him lots of
11 questions in the original case about what he
12 understood and what he knows about different CRES
13 providers in the market and that's the same thing he
14 is doing here is providing his opinion based on the
15 offers that are out there and provided and how that
16 impacts the issues that we have here.

17 And as far as the other response, on page
18 8 to 9, to the extent I didn't say it, I'll just
19 reiterate it, it was a very narrow response based on
20 an OCC witness making a declarative statement that
21 the -- that the model is not used anymore, and this
22 witness is correctly refuting that for the benefit,
23 of the Commission, for a model the Commission has
24 relied upon before on past cases, to show that is
25 actually in existence and it is used in a number of

1 different areas.

2 And to the extent it even is hearsay,
3 which it is a public document, so I don't believe it
4 is, it would be acceptable hearsay under the
5 standards that the Commission has allowed to provide
6 the record with context.

7 MR. MICHAEL: Your Honor, if I might?

8 EXAMINER SEE: Go ahead, Mr. Michael.

9 MR. MICHAEL: Well, first off, I would
10 like to point out Mr. Satterwhite has not apparently
11 read what Mr. Allen is testifying to relating to
12 Dr. Dormady's testimony because what Mr. Allen
13 clearly states in his question relates to
14 Dr. Dormady's statement that since the 1970s it has
15 gone largely forgotten. He is not citing any
16 testimony from Dr. Dormady nor is he responding to
17 any testimony from Dr. Dormady that it's never used;
18 point No. 1.

19 Point No. 2 is Mr. Satterwhite's assertion
20 that your Honor should not apply the hearsay rules
21 because the documents have been provided to the
22 parties, misses the point. There is no exception to
23 the hearsay rule if you provide hearsay to the other
24 parties.

25 Second point, your Honor, the public

1 documents exception does not apply under Rule 803(8),
2 Public Records and Reports. The public records
3 referenced are only those that set forth the
4 activities of the office or agency or matters
5 observed pursuant to duty imposed by law. There is
6 no indication that this document authored by someone
7 by the name of Mustafa Dinc meets either one of those
8 criteria. So the public records exception does not
9 apply.

10 And although Dr. Dormady may have opined
11 during his testimony that the World Bank, as an
12 entity, is reliable, this particular document is not
13 a World Bank document. It was provided by an
14 individual about whom we know nothing about for what
15 appears to be a program and it is not a World Bank
16 document, and, therefore, whether or not Dr. Dormady
17 opined that the World Bank is a reputable institution
18 is beside the point.

19 And, your Honor, each one of those points
20 to Mr. Satterwhite's argument are equally applicable
21 to page 9, lines 2 through 7, including footnotes 11
22 and 12.

23 MR. SATTERWHITE: Your Honor, I would just
24 like to point out the language we are discussing
25 right now, Mr. Michael just brought up, this is

1 already in the record from the cross of Mr. Dormady
2 where it was presented exactly to him and it was
3 really a set-up for the rest of the answer. It's
4 just another reason not to strike this. This is
5 already in the record and discussed with an OCC
6 witness.

7 This witness, just with a good rebuttal
8 for the Commission, is taking that issue that was in
9 conflict earlier in the case and clearing it up to
10 show whether it's never been used, which was the
11 original testimony, versus when he saw this World
12 Bank report and decided, okay, now it just hasn't
13 been used since the '70s, it's a progression to show
14 the reality of all these documents that show it's
15 used regularly.

16 MR. MICHAEL: And I am not and did not
17 object to the cross-examination of Dr. Dormady. Now
18 they are trying to do something fundamentally
19 different which is get hearsay into the record, and
20 letting it in wouldn't be consistent with the Rules
21 of Evidence.

22 MR. SETTINERI: Your Honors, if I may
23 briefly?

24 EXAMINER SEE: Go ahead.

25 MR. SETTINERI: Thank you. I would stick

1 to my guns on striking the entire answer on page 8
2 and 9. An economist would be the proper witness to
3 testify as to whether that economic model is still in
4 use. Again, Ohio Power made a decision not to bring
5 Dr. Holliday in, and they shouldn't be rewarded for
6 doing that and continue to use a witness who is not
7 an economist to provide an opinion in that sense.

8 As to the legal conclusion argument, they
9 are doing much more than presenting him as a
10 regulatory expert. He is not opining on any Ohio
11 Power contract or AEP contract. He is opining on a
12 third-party contract, applying facts to it, and he
13 includes in his testimony an event that would appear
14 to allow it. And later on he says in regards to the
15 company, "In contrast...would result." So he is
16 making conclusive decisions. So we would request
17 that language be stricken. Thank you, your Honors.

18 MR. SATTERWHITE: Your Honor, I don't know
19 what a regulatory expert is allowed to use and not
20 allowed to use. I am kind of confused. I guess they
21 have to get up here and say -- I am really not sure.
22 That just flabbergasted me.

23 MR. SETTINERI: The same used against
24 Mr. Campbell.

25 MR. SATTERWHITE: This witness is

1 providing exactly, based on the plain language and
2 the things, the data they've been presented, the
3 result of how they would apply that in a regulatory
4 world.

5 MR. SETTINERI: Your Honor --

6 MR. SATTERWHITE: As far as the fact -- I
7 am not done. As far as the fact of characterizing
8 this witness's testimony in the prior part of this
9 proceeding, this witness did oversee the application
10 and this report and the report was entered into the
11 record, but the question really relating to this
12 specific answer is not an analysis of that. It's a
13 very simple, fine point. Has this been used and does
14 it continue to be used.

15 This witness provided examples, which is a
16 direct clash to what the OCC witnesses said, that it
17 is simply not used anymore or since the '70s. And
18 the documentation they provided, I am not admitting
19 that it's hearsay, I am not agreeing that it is
20 hearsay, but to the extent it even is, it is
21 probative to the Commission to rely upon because
22 there is -- we don't have to worry about a jury being
23 prejudiced with this, but it does show that the OCC
24 statement, the witness's statement is factually
25 wrong. And a lot of public agencies do rely on this

1 exact model.

2 MR. MICHAEL: And I would just very
3 quickly, your Honor, obviously OCC disagrees that
4 these documents factually contradict what it is
5 Dr. Dormady said. I just wanted to state that for
6 the record. We will argue that on cross if it comes
7 in.

8 MR. SATTERWHITE: Finally, your Honor,
9 this is this witness's research to go out and rely
10 upon to provide this testimony. This is what he has
11 found and he is here to answer any questions based on
12 that.

13 MS. BOJKO: Your Honor, may I respond?

14 EXAMINER SEE: Go ahead.

15 MS. BOJKO: Actually, this witness can't.
16 The whole problem with hearsay, the witness cannot
17 attest to the studies that he attached to his
18 testimony. He cannot -- he did not draft it. He did
19 not run the models. He was not part of the Texas
20 study. He was not part of the World Bank study.
21 These are not -- and he wasn't part of the Utah
22 study.

23 These studies are done by economic -- or
24 they are economic development analyses that are done
25 by economists. And he can't attest to what inputs or

1 export -- inputs or outputs were used in these
2 studies. He also can't tell us what the person, the
3 author, was thinking when they did consider an item
4 or didn't consider an item. The authors are not
5 here. We have no way to test their knowledge and
6 their accuracy of these studies that were conducted.

7 Also these are not learned treatises. I
8 mean, this is a one-page, two-page document and just
9 because it's available on the worldwide web does not
10 make it fall under the public agency exception. It
11 has to be a public office and it has to be a duty
12 that is performed by the public office by either law
13 or some other regulatory body and ruling.

14 So just because it's on the web does not
15 make it appropriate, it is hearsay, and we have no
16 ability, particularly this late stage of the
17 proceeding, to bring in Mr. Dinc, to bring in
18 Mr. Krantz, or to bring in Mr. Davis or Mr. Park, to
19 ask them what they did or did not include. It's one
20 thing to allow AEP's study to be in. It's another
21 thing entirely to allow somebody else's studies that
22 we cannot even challenge.

23 MR. SATTERWHITE: Your Honor, every point
24 she made is completely irrelevant because the only
25 point of these studies is that they were used. She

1 wants to get into what they relied upon, what went
2 into these studies. The only point that it is
3 offered for is to show that the economic base theory
4 is still used. That's it. It doesn't go any further
5 than that. A first grader could come and read these
6 and see that's the point.

7 And her own witness, Dr. Hill, he had
8 numerous documents, he relied on a number of
9 different studies across his testimony and actually
10 relied on facts within that. All this really deals
11 with is the existence of the use of the model and
12 nothing more.

13 MR. SETTINERI: Your Honor, if I may, just
14 for the record, to clarify. I know they reference
15 "studies," but for the Bench's clarification, these
16 are not studies. One is -- I have two articles here.
17 I would be glad to provide copies to the Bench, and
18 the third is a more detailed article. I just want to
19 be clear for the Bench these are not economic impact
20 studies that he is referring to; they are articles.

21 MR. SATTERWHITE: If I used that, I
22 apologize. The point --

23 MR. SETTINERI: You didn't --

24 MR. SATTERWHITE: -- I think others used
25 that and I was responding and that really backs up

1 the point these documents show the economic base
2 theory is still being used and those were articles
3 from the government of Utah, Texas A&M, and the World
4 Bank to talk about the prevalence of that still being
5 used, that very simple point. I think we are trying
6 to blow this up into a larger point. It's not that
7 large.

8 EXAMINER SEE: The Bench is going to take
9 a recess. Stay here. Don't move. We will be right
10 back.

11 (Discussion off the record.)

12 EXAMINER SEE: Let's go back on the
13 record. In regards to the numerous motions to strike
14 portions of Mr. Allen's testimony, the motion to
15 strike page 7, lines 4 through 8 is denied. The
16 motion to strike lines 10 through 13 on page 7 is
17 also denied. As is the alternative motion to strike
18 portions of the sentence on page -- I'm sorry, on
19 lines 10 through 13.

20 The motion to strike Mr. Allen's testimony
21 on page 8, starting on lines 9 and carrying over
22 through page 9, line 10, is also denied in its
23 entirety, as well as the request to strike lines 4
24 through 7 on page 9.

25 Sierra Club, any cross-examination for

1 this witness?

2 MS. HENRY: Yes, your Honor.

3 MR. SATTERWHITE: Clarification, your
4 Honor, that concludes the exhibit. I believe there
5 was a motion to strike the exhibit associated.

6 EXAMINER SEE: I'm sorry. I didn't
7 address the exhibit, but the motion to strike WAA-R2
8 is also denied.

9 MR. SATTERWHITE: Thank you.

10 EXAMINER SEE: Ms. Henry.

11 - - -

12 CROSS-EXAMINATION

13 By Ms. Henry:

14 Q. Good afternoon, Mr. Allen.

15 A. Good afternoon.

16 Q. I am going to ask you some questions about
17 your rebuttal testimony that you filed in this
18 proceeding. I would like to start by marking an
19 exhibit. I believe it's going to be, are we up to
20 37, I believe?

21 MR. SATTERWHITE: 41, I believe. Our last
22 one was Chernick Supplemental Testimony, so you are
23 on 41 now, I believe.

24 EXAMINER SEE: Okay. 41.

25 MS. HENRY: Okay. I would like to mark as

1 Sierra Club Exhibit 41, a copy of the Ohio Utility
2 Rate Survey from February, 2013, February 2014, and
3 February, 2015.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 EXAMINER SEE: So, Ms. Henry, just so that
6 I am clear, Sierra Club 41 is the survey for all
7 three years?

8 MS. HENRY: Yes.

9 Q. (By Ms. Henry) So, Mr. Allen, you look at
10 the Public Utilities Commission website on occasion?

11 A. I do.

12 Q. Okay. And are you aware that the
13 Commission publishes the -- a utility rate survey
14 every single month?

15 A. Yes.

16 Q. And you are aware that you can go there
17 and they have, for every year, for the years and the
18 months you can pull the utility rate survey. Have
19 you ever pulled those before, sir?

20 A. I have pulled the reports. I don't know
21 how far back you can go, but I know that they are
22 available.

23 Q. Okay. So you have gone to the website and
24 pulled these before and you've seen them so does this
25 look like a utility rate survey you've reviewed

1 before?

2 A. It does.

3 Q. Okay. Okay. You see at the bottom of the
4 page it has the PUCO.Ohio gov website on the front
5 page?

6 A. Yeah. It has the seal of the PUCO at the
7 top. Yes.

8 Q. Okay. So let's -- now this provides --
9 let's turn to page No. 2. And I put three different
10 surveys together so I put numeric numbering at the
11 bottom for the exhibit, so I am saying page 2 of the
12 exhibit just for ease. So you'll see there that
13 there's a column that says Electric Standard Service
14 Offer, sir, do you see that? It's the --

15 A. I see that.

16 Q. Okay. And that is -- that electric
17 standard service offer, that includes electric
18 service charges along with transmission and
19 distribution, correct?

20 A. It includes all elements of a bill for
21 standard service offer customer including generation
22 transmission and distribution. It does not look
23 solely at the cost of what we refer to typically as
24 SSO price which would be the price of maybe the
25 auction providing generation service. It's an

1 all-inclusive value.

2 Q. All-inclusive, great.

3 Now, let's look at page No. 2 and this is
4 the -- this is the survey for February of 2013. And
5 so the average monthly bill for Columbus residential
6 customers and that's using a 750 kilowatt-hours, you
7 see that notation in the footnote, that was \$110.33
8 cents, correct?

9 A. You said Canton?

10 Q. I said Columbus, sir.

11 A. Columbus. \$110.33 cents?

12 Q. Yes.

13 A. That's for 750 kilowatt-hours. It is not
14 an average customer. The average would be a thousand
15 for our service territory, but the PUCO uses 750 for
16 this report.

17 Q. So for the -- so based on the 750 kilowatt
18 use, \$110.33 was the average bill, correct?

19 A. It would be -- it's not the average bill.
20 It's actual bill for an SSO customer using
21 750-kilowatt.

22 Q. Okay. Great. Thank you, sir.

23 Now, let's -- let's turn to page No. 8 --
24 well, if you look at page No. 7 for a second.

25 A. I see that's the February 14 utility

1 survey.

2 Q. So this is the February 14, 2014, survey.

3 Do you see that, sir?

4 A. I do.

5 Q. Okay. So let's turn to the first page of
6 that survey which is page 8 of the exhibit.

7 A. Yes. And the value for Columbus is
8 114.98.

9 Q. Okay. Great. So the difference between
10 February, 2013, and February, 2014, for Columbus
11 residential customer using 750 kilowatt-hours
12 increased by \$4.65; is that correct?

13 A. Yes. As a portion of the companies'
14 transition from a fully-regulated SSO to a
15 market-based SSO, that was a portion of the increase
16 as well as changes in the DIR and things of that
17 nature.

18 Q. Now, let's -- so the difference between
19 February, 2014, and February, 20 -- I'm sorry, the
20 difference between February, 2013, and February,
21 2014, for the monthly bill for a Columbus residential
22 customer using 750 kilowatt-hours changed by, is that
23 about 4 percent, correct?

24 A. Perhaps 4.2 percent as part of that
25 transition, yes.

1 Q. Now, let's turn to page 13 of the same
2 exhibit, sir, which is Exhibit 41 for the record.

3 A. Which is the February, 2015, Ohio Utility
4 Rate Survey.

5 Q. Correct.

6 A. I see that.

7 Q. So this is the rate survey from February,
8 2015, and then let's turn to the first page of that
9 survey which is on page 14 of the exhibit, sir. Do
10 you see that?

11 A. I do. The value for Columbus is \$116.63.

12 Q. Great, sir. So the difference between
13 February, 2014, and February, 2015, the bill for a
14 Columbus residential customer using 750
15 kilowatt-hours, it increased by \$1.65; is that
16 correct?

17 A. As part of the transition to a fully
18 competitive SSO and the DIR and the RSR and all the
19 other elements, that went along with that the
20 increase was a \$1.65.

21 Q. Okay. And so the difference between
22 February, 2013, and February, 2014, the average
23 monthly bill -- the monthly bill for a Columbus
24 residential customer using 750 kilowatt-hours
25 increased by, is that 1.4 percent; is that correct?

1 A. It's 1.4 --

2 MR. DARR: Can I have that question back?

3 I think there's --

4 MS. HENRY: Maybe I will have her reread
5 it because I may have said a wrong date. If it's
6 okay, I will just rephrase.

7 EXAMINER SEE: Go ahead.

8 Q. So the difference between February, 2014,
9 and February, 2015, the average monthly bill for --
10 or the monthly bill for a Columbus residential
11 customer using 750 kilowatt-hours increased by 1.4
12 percent; is that correct?

13 A. Yes, that's correct.

14 MS. HENRY: Okay. I would like to mark as
15 Sierra Club Exhibit 42 a copy of Ohio Utility Rate
16 Survey from August of 2013, 2014, and 2015.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 Q. So, Mr. Allen, you have just been handed
19 Sierra Club Exhibit 42. And, again, this is a report
20 of the Ohio Utility Rate Survey. Do you see that,
21 sir?

22 A. Yes, I do.

23 Q. And does this look similar to the reports
24 we were just reviewing for February -- the February
25 data?

1 A. It does.

2 Q. Okay. And then it has the Ohio Public
3 Utilities Commission at the bottom of each cover
4 page; is that correct, sir?

5 A. It does.

6 Q. Now, let's look at the first page. This
7 says that so this is for August 15, 2013; is that
8 correct? That's the date for that first survey?

9 A. August 15, 2013.

10 Q. Okay. Great. And let's turn to page 2
11 which is the first page of that August survey.

12 A. Yes.

13 Q. Okay. So if we look to Columbus again, so
14 in August of 2013, the monthly bill for a Columbus
15 residential customer using 750 kilowatt-hours was
16 \$111.11; is that correct?

17 A. It is. And we can probably speed it
18 along. February, 2014 is 121.83; February of '15 is
19 104.65.

20 Q. Great. And I'll just, for the record, do
21 you mind if I just clarify with individual questions?

22 A. Sure.

23 Q. Great.

24 MR. SATTERWHITE: If it helps, we won't
25 oppose admission of this.

1 MS. HENRY: It's just going to take me a
2 few minutes.

3 MR. SATTERWHITE: Just trying to be
4 respectful of everyone's time be efficient.

5 Q. I believe you said February, so I was just
6 going to go through and clarify for the record.

7 A. Each of those three would be for August
8 of. So August of 2013 was \$111.11; August of 2014,
9 was \$121.83; and August of '15 was \$104.65 for 750
10 kilowatt-hours.

11 Q. Okay. So the difference between August of
12 2013 and August of 2014, the monthly bill for a
13 Columbus residential customer using 750
14 kilowatt-hours increased by \$10.72; is that correct?

15 A. It did.

16 Q. Okay. And so the difference between
17 August, 2013, and August, 2014, the monthly bill for
18 a Columbus residential customer using 750
19 kilowatt-hours increased by about 9.6 percent; is
20 that correct?

21 A. It did as part of that same transition to
22 market-based rates that we discussed previously.

23 Q. Okay. And you said that in August of
24 2015, the monthly bill for a Columbus residential
25 customer using 750 kilowatt-hours was 104.65,

1 correct?

2 A. Yes.

3 Q. Okay.

4 A. A \$17.18 change.

5 Q. So -- I'm sorry. Say that one more time.

6 A. It's a \$17.18 change --

7 Q. Okay.

8 A. -- decrease.

9 Q. So the difference between August of 2014
10 and August of 2015, the monthly bill for a Columbus
11 residential customer using 750 kilowatt-hours
12 decreased by \$17.18 cents, correct?

13 A. That's correct.

14 Q. Okay. So the difference between August,
15 2014, and August, 2015, the monthly bill for a
16 Columbus residential customer using 750
17 kilowatt-hours decreased by about 14 percent; is that
18 correct?

19 A. 14.1 percent, that's correct.

20 Q. Great. So the August of 2015 monthly bill
21 for a Columbus residential customer using 750
22 kilowatt-hours is lower than the August, 2013,
23 month -- monthly bill for a Columbus residential
24 customer using 750 kilowatt-hours, correct?

25 A. Yes.

4220

1 MS. HENRY: Okay. I would like to mark as
2 Sierra Club Exhibit 43 a copy -- actually, I am going
3 to -- yeah, we are going to do three. I am going to
4 mark as Sierra Club Exhibit 43 a copy of the Public
5 Utilities Commission of Ohio Apples to Apples CRES
6 offers for every week in October of 2013.

7 I would like to mark as Sierra Club
8 Exhibit 44 a copy of the PUCO Apples to Apples CRES
9 offers for every week of October of 2014.

10 And then I would like to mark as Sierra
11 Club Exhibit 45 a copy of the PUCO Apples to Apples
12 CRES offers for every week in October of 2015. I can
13 help you carry those.

14 (EXHIBITS MARKED FOR IDENTIFICATION.)

15 EXAMINER SEE: Go ahead. Let's make sure
16 everybody has the exhibits marked correctly.

17 MS. HENRY: Now that everybody has a copy,
18 maybe I'll clarify. So Sierra Club marked as Sierra
19 Club 39 a document which is all --

20 EXAMINER SEE: 39?

21 MS. HENRY: Sorry? Actually, that's
22 because I was wrong in my beginning. Sorry.

23 EXAMINER SEE: Hold on a second.

24 MS. HENRY: Sorry. Sierra Club Exhibit 43
25 is AEP -- is the PUCO Apples to Apples CRES offers

1 for the week of October, 2013, and you can tell that
2 it's 2013 because in the footer it says 10-7-2013 is
3 the first -- the first week offering in October of
4 2013.

5 And then Sierra Club marked as Exhibit 44
6 the residential CRES offers for October of 2014.

7 And then we marked as Sierra Club Exhibit
8 45 the residential CRES offers for October of 2015.

9 Q. (By Ms. Henry) Now, Mr. Allen, I am going
10 to ask you a series of questions about these
11 documents, and I know that they are large and
12 voluminous, so for your ease I can't guarantee the
13 accuracy, but I tried to highlight all 12-month
14 offers with the yellow highlighter, all 24-month
15 offers with the green highlighter, and all 36-month
16 offers with a pink highlighter. That highlighting we
17 only did on your copy, a copy that was distributed to
18 your attorney, the one for the court reporter, and
19 the one for the Bench. Just so you -- I thought it
20 would facilitate questions.

21 MR. SATTERWHITE: Your Honor, in the
22 interest of efficiency, we're happy -- we took
23 administrative notice of others' Apples to Apples
24 charts earlier. We are happy to stipulate to that
25 here and they can use the information however they

1 want on brief if that helps speed things along as
2 well.

3 MS. HENRY: You know, if it's okay, I am
4 just going to walk through.

5 MR. SATTERWHITE: Okay. I just didn't
6 want to spend the whole afternoon reading them.

7 MS. HENRY: If you want, I can save the
8 foundational questions since they've agreed that
9 it's --

10 MR. SATTERWHITE: Okay.

11 MS. HENRY: -- if that's okay, or if you
12 would like me to ask the foundational questions.

13 EXAMINER SEE: No. The parties are
14 willing to accept that, you can move straight into
15 your questions.

16 Is that what I understood you to say,
17 Mr. Satterwhite?

18 MR. SATTERWHITE: What was that last part?
19 I'm sorry. I will stipulate that these are -- we are
20 not going to challenge the Apples to Apples on the
21 Commission's website. We are willing to do
22 administrative notice. Yes, you actually don't need
23 foundation.

24 MS. HENRY: Great. Thank you.

25 Q. (By Ms. Henry) Mr. Allen, let's start with

1 Exhibit 43 which is the 2013 Apples to Apples CRES
2 offers for residential customers in October of 2013.

3 A. Okay.

4 Q. So -- and I am going to ask you a series
5 of questions that are going to ask for the lowest
6 offer for 12-month, 24-month and 36-month offers,
7 just so you understand. And I want you to take as
8 much time as you need to kind of review them.
9 Obviously, it's every week in October, but -- and I
10 can direct you to a page if it would be more helpful
11 to you for any question that I ask, okay? Is that
12 okay, sir?

13 MR. SATTERWHITE: Just for clarification
14 so I know whether to object or not, are you trying to
15 use the same criteria that he used in his testimony?

16 MS. HENRY: No. Because in his
17 testimony -- no. I am just -- I am just -- these are
18 the offers. He didn't look at these months. He did
19 not talk about October. I think -- in his he
20 excluded anything that had a renewable component, but
21 I am only looking at fixed offers. I am not looking
22 at variable offers.

23 MR. SATTERWHITE: There might be
24 renewable. It's different than what he -- there
25 might be renewables in the offers you are asking

1 about.

2 MS. HENRY: Yep.

3 Q. (By Ms. Henry) Okay. So, Mr. Allen, for
4 October of 2013, the lowest offer for a 12-month
5 fixed contract is .0649 cents per kilowatt-hour; is
6 that correct?

7 A. For the entire month of October?

8 Q. Yes, sir. And I can tell you -- I can
9 give you a citation. You can look up to October 7,
10 the week of October 7, 2013, to AP Gas & Electric, to
11 their offer. And you can --

12 A. Who did you refer that to?

13 Q. October 7 of 2013, which would be -- that
14 would be page 2 of the actual document. Do you see
15 that? And do you see the offer for AP Gas &
16 electric?

17 A. Just to be clear, because I think the
18 transcripts have had these wrong, it's AP Gas &
19 Electric. There is no "E." It's not affiliated with
20 AEP.

21 Q. Yeah, I wasn't saying that it was, sir.

22 A. I just want to correct it for the
23 transcription.

24 Q. Okay. And that offer --

25 A. No, I would not agree with that.

1 Q. Okay.

2 A. These are the 12-month offers?

3 Q. I said yes, for 12-month offers.

4 A. 649 is not the lowest offer in October.

5 Q. Okay. Which one do you think is?

6 A. I would say there is one that's lower on
7 the next page, that 629, for ENCOA.

8 Q. Oh, yeah. Actually, you're right. Okay.

9 A. So I'm a little uncomfortable at this
10 point.

11 MR. SATTERWHITE: And just for
12 clarification, when you said month of October, I
13 think we established there is multiple reports for
14 each month?

15 MS. HENRY: And as I said, feel free.

16 MR. SATTERWHITE: I just want to make sure
17 that is your understanding as well.

18 Q. If it makes you feel more comfortable,
19 Mr. Allen, my original one said 0629, and then when I
20 was at lunch I kind of thought, oh, no, I couldn't
21 find that one, so then I changed it, so don't feel
22 too worried.

23 A. I am still going to review them at this
24 point.

25 Q. Yeah. Sounds great to me.

1 MR. SATTERWHITE: And I guess since I got
2 ignored, I'll object and point out that she's asking
3 about the month of October and this is just a week in
4 October. Not ignored by the Bench, ignored by -- I
5 apologize for addressing her as opposed to addressing
6 her.

7 EXAMINER SEE: Okay.

8 MS. HENRY: Your Honor.

9 EXAMINER SEE: Go ahead.

10 MS. HENRY: I didn't want to make it seem
11 as if I was cherrypicking a week in October by only
12 providing here is the offers in one week. So I just
13 chose the last month for which there was data, pulled
14 all of the offers for that month just so we could see
15 what's the lowest offers in 13, '14, and '15, the
16 entire month. I didn't want to be accused of
17 cherrypicking, so that's why I --

18 MR. SATTERWHITE: I apologize, I thought
19 this was one report, not multiple. I didn't know
20 this was all of the October reports. My apologies.

21 MS. HENRY: Yes, sorry.

22 A. It appears that for the month of October,
23 that the lowest CRES offering on the Apples to Apples
24 website for these, I think you had four weeks here
25 was 629. \$6 -- sorry. \$6.29 per kilowatt-hour.

1 Q. Okay. Great. Thank you, sir.

2 So, again, refer to Exhibit 43, which is a
3 copy of the PUCO Apples to Apples CRES offers for
4 every week in October of 2013. And what's the
5 lowest -- the lowest offer for a 24-month fixed
6 contract is --

7 A. You mean 24 months?

8 Q. Yeah. Yes, sir.

9 A. It appears to be \$6.79 per kilowatt-hour.

10 Q. Thank you, sir.

11 Now, if you would again refer to Sierra
12 Club Exhibit 43 which is a copy of the Apples to
13 Apples residential CRES offers for every week in
14 October of 2013, there are no 36-month or longer
15 fixed price contracts offered; is that correct?

16 A. That's correct. For customer shopping in
17 October of 2013, they would not have had new 36-month
18 offers available to them; no terms longer than about
19 24 months.

20 Q. Thank you, sir.

21 Now, we are going to turn to Exhibit 44
22 now, sir, Sierra Club Exhibit 44 to be exact, which
23 is a copy of the Public Utilities Commission of Ohio
24 Apples to Apples residential CRES offers for every
25 week in October of 2014. And, again, take your time,

1 until you feel comfortable answering the question,
2 but what's the lowest offer for a 12-month fixed
3 contract?

4 A. This one is going to take a little longer
5 because the format is different than the last one.

6 Q. Yeah, I am happy to direct you to what I
7 believe is the lowest if you would like or I can let
8 you do it on your own.

9 A. After our last experience, I will have to
10 check.

11 Q. That sounds fine.

12 A. You wanted 12 months?

13 Q. Yep.

14 EXAMINER SEE: Ms. Henry, is there a more
15 expedient method for you to get through your
16 cross-examination than for us taking the downtime?

17 MS. HENRY: I could do "subject to check
18 is this the lowest offer" and then I could direct him
19 to the page, and if your Honor would like, I am happy
20 to do it that way.

21 MR. SATTERWHITE: Your Honor, my initial
22 suggestion is there was an incorrect one before, so
23 "subject to check," this witness, asking him to
24 testify to something that the process before is
25 incorrect, versus just saying it's the Apples to

1 Apples, administrative notice, these numbers are what
2 they are, and they can put what they want in their
3 brief would be more expedient.

4 MS. HENRY: If I -- I want his opinion
5 what is the lowest offer in these months, I would
6 like that on the record, and I did offer a way to
7 expedite it. If you have another method, your Honor,
8 I am happy to hear it.

9 MR. SATTERWHITE: You don't need an
10 opinion to say here is the lowest number for this
11 month on this Commission document that we are willing
12 to say is the Commission document. I'm with your
13 Honor.

14 EXAMINER SEE: Okay. We will proceed
15 along this method.

16 A. It appears to be 7.65 per kilowatt hour.

17 Q. Great. That's the same number I had, sir.

18 MS. HENRY: And actually, in light of your
19 Honor's request, what I'll do is we won't run through
20 '14 with the same specificity that we did '13, we
21 will just jump to 2015 and we can brief that. Is
22 that okay, your Honor?

23 EXAMINER SEE: Sure.

24 MS. HENRY: I just want this document, as
25 Mr. Satterwhite said, the document will speak for

1 itself, documenting the lowest offer.

2 MR. SATTERWHITE: As well '15.

3 MS. HENRY: For 12-month, 24-month, and 36
4 months.

5 MR. SATTERWHITE: We are not challenging
6 the authenticity of this document.

7 EXAMINER SEE: And when you say "this
8 document," which document are you referring to,
9 Mr. Satterwhite?

10 MR. SATTERWHITE: The Commission's Apples
11 to Apples that has been provided to us, which is 43,
12 44, and 45 for Sierra Club.

13 MS. HENRY: I just want to clarify that in
14 briefing we can cite which is the lowest offer,
15 correct, sir?

16 MR. SATTERWHITE: This document will be
17 available for you do whatever you want with it on
18 briefing. You picked the wrong number before, so we
19 might have to -- you might pick a number we have to
20 point out that it's the wrong number again, so I
21 don't want to --

22 MS. HENRY: That's fine with me.

23 Q. (By Ms. Henry) Let's go to Sierra Club
24 Exhibit 45, sir.

25 A. Before we do that, can I make sure I have

1 the right numbers from the exercise we went through.
2 For '13, it was \$6 -- 6.29 cents per kilowatt hour
3 and for '14 it was 7.65 cents per kilowatt hour?

4 Q. So for '13 I believe we had 6.29 cents; is
5 that correct?

6 A. That's what I have.

7 Q. For 2013. And for then 24-month we had
8 \$6.79?

9 A. Yes.

10 Q. Yes. And then for 36-month there was no
11 offers, correct?

12 A. That's correct.

13 Q. Yes. And then we -- we decided to not go
14 through all of 2014, but for 2014, for the 12-month,
15 I had 7.65 cents and I believe you have the same
16 number, correct, sir?

17 A. Yes, that's correct.

18 Q. Okay.

19 A. Thank you.

20 Q. All right. So now what we are going to
21 do, we are going to turn our attention to Sierra Club
22 Exhibit 45 which is a copy of the Public Utilities
23 Commission Apples to Apples residential CRES offers
24 for every week in October of 2015.

25 A. Yes.

1 Q. And just, you know, I am going to ask you
2 for the 12-, 24-, and 36-month lowest offer. Do you
3 want to do all of them at once when you do your
4 review?

5 A. I can't do them all at once. It's going
6 to be one at a time.

7 Q. So let's start with what's the lowest
8 12-month fixed contract offer?

9 A. It appears to be 5.9 cents per
10 kilowatt-hour.

11 Q. Thank you, sir.

12 So we established that in October, 2013,
13 offers, the lowest for 12-month fixed contract was
14 6.29 cents. So the lowest offer for 12-month fixed
15 contracts in 2015 is lower than the lowest offer for
16 a 12-month contract in 2013, correct?

17 A. Yes. What the data shows is that from
18 2013 to 2014, the offer went up by 21 percent, and
19 between '14 and '15 the offer went down by
20 22 percent. So it is consistent with the volatility
21 we have been discussing.

22 Q. So the offer in 2015 was -- the lowest
23 offer in 2015 was lower than the lowest offer in
24 2013.

25 A. Yes.

1 Q. Great. Thank you, sir.

2 So let's look at the same Exhibit 45,
3 what's -- which is the Apples to Apples residential
4 CRES offers for the week -- every week in October of
5 2015. What's the lowest offer for a 24-month fixed
6 contract?

7 A. Can I have that question reread, please?

8 Q. 24-month fixed contract.

9 A. So you want me to go back through the 61
10 pages again to do this math?

11 Q. I told you I was going to do 12, 24, and
12 36.

13 A. You want me to go back through this just
14 to show the same volatility we have been discussing?

15 Q. Yes. I would like to show the prices have
16 gone down.

17 A. 24 months.

18 Q. I am happy to direct you, subject to
19 check.

20 A. I am still going to go through all 60
21 pages to verify it, so.

22 Okay. It appears 6.03 cents.

23 Q. I'm sorry. You said 6.03, is that what
24 you said, sir?

25 A. Yes.

1 Q. Perfect. That's what I have as well.

2 So we established that in October of 2013
3 the lowest 12-month contract was 6.29 cents, correct?
4 We already established that. So it appears the
5 lowest offer for a 24-month fixed contract in 2015 is
6 actually lower than the lowest offer for a 12-month
7 fixed contract in 2013, correct?

8 MR. SATTERWHITE: Can you reread the
9 question?

10 MS. HENRY: Let me just rephrase it so I
11 make sure it's exactly right.

12 Q. So the lowest offer for a 24-month fixed
13 contract in 2015 is lower than the lowest offer for a
14 12-month fixed contract in 2013, correct?

15 A. Yes.

16 Q. You said "yes"?

17 A. I did.

18 Q. Okay. So I am going to have you look at
19 Exhibit 45 again which is the PUCO Apples to Apples
20 residential CRES offers for every week in October of
21 2015, and look for the lowest 36-month fixed-price
22 contract that is offered.

23 EXAMINER SEE: Ms. Henry, do you have a
24 page reference and the number for what you believe
25 the lowest contract price for a 36-month offer to be?

1 MS. HENRY: Yes. You can look on
2 October 2, 2015, there is a company called Lykins,
3 and I can tell you that it is on, sorry, it's on page
4 77 of the PDF document. They have the same offer, it
5 goes through the month, you can also look at
6 October 30 of 2015, that week, and again there is the
7 Lykins' offer for that one and that is on page 126 of
8 the PDF document which is 6.1 -- 6.1 cents. But,
9 again, that's what I have as the lowest offer, but I
10 will --

11 A. That's the same offer Lykins has for the
12 12-, 24-month, and 36-month period.

13 Q. Yeah, they offer the same price on
14 multiple weeks. So I was just giving you different,
15 you know, but the Lykins, in the 36-month offers, is
16 the lowest, subject to check, correct?

17 A. I don't do "subject to check," so I
18 don't -- if we want to take notice that that's what
19 you believe, whatever the Bench would prefer, or I
20 can go through them.

21 Yes, it appears the lowest 36-month offer
22 is 6.10 cents per kilowatt-hour.

23 Q. Thank you, sir.

24 So we established that in October of 2013,
25 the lowest offer for a 12-month fixed contract was

1 6.29 cents. So the lowest -- correct? Confirming
2 that number again.

3 MR. SATTERWHITE: Objection, asked and
4 answered. We have been through with these numbers
5 now for probably an hour or so. My patience is very
6 thin.

7 MS. HENRY: I can rephrase.

8 MR. SATTERWHITE: He said what the numbers
9 are. We don't need to rephrase them again.

10 MR. DARR: Counsel has just withdrawn her
11 question and I think we can move on.

12 EXAMINER SEE: Oh, really?

13 Q. I'll start from -- so the lowest offer for
14 a 36-month fixed contract in 2015 is lower than the
15 lowest offer for 12-month fixed contract in 2013,
16 correct?

17 A. Yes.

18 Q. So can you refer to your rebuttal
19 testimony on page 4, line 6 through 12.

20 A. I'm there.

21 Q. So you compared CRES -- residential CRES
22 residential offers for the week of January 6, 2014,
23 to January 2, 2015, correct?

24 A. I'm sorry. Can you repeat that again?

25 Q. Sure. You -- you compared CRES

1 residential offers for the week of January 6, 2014,
2 to January 2, 2015?

3 A. I did.

4 Q. Okay. And in your analysis you found that
5 CRES offers went up from January, 2014, to January,
6 2015, correct?

7 A. Yes.

8 MS. HENRY: Okay. So I would like to mark
9 as Sierra Club Exhibit 46 a copy of PUCO's Apples to
10 Apples CRES -- residential CRES offers for the week
11 of January 6, 2014, which was one of your workpapers,
12 Mr. Allen.

13 (EXHIBIT MARKED FOR IDENTIFICATION.)

14 Q. Mr. Allen, have you seen this document
15 before?

16 A. I have.

17 Q. This was distributed as one of your
18 workpapers, correct?

19 A. It was.

20 Q. Okay. So the paragraph we were just
21 looking at on page 4 of your rebuttal testimony, this
22 is one of the documents that you relied on in
23 drafting that paragraph, correct, sir?

24 A. That's correct.

25 Q. Okay. I want you to do me a favor. I

1 want you to look through this document which is
2 Sierra Club Exhibit 42 which is the Apples to Apples
3 residential CRES offers for the week of January 6,
4 2014. I want you to find the lowest offer for a
5 12-month fixed contract.

6 EXAMINER SEE: Which exhibit are you
7 referring to, Ms. Henry?

8 MS. HENRY: Say that one more time.

9 EXAMINER SEE: Were you referring to
10 Sierra Club Exhibit 46 which we just marked?

11 MS. HENRY: Sorry. Yeah.

12 Q. Can you refer to Exhibit 46?

13 A. And I reference it on my Exhibit WAA-R1.
14 The minimum offer is \$6 -- 6.49 cents per
15 kilowatt-hour.

16 Q. Great. Thanks, sir.

17 So the lowest offer for 12-month fixed
18 contract in 20 -- in October of 2015 is lower than
19 the lowest offer for a 12-month fixed contract for
20 the week of January 6, 2014, correct?

21 A. Yes. That doesn't surprise me. It
22 demonstrates the volatility we have been discussing.

23 Q. Great. Let's keep going, sir. So let's
24 refer again to Exhibit 46 which is the residential
25 CRES offers for January 6, 2014.

1 A. Yep.

2 Q. And the lowest offer for a 20-month fixed
3 contract is 6.75 cents per kilowatt-hour; is that
4 correct?

5 A. As indicated in my Exhibit WAA-R1, that's
6 correct.

7 Q. Okay. So the lowest offer for a 20-month
8 fixed contract in October of 2015 is lower than the
9 lowest offer for a 24-month fixed contract for the
10 week of January 6, 2014, correct?

11 A. I think you misspoke again, but for a
12 24-month period, a 24-month offer, the offer in
13 October of 2015 was lower than the offer in January
14 of 2014.

15 Q. And can you please look at Exhibit 46.
16 And are there -- are there any offers for 36 months
17 or more -- are there offers for contracts that are 36
18 months, 36 months or more in length?

19 A. I do not believe so.

20 Q. So the lowest offer for a 36-month fixed
21 contract in October of 2015 which was 6.1 cents is
22 lower than the lowest offer for a 12-month fixed
23 contract for the week of January 6, 2014, correct?

24 A. You said a 12-month product? Yes. So in
25 fact, 6.1 is less than 6.49, I would agree.

1 MS. HENRY: Those are all the questions I
2 have, your Honor.

3 EXAMINER SEE: Ms. Bojko.

4 MS. BOJKO: Sorry.

5 - - -

6 CROSS-EXAMINATION

7 By Ms. Bojko:

8 Q. Good afternoon, Mr. Allen.

9 A. Good afternoon.

10 Q. Could you turn to page 3 of your
11 testimony -- your rebuttal testimony, please.

12 A. I'm there.

13 Q. On line 5 you use the word "offset." Do
14 you see that?

15 A. Yes.

16 Q. And "offset" here is referring to if the
17 PPA rider results in a credit; is that correct?

18 A. Yes. And in this case, specifically, what
19 I am referring to is the true-up mechanism that would
20 apply when weather deviated significantly from normal
21 weather.

22 Q. And it is your understanding that the
23 generation price is separate and distinct from the
24 PPA rider; is that correct?

25 A. The SSO price that you are referring to as

1 the generation price?

2 Q. No. I mean it would be either the CRES
3 offering generation price or the SSO price is
4 separate and distinct from the PPA rider, correct?

5 A. They would be.

6 Q. And a customer has to procure generation
7 from either the CRES provider or the standard service
8 offer or self-supply; is that correct?

9 A. Your term "procure," I would have a little
10 problem with. The customer can procure from a CRES
11 or just receive standard service offer as AEP Ohio
12 would procure power for nonshopping customers.

13 Q. The customer has to go out and either go
14 to the default service or they have to choose a
15 supplier or they have to choose to self-supply; is
16 that correct?

17 A. No. As the term "default" means, what
18 that word means is that the customer doesn't have to
19 do anything. So the customers either have to take an
20 affirmative action to shop with the CRES; or, in the
21 alternative, if they take no action, which the vast
22 majority of our customers have taken no action, about
23 65 percent of our customers, they revert back to the
24 default service, so taking no action is the SSO
25 service.

1 Q. Okay. So, as I said, a customer has an
2 option to either shop with the CRES provider for the
3 generation service, they can remain or default to the
4 standard service offer, or they can self-supply their
5 own generation; is that correct?

6 A. Yeah, I think so.

7 Q. And the customers will have to do one of
8 those three things regardless of whether the PPA
9 rider exists or does not exist; is that correct?

10 A. The customer will need to be served in one
11 of those three manners with or without the PPA rider
12 mechanism; that is correct.

13 Q. Okay. And then on lines 9 through 12
14 on -- still on page 3, you give an example here and
15 in your example you are assuming that there is a
16 credit for the PPA rider; is that correct?

17 A. Yes, I am.

18 Q. And also in this example that you provide,
19 there is an underlining assumption that the PPA rider
20 will be updated quarterly; is that correct?

21 A. That's correct. Based on the testimony of
22 the companies heard in this case we believe that a
23 quarterly update for the true-up mechanism is
24 probably the most appropriate approach.

25 Q. And on line 14, you use the phrase "upside

1 price volatility." Do you see that?

2 A. Yes.

3 Q. And in using that phrase you are assuming
4 that revenues in the market exceed the costs to run
5 the plants; is that accurate?

6 A. No. What I'm referring to here has to do
7 with the weather being more extreme than weather
8 normal. When the company prepares its estimate of
9 the PPA rider over an annual basis on a forecast
10 basis, the company would be using a weather normal
11 forecast.

12 And so what I am referring to here is that
13 during the year if weather is more extreme than
14 normal, prices are going to go up above what was
15 forecasted and then that will mean that the true-up
16 will be a benefit to customers irrespective of
17 whether or not the underlying PPA rider forecast
18 produced a charge or a credit for customers.

19 So there is the two mechanisms that you
20 have to look at to understand the implications. One
21 is the annual rider that's based on forecasted
22 revenues and expenses, and the second piece is the
23 true-up. It has the upside potential due to price
24 volatility in the markets.

25 Q. And that upside will only occur, as you

1 said, if the revenues, or you used the word "prices"
2 instead of "revenues," if the prices in the market
3 exceed the costs to run the plant, creating a credit
4 in the PPA rider.

5 A. No, that's not correct. What I'm stating
6 is that it will provide this benefit to customers if
7 the revenues received in the market are greater than
8 those assumed when the company presented its forecast
9 which set the baseline. So if revenues exceed the
10 level assumed in the annual forecast, then there will
11 be a true-up that will provide a benefit to
12 customers. And in this case it offset -- would have
13 offset a quarter to a third of the impact customers
14 would have seen due to just increased usage during
15 the first quarter of 2014.

16 Q. In both of your statements, your projected
17 as well as your actual forecast in what you are
18 comparing, there is an underlying assumption that the
19 revenues, net revenues, they have to offset the costs
20 of the plant; isn't that true?

21 A. No. So let me give you the example.
22 Maybe I'm confusing. But there is just an area when
23 we do a forecast of the PPA rider at the beginning of
24 a year, it may show that the expectation is that the
25 PPA rider will be a \$2 charge for customers during

1 that year.

2 And in the case that the weather was more
3 extreme than we anticipated as we moved through the
4 year, the revenues would have exceeded those levels
5 that were anticipated in that forecast, and then you
6 could see a quarterly credit, in this case what I
7 have analyzed would be a credit of \$5.14.

8 So the customer would have a \$2 charge, it
9 would remain constant through the year, and then due
10 to this -- due to the weather volatility and the
11 change in price and revenues received by the units,
12 you could see a credit of \$5.14 during a subsequent
13 quarter. So the net benefit to the customer would be
14 \$3.14 in that quarter.

15 But it's not necessary, in order to have
16 this true-up result in this kind of benefit to
17 customers, for the PPA rider itself, excluding the
18 true-up provision, to be a credit for customers.

19 Q. Okay. The underlining assumption to get a
20 forecast, to get a \$2 credit, in your example, you
21 have --

22 A. My example was a \$2 charge to be clear.

23 Q. Excuse me, to get a \$2 charge in your
24 example, you have to look at the revenues that the
25 plants receive in the market and then you have to net

1 out the costs of the plants in order to arrive at a
2 projected credit; isn't that correct?

3 A. The example I gave was when you do that
4 comparison, that the revenues expected to be received
5 in the market were less than the costs of the units,
6 so it would be a charge to customers.

7 Q. Well, okay. Thank you.

8 A. That would be the \$2 charge that we
9 started with. And then what I talked about is the
10 true-up provision that said that if, in a quarter,
11 because we are doing a quarterly true-up as we
12 discussed, if in a quarter the revenues in the market
13 exceeded the revenues that were anticipated to be
14 received in the market based on the forecast, then
15 that benefit becomes a credit in the true-up that
16 would go to customers in the subsequent quarter. And
17 that's the offset that I am discussing.

18 Q. And in your analysis you just told me you
19 agreed with me that there is a cost component to get
20 a charge of \$2. And then, on the other side, when
21 you are comparing -- when you are comparing it to
22 actual revenues received, you have to compare the
23 revenues to the costs of the plants at that time to
24 then arrive at either a credit or a charge; isn't
25 that correct?

1 MR. SATTERWHITE: Objection, your Honor.
2 I'm sorry. Let me know when you are done. Are you
3 done?

4 MS. BOJKO: Yes.

5 MR. SATTERWHITE: Objection, your Honor,
6 asked and answered. I think she's confusing the
7 baseline, just the revenues and costs in the PPA
8 rider versus what the witness is talking about how
9 the true-up impacts that as well. So I don't know if
10 they are talking across each other, but the witness
11 has said multiple times he is not talking about just
12 the comparison of costs to revenues, he is talking
13 about the true-up that then gets compared to the
14 cost.

15 MS. BOJKO: Your Honor, I am glad he is
16 testifying for the witness, but --

17 MR. SATTERWHITE: The witness has said it
18 three times.

19 MS. BOJKO: It is -- we may be talking
20 passed each other, but that's the point of
21 cross-examination to ask different questions to get
22 an answer that you are seeking and that's exactly
23 what I am doing. The witness is conveniently
24 ignoring part of his equation, and then when he
25 finally said the word "costs," I am exploring that

1 further.

2 MR. SATTERWHITE: Well, your Honor, the
3 witness has said you have misunderstood, you are
4 making this too rudimentary, and he pointed out
5 multiple, many times, he has a \$2 credit which
6 apparently where she is and then he applied -- \$2
7 charge and he applied the credit from the true-up on
8 top of that.

9 EXAMINER SEE: The objection is overruled.
10 Mr. Allen, you can answer the question.

11 THE WITNESS: Can I have it reread,
12 please?

13 EXAMINER SEE: Certainly.
14 (Record read.)

15 A. No.

16 Q. When you do the true-up, sir, you talked
17 about a forecast and it produced a charge of \$2. And
18 then you talked about a true-up that you then had to
19 do an analysis and in that analysis you have to
20 compare the actual for a true-up, the revenues,
21 versus the costs of the plants; isn't that correct?

22 A. You have to compare the actual costs and
23 revenues of the plants in that quarter, but you also
24 have to include in that calculation the actual
25 revenues -- I'm sorry. Let me make sure I get this

1 right.

2 You have to take the actual costs and
3 revenues associated with these units for that quarter
4 and you have to then compare that to the forecasted
5 level of costs and revenues and that's what creates
6 the true-ups. So you have to include the actual
7 costs and revenues in the true-up calculation.

8 Q. Understood. I was trying to get your
9 underlying assumptions in the forecast and your
10 underlying assumptions in the true-up that you then
11 compare to each other to get a final rider rate for
12 the following quarter or annual depending on the
13 true-up; is that right?

14 A. Yes. You have to include those elements,
15 yes.

16 Q. And I think from my understanding with
17 your discussions under previous questions this
18 afternoon that you believe or your definition of
19 volatility includes a decrease in market prices; is
20 that correct?

21 A. Absolutely.

22 Q. Okay. So if, in a given period, the
23 market price of generation decreases, and during that
24 same period of time the PPA rider is a charge, then
25 the result would be that a customer would experience

1 an increase in their total bill? They would not be
2 able to obtain the benefit of the lower market
3 prices; isn't that correct?

4 A. No. And what we have talked about is that
5 this is approximately a 30-percent hedge. And so in
6 periods of low market prices, if the customers are
7 either shopping through a CRES or receiving SSO
8 service, they are going to receive the benefit of
9 those low market prices because that's going to be
10 embedded in the SSO and it's going to be embedded in
11 the CRES offers.

12 At the same time the customers will see a
13 charge for the -- for the PPA rider. But, as a
14 result though, the customers will still be paying a
15 lower price because all that the PPA rider did, it's
16 about a 30-percent hedge. So the savings that
17 customers see will not be as great as they otherwise
18 would have seen. But the flip is true on the upside,
19 customers don't see the same kind of increase they
20 would have seen in the absence of the PPA rider.

21 Q. Okay. I think you said yes, ultimately,
22 you disagreed in the beginning, but you are not
23 disputing with me that if there is a decrease in \$5
24 in the market price, and I am just using that simple
25 mathematical example here, if there's a decrease in

1 \$5 in the total bill due to market prices in
2 generation and that there is a charge of \$4 through
3 the PPA rider, you are not disputing that the
4 customer would see only a dollar decrease instead of
5 without the rider they would see a \$5 decrease, are
6 you?

7 MR. SATTERWHITE: And I will object to the
8 beginning of the question in which she characterized
9 his testimony as saying "yes" when his previous
10 answer was clearly "no."

11 MS. BOJKO: That's not how he ended it,
12 but.

13 EXAMINER SEE: Okay. The record reflects
14 that the witness answered the question "no." So,
15 with that caveat, you can answer the remaining
16 portion of Ms. Bojko's question.

17 A. So the mechanics that you described, if
18 the PPA is a \$4 charge, and customers see a rate
19 reduction at the same time of \$5, that the net impact
20 on the customers would be \$1 savings.

21 Q. Let's turn to the top of page 4 of your
22 testimony and here you talked quite a bit, I know,
23 about CRES offers and I am not going to go through
24 that --

25 A. Thank you.

1 Q. -- with you, but on lines 2 to -- to 3,
2 you say you looked at CRES offers from January 6,
3 2014, to April 25. And I just want to make sure I
4 understand WAA-R1 is attached to your testimony, that
5 you are only reviewing three dates of CRES offers
6 recognizing that each date represents a week of
7 Commission offers -- or CRES offers, excuse me; is
8 that correct?

9 A. The Commission publishes the Apples to
10 Apples -- archives the Apples to Apples website. We
11 can site that on a weekly basis. So that is the
12 archive as of that date, January 6.

13 Q. For that week.

14 A. For that day. It's archived on a weekly
15 basis.

16 Q. Okay. So on -- in your reference to
17 January 6 to April 25, 2014, you are only comparing
18 these three days, is that correct, that are on
19 WAA-R1?

20 A. On lines 2 and 3, I am only talking about
21 two dates, so I am talking about the CRES offers that
22 existed on January 6 and then comparing those to the
23 offers that existed on April 25, 2014 on those two
24 specific dates.

25 Q. Okay. And then later -- thank you -- on

1 line 11, you add a third date which is now you are
2 comparing January 2, 2015; is that correct?

3 A. I am comparing January 14, 2014, to
4 January 2, 2015, that's correct.

5 Q. Which is also on WAA-R1.

6 A. It is.

7 Q. Okay. So on line 11 when you talk about
8 the change in the average, minimum and median offers
9 between January 6, 2014, and January 2, 2015, you are
10 only referencing the three data points on WAA-R1; is
11 that correct?

12 A. Yes. These three lines, lines 10 through
13 12, I am referring to the two data points, January 6,
14 2014, and January 2, 2015, because those, in this
15 example, a customer that had 12-month product that
16 they had obtained on January 6, 2014, when they were
17 seek -- when they would be seeking a new contract, 12
18 months later, for a new 12-month contract, they would
19 be seeking it on or about January 2, 2015.

20 So that customer that had a 12-month CRES
21 product would have -- would see an increase of 21 to
22 27 percent between those two periods. So when they
23 renewed their contract or sought a new contract
24 that's the increase they would see.

25 So it's not important for a customer to

1 know what the CRES offers were in between those
2 periods because they already had a CRES offer. And
3 what we are looking at is at the expiration of that
4 CRES offering and they are looking for a new one,
5 what that increase would be.

6 Q. Thank you for that clarification.

7 I'd like to turn to page 5 of your
8 testimony. On the bottom of -- I'm sorry, page 5,
9 line 15, you state "A review of several CRES
10 contracts." And I just want to make sure we're -- I
11 understand what you are referencing. You are talking
12 about a review of residential and small commercial
13 contracts that were on Apples to Apples; is that
14 accurate?

15 A. Yes. And terms and conditions associated
16 with those contracts, yes.

17 Q. And are you referring to the three that
18 you attached to your testimony?

19 A. There were four included as attachments to
20 my testimony, but I did review others. And if you
21 are confused, others have been confused, page 10 of
22 Exhibit WAA-R2 is a separate contract.

23 Q. Page 10 of WAA-R2 is a separate contract
24 without a header or disclosure of the entity?

25 A. No. It has it on the top left-hand

1 corner, "Electricity Supply Agreement with North
2 American Power and Gas, LLC." It just doesn't have a
3 logo like some of the others do.

4 Q. Thank you for that clarification.

5 Did you review AEP Energy's contracts when
6 writing your rebuttal testimony?

7 A. I think I did.

8 Q. For the four that you attached to your --
9 first of all, you are not an attorney, I think we
10 established that last time.

11 A. I have not gotten a degree since we last
12 talked, that's correct.

13 Q. Did you draft the four contracts that are
14 attached to your testimony?

15 MR. SATTERWHITE: Objection, relevance.

16 EXAMINER SEE: Did you want to respond,
17 Ms. Bojko?

18 MS. BOJKO: I think it's very relevant,
19 your Honor. I mean, he's interpreting these
20 contracts. It's important to know whether he
21 actually drafted them, had any input in them, were
22 they done under his direction, things of that nature.

23 MR. SATTERWHITE: Your Honor, she is
24 clearly trying to challenge the Bench ruling earlier
25 moving to strike these contracts by asking if he

1 drafted these. We have already established he is a
2 regulatory expert and interpreted these.

3 MR. DARR: AEP Ohio opened the door, your
4 Honor, when they offered -- when they offered this
5 evidence into the record and attempted to qualify
6 their witness as apparently having the ability to
7 explain away what's in the CN contracts and the
8 others. I don't think AEP can now hide behind a
9 relevance objection when they put this issue in play.

10 MS. BOJKO: I agree, your Honor.

11 MS. HENRY: I agree, your Honor.

12 MR. SATTERWHITE: Your Honor?

13 EXAMINER SEE: Yes. You can reply.

14 MR. SATTERWHITE: The question was did you
15 draft this contract, and I don't think anyone has
16 made any representation that he has drafted this
17 contract nor is it relevant to the rebuttal testimony
18 that we have here. It's an attack on the Bench
19 ruling.

20 EXAMINER SEE: I am going to overrule the
21 objection and you can answer the question, Mr. Allen.

22 MS. BOJKO: Thank you, your Honor.

23 A. Well, I obtained these contracts from the
24 companies' websites through the PUCO Apples to Apples
25 website. I did not draft them myself.

1 Q. And did you discuss the provisions with
2 the CRES provider that you obtained them from or off
3 their website?

4 A. I did not discuss them with the CRES
5 providers. I read them as a layperson looking at the
6 contract provisions that I discuss in my testimony.

7 Q. And did you go to -- did you seek out --
8 strike that.

9 You stated that these are all off of the
10 Apples to Apples website; is that correct?

11 A. They are obtained through the Apples to
12 Apples website, that's correct.

13 Q. Did you seek out other contracts from
14 these CRES providers?

15 A. I have reviewed another contract that was
16 an unsolicited CRES offer that had similar terms and
17 conditions.

18 Q. From one of the CRES providers that you
19 attached to this testimony?

20 A. It was. It was a IGS flat rate contract
21 that also had similar terms that allowed a flat rate
22 contract which is supposed to be a fixed amount per
23 month, it allowed the CRES provider to also change
24 that fixed amount per month if the customer's usage
25 went up too much or if there were changes in prices

1 from the PJM and the like.

2 Q. And you didn't attach that one to your
3 testimony, correct?

4 A. I did not.

5 Q. And do you know whether the provisions
6 that you cite to have been invoked by the CRES
7 providers?

8 A. I know that provisions like these have
9 been invoked by CRES providers in the past from
10 personal experience.

11 Q. No. I am asking you if you know for a
12 fact whether Constellation has invoked the
13 highlighted paragraph on Exhibit WAA-R2, page 3.

14 A. These are the current terms and conditions
15 that these CRESs have out there, so these would be
16 average heat rate for the CRES to implement a
17 provision that just came into play and the point of
18 my testimony, though, is that a CRES could
19 potentially take advantage of these provisions.

20 Q. Is there -- except for a copyright date of
21 2015, is the Constellation contract dated?

22 A. I don't see a specific date on the
23 Constellation contract. The Direct Energy contract?

24 Q. I just asked about Constellation.

25 A. Okay. It appears to be a 2015 contract

1 based on the copyright. And I obtained it from
2 Constellation's website on the 26th or 27th of
3 October.

4 Q. I am going to ask you again: Do you know
5 whether the paragraph that you've highlighted on
6 page 3 of WAA-R2 has been invoked by Constellation?

7 A. I don't know if they have invoked it to
8 date.

9 Q. Do you know if the Constellation contract
10 has been executed between Constellation and a
11 customer?

12 A. This is the offer that's currently out
13 there for residential customers. My expectation that
14 if Constellation signed a contract with a customer,
15 these would be the provisions that would exist.

16 Q. I asked you if you know for a fact that
17 this particular contract has been executed between
18 Constellation and a customer.

19 A. I don't know but I would expect so.

20 Q. Let's turn to Direct Energy. You have
21 highlighted page 7 of Exhibit WAA-R2 of Direct
22 Energy's contract; is that correct?

23 A. Yes.

24 Q. Okay. Do you know whether this provision
25 has been invoked by Direct Energy?

1 A. I do not know if they have invoked the
2 provision.

3 Q. Do you know if this particular contract
4 has been executed between Direct Energy and a
5 customer?

6 A. As I indicated previously, this is the
7 current contract that's out there for residential
8 customers to be served by Direct Energy, so I would
9 expect any residential customer would be served under
10 this contract, and I do not know whether Direct
11 Energy has signed up any customers since they put
12 this provision out there.

13 Q. So you don't know if this contract has
14 actually been executed; is that correct?

15 A. That's correct. That would be information
16 that's available only to Direct Energy and their
17 customers.

18 Q. And isn't it true that the provision that
19 you've highlighted does not apply to weather events?

20 A. It could apply to weather events and let
21 me give you my reading. If you are on page 7, it
22 says "...you may be required to pay any additional or
23 increased fees or charges that are generally beyond
24 Direct Energy's reasonable control including, but not
25 limited to," and then it goes down towards the bottom

1 "that are imposed by law, rule, regulation, or
2 tariff...." It doesn't relate to a change in tariff.

3 So things like the uplift charges that we
4 saw in 2014 would be a charge imposed by a tariff.
5 And so, a broad reading of this language could allow
6 something like that to go through. Any of the market
7 prices are prices that are imposed by tariff so it's
8 a pretty broad reading in my mind as a lay
9 individual.

10 Q. And just so we're clear, the additional or
11 increased fees or charges have to be imposed by law,
12 rule, regulation or tariff or Commission rule or
13 order; is that correct?

14 A. That's true, but to understand it you have
15 to recognize that all "market-based" charges, and I
16 will put quotes around "market-based" because they
17 are PJM market-based charges, all of those charges
18 are imposed by tariff. PJM solely functions under a
19 tariff approved by FERC. So any charge by PJM to a
20 CRES provider would be a charge imposed by tariff.
21 And, interestingly, what they don't include in this
22 language is "imposed due to a change in law or
23 regulation or tariff," which is the typical language
24 you would see. This is much, much broader, and it's
25 imposed by a tariff.

1 MS. BOJKO: Well, your Honor, I guess I
2 move to strike his answer as nonresponsive first of
3 all. But, secondly, he's not an attorney and he just
4 went well beyond regular experience by, I think,
5 falsely and inappropriately interpreting the
6 provisions much more broadly than what another person
7 may. So I think we've crossed the line of regulatory
8 opinion into now legal interpretations which was the
9 very concern that some of us had when we moved to
10 strike these to begin with.

11 MR. SATTERWHITE: Your Honor, the witness
12 has stated he is not an attorney and then she asked a
13 wide open question and he answered the question based
14 on his knowledge. That's what he is providing there.
15 The fact that she doesn't like the answer, and I
16 object to the characterization that he is saying
17 something false, he is providing his understanding,
18 his testimony as an expert in this case for AEP Ohio.

19 EXAMINER SEE: The question will stand and
20 his answer will stand.

21 Q. And this is an easy question, yes or no,
22 is the word "PJM" in this paragraph? In the
23 highlighted? I am talking your highlighted.

24 A. It's not included in the highlighted text,
25 but it's included in the sentence just prior to.

1 Q. Right. And in that sentence doesn't it
2 say "including the Commission or PJM," so the
3 contract drafter, when they wanted to talk about PJM,
4 said "Commission or PJM"; isn't that true?

5 A. In the prior sentence they stated
6 "Commission or PJM." In the highlighted section
7 there's no reference to Commission prior to "tariff."
8 Commission is referring only to Commission rule or
9 order. Laws are not imposed by commissions. Rules,
10 regulations, may or may not be imposed by Commission.
11 So, you know, my reading of this is they put
12 "Commission" at the end for a reason.

13 Q. And just so we're clear because I don't
14 think you've answered the question, there is no "PJM"
15 in the highlighted sentence and the sentence begins
16 "In addition"; is that correct?

17 MR. SATTERWHITE: Objection, asked and
18 answered. The language speaks for itself. He has
19 furnished his interpretation. She keeps asking him
20 questions about what the language means, and when he
21 says what it means, she objects. So we keep going in
22 a circle here. The language is what it is. The
23 witness has given his interpretation and she's just
24 trying to set him up for another objection.

25 MS. BOJKO: Actually, your Honor, you did

1 deny my objection, so I am actually exploring the
2 language as a layperson. If he wants to testify to
3 the interpretation, I have the right to point out
4 some language that he is failing to consider in his
5 interpretation or that he is purposely not
6 considering.

7 EXAMINER SEE: Mr. Allen did answer your
8 question. If you want to rephrase it and try a
9 portion of it again, go ahead, but the objection is
10 sustained.

11 MS. BOJKO: I'm sorry. There was a
12 question pending or you are saying there was a
13 question pending?

14 EXAMINER SEE: I said you can try again.
15 Mr. Allen did answer your prior question. So if you
16 want to try again, if you --

17 MS. BOJKO: Could I have my last question
18 read? I think he objected before the answer. That's
19 why I'm confused. Sorry.

20 MR. SATTERWHITE: I believe you talked
21 about the prior language and talked about the
22 highlighted language and compared the two in the
23 prior answer and you asked another question and I
24 objected to the question.

25 MS. BOJKO: Thank you for that. I will

1 just rephrase.

2 Thank you, your Honor.

3 Q. (By Ms. Bojko) The sentence that you have
4 highlighted starts with "In addition"; is that
5 correct?

6 A. That's correct.

7 Q. Okay. And let's turn to page 9, the IGS
8 Energy contract.

9 A. I'm there.

10 Q. Did you talk to anybody about the IGS
11 contract?

12 A. I did not.

13 Q. And you didn't draft the IGS contract; is
14 that correct?

15 A. I did not.

16 Q. And the IGS sentence that your -- you're
17 highlighting, that specifically refers to a
18 regulatory body, the Federal Energy Regulatory
19 Commission -- including the Federal Energy Regulatory
20 Commission; is that correct?

21 A. In this statement it does include the
22 Federal Energy Regulatory Commission; that's correct.

23 Q. And in this statement it doesn't talk
24 about the Public Utilities Commission of Ohio; is
25 that correct?

1 A. It does not.

2 Q. And also in this sentence it says that if
3 "there is an action or a decision by a regulatory
4 body"; is that correct?

5 A. Yes, it does.

6 Q. Okay. And this provision does not talk
7 about weather events; is that correct?

8 A. This does not talk about weather events.

9 Q. And, you know what, I am going to turn
10 back to Direct Energy for one moment. I'm sorry, but
11 you said something I wanted to ask you about. This
12 paragraph that you have highlighted -- oh, strike
13 that. Never mind.

14 Okay. And do you know whether the IGS
15 provision that you have highlighted on page 9,
16 Exhibit WAA-R2, has been invoked?

17 A. No. It's their offer that's -- that's
18 available to residential customers currently.

19 Q. Okay. And similar to my other questions,
20 you don't know whether this contract has actually
21 been executed with the company -- or customer; is
22 that correct?

23 A. That's correct.

24 Q. And if we turn to the next contract which
25 is the contract you stated was by North American

1 Power and Gas; is that correct?

2 A. That's correct.

3 Q. And you've highlighted a paragraph on page
4 11 of that contract; is that correct?

5 A. Yes, I have.

6 Q. And to your knowledge has this provision
7 ever been invoked?

8 A. I do not know if they have invoked this
9 provision, but it's the standard provision available
10 for residential customers today.

11 Q. And you keep saying -- oh, standard for
12 American Power and Gas, right?

13 A. That's correct.

14 Q. Okay. And you do -- you will agree with
15 me that each one of these provisions that you
16 highlight is actually worded differently; is that
17 correct?

18 A. Yes. They are different entities and they
19 have chosen their own contract language, yes.

20 Q. And they could have different
21 interpretations of their own contract language; is
22 that correct?

23 A. They could each have different
24 interpretations of their contract language and
25 different decisions at some point in the future about

1 whether to actually invoke these provisions. These
2 are, in my view, very flexible provisions that
3 allows, at the sole discretion of the CRES, their
4 ability to invoke them as they deem appropriate.

5 Q. And the last contract that we were just
6 talking about this provision requires a material
7 change; is that accurate?

8 A. Yes. It states that it's -- if an action
9 is taken that materially changes the amount charged
10 by such entities, those entities, including the
11 regional transmission organization, yes.

12 Q. And they also include federal, state, or
13 local government authorities; is that correct?

14 A. It's pretty broad, yes.

15 Q. And I don't think I asked you do you know
16 whether this provision has been invoked?

17 A. I do not know if they have invoked this
18 provision.

19 Q. And you also don't know whether this
20 contract actually has been executed by -- between
21 North American Power and Gas and a customer; is that
22 correct?

23 A. That's correct.

24 Q. And you said you reviewed AEP Energy's
25 CRES contract, but you did not attach that; is that

1 correct?

2 A. That's correct.

3 Q. Okay. Now, I would like to -- on page 6
4 of your testimony, you talk about a customer leaving
5 a contract on line 5. Do you see that?

6 A. Yes. I see that.

7 Q. If a customer leaves a contract and makes
8 that decision to leave the contract, they could do so
9 and receive a lower rate in the market; is that
10 correct?

11 A. While it's possible, my personal
12 experience when faced with an exact situation like
13 this is when a CRES provider is imposing these types
14 of charges on a customer, the most advantageous for a
15 CRES to do that is at times when customers can't
16 really leave the contract to go someplace else
17 because market opportunities are higher. And so, the
18 customer is faced with a challenge of leaving a
19 current fixed-rate contract that's lower than the
20 market because they are upset about being charged an
21 additional charge when they thought they had a
22 fix-priced contract and going to a higher price in
23 the market. So it's really, from a customer
24 perspective, a lose-lose when something like this
25 happens.

1 Q. Did you talk to a CRES provider about that
2 interpretation or understanding?

3 A. I did.

4 Q. And you believe -- you did say that it was
5 possible that if a customer switches CRES providers,
6 they could be switching to get a lower rate; is that
7 correct?

8 A. No. What my statement was was based on
9 personal experience, when I was faced with this
10 situation last summer, when I was -- I am a trustee
11 at my church and I manage the energy services there.
12 When we were faced with a charge from our CRES for
13 uplift charges, you know, I didn't believe that those
14 should be imposed on us.

15 So I spoke with my CRES provider and said
16 I don't want to make the payment for those charges
17 and the CRES provider said that's fine, if you don't
18 want to pay those charges and you want out of our
19 contract. They didn't say they would let me avoid
20 paying the charges for the uplift, but if I wanted to
21 exit the contract because I didn't like the variable
22 nature of it when they have these adjustments that I
23 could leave.

24 And when I looked at the market at that
25 time, the market prices were much, much higher than

1 what the current contract I had was, so I was forced
2 to stay with the CRES, make the payment, and be stuck
3 with that contract.

4 Q. You are making pretty broad assumptions
5 here. Are you telling me when a customer chooses to
6 leave a CRES contract, they can never get a lower
7 price in the market?

8 A. No, no, that's not what I'm stating at
9 all. What I am stating there are real situations
10 that exist for customers and at times the market
11 price is higher than their current contract, they are
12 going to have to pay those increased charges that are
13 passed on by a CRES, whether it be through a one-time
14 charge like I experienced, or through an increased
15 charge for the duration of their contract, but the
16 customer is going to have to make an informed
17 decision looking at what the math is at that time.

18 So what the whole point of this is that
19 fixed-rate contracts aren't necessarily fixed, and
20 the fact that customers have the ability to leave a
21 contract and go to the market doesn't mean that the
22 customer isn't at risk for seeing significant
23 volatility in their rates.

24 Q. And the customer can leave a CRES contract
25 and go to the standard service offer; isn't that

1 correct?

2 A. They can.

3 Q. And your testimony was not about
4 commercial contracts or commercial customers in CRES
5 offers; is that correct?

6 A. It was about CRES offers in general, but
7 what I focused on for example in my testimony are the
8 standard offers that CRES make available to the
9 general public through their Apples to Apples
10 website.

11 Q. And isn't it true that the Apples to
12 Apples that you reviewed and you produced are mostly
13 for residential customers and maybe a few small
14 commercial customers; is that correct?

15 A. That's correct.

16 Q. Do you know whether AEP Energy has a
17 typical change in law or regular -- or regulation
18 provision in their CRES contracts?

19 A. I'm sure they have a change in law or
20 regulation provision in their contracts. And just to
21 make it clear, I'm not taking issue that these
22 provisions in contracts are inappropriate.

23 What I am stating is that these provisions
24 in contracts, and I have got it in footnote 5 of my
25 testimony, is that these provisions turn what people

1 think is a fixed rate into something that is more
2 variable than they may believe. So there is some
3 flexibility in those prices.

4 Q. And you would agree with me that standard
5 service offer does not have the regulatory out
6 clauses that you are discussing in your testimony; is
7 that correct?

8 A. AEP Ohio standard offer options do not
9 have that provision. They may exist in other CRES
10 service -- or other EDU service territories, but they
11 do not exist in the AEP Ohio service territory.

12 Q. And you don't know, sitting here today,
13 whether any other one does or do not; is that
14 correct?

15 A. I know in some other places there have
16 been provisions for things like I talked about with
17 the capacity performance product where in some
18 jurisdictions they have allowed for adjustments for
19 the change in that product.

20 Q. I am talking about in Ohio.

21 A. I don't know if it was in Ohio or not. I
22 have seen it elsewhere, and the intent there was to
23 obtain the lowest price offer from those suppliers,
24 so they didn't have to build a lot of risk into the
25 offers.

1 Q. Do you know how many times a typical
2 change in law or regulation provision in a contract
3 has been invoked?

4 A. In Ohio?

5 Q. Yes.

6 A. I know of at least one circumstance where
7 it has been invoked. I don't know how many other
8 times.

9 Q. And that one circumstance, you also know
10 that's being challenged and that the CRES supplier
11 has not won the challenge?

12 A. And, you know, that goes to the point of
13 my argument, you know, the regulatory process moves
14 pretty slowly. So when these issues come up, people
15 challenged it, that was a charge for January of 2014,
16 the charges were imposed upon customers in the April
17 to June of 2014 time frame, and here we are sitting
18 in October of 2015.

19 So, from a customer perspective, I
20 don't -- it clearly hasn't been resolved. And at
21 this point, the smaller customers, they have had to
22 pay any of those charges that were passed through to
23 them.

24 Q. Really? You don't believe that customers
25 that have disputed this charge that you are

1 apparently familiar with, that they have not paid the
2 charges and do not have to pay charges pursuant to
3 their contract themselves?

4 A. As a -- from a small customer perspective,
5 the experience that I have, my personal experience --
6 I worked through the PUCO staff on this as a matter
7 of fact -- was that I did not have a choice, but to
8 make a payment for that uplift charge. I was
9 given -- I could object to it in one month. If I
10 didn't pay it, the next month it became a priority
11 payment on my bill. And the choice was to either pay
12 that CRES bill or have my service terminated at my
13 church.

14 So I was working with my EDU, and I asked
15 them specifically, which is Ohio Edison, about
16 whether I could object to this, and they said I could
17 object, but I would have my service terminated two
18 months later if I didn't pay that bill, and I could
19 dispute it with the PUCO. I worked with the PUCO
20 staff, and I was told I could file a formal complaint
21 and that was the only resolution possible, but I
22 couldn't avoid making the payment.

23 Q. So you are not aware that Ohio Edison
24 filed a letter with the Commission that actually said
25 that they were not forcing people to pay these

1 charges and that they would not disconnect?

2 A. All I can tell you is the personal
3 experience that I had working through Ohio Edison and
4 the PUCO staff. I can't testify to what other
5 people's experiences are. All I can tell you is the
6 reality I experienced.

7 Q. I am not talking about other people's
8 experience. You just made a statement that Ohio
9 Edison said that they would terminate your service if
10 you did not pay these charges, and I am asking if you
11 know that the company that you are referencing right
12 now filed a letter that said they would not terminate
13 service and that, in fact, they weren't going to
14 assess this charge to anybody?

15 MR. SATTERWHITE: Objection, your Honor.
16 Counsel is asserting facts. This witness has given a
17 firsthand account of what he dealt with. He is
18 probably on top of it and ahead of the time if
19 something did come out later, but this is not a fact
20 in evidence, and she is just trying to argue with the
21 witness.

22 MS. BOJKO: Your Honor, with all due
23 respect, he is making up facts.

24 MR. SATTERWHITE: Objection, your Honor.

25 MS. BOJKO: And I am challenging the

1 facts.

2 MR. SATTERWHITE: That's absurd, your
3 Honor. He was testifying what happened as a trustee
4 in his church, and the fact she doesn't agree with it
5 and thinks she has some other fact she is trying to
6 put in evidence that's not here, she wants to attack
7 this witness and that's not appropriate.

8 EXAMINER SEE: Okay. I am going to let
9 you finish your response, ask that you not cut her
10 off, and then we are going to move on.

11 Go ahead.

12 MR. SATTERWHITE: Thank you.

13 MS. BOJKO: Your Honor, if the witness is
14 going to make statements then we have a right to
15 challenge those statements. In this particular
16 situation he is asserting something pretty broadly
17 that Ohio Edison was going to terminate customers and
18 that's just not true. And that's what I am asking
19 him if he is aware of a letter that says that exact
20 thing.

21 MR. SATTERWHITE: And I will object to
22 that, your Honor. She is saying what's not true for
23 this witness and the experience he had and worked
24 through the Commission staff. She's now testifying
25 and disagreeing with his personal experience.

1 EXAMINER SEE: Move on, Ms. Bojko.

2 MS. BOJKO: Okay. Thank you, your Honor.

3 MR. SATTERWHITE: Can I inquire, are we at
4 a move-on point? Are you close to being done because
5 the witness has been up for two and a half hours, I
6 believe. We are okay to move through and finish if
7 you are close, but I just wanted to inquire for a
8 break.

9 EXAMINER SEE: How much more do you have,
10 Ms. Bojko?

11 MS. BOJKO: Given the responses received
12 today, probably another half hour.

13 EXAMINER SEE: Okay. We can take a
14 10-minute break.

15 MS. HENRY: When we go off the record, may
16 I ask a question?

17 EXAMINER SEE: We will resume at 20 till.
18 We are off the record.

19 (Recess taken.)

20 EXAMINER SEE: Let's go back on the
21 record.

22 Are you ready to continue, Ms. Bojko?

23 MS. BOJKO: Excuse me, your Honor. Sorry.
24 Yes.

25 EXAMINER SEE: Go ahead.

1 Q. (By Ms. Bojko) Mr. Allen, isn't it true
2 that 4901-9-01(E) of the Ohio Administrative Code
3 states that if a person filing a complaint against a
4 public utility is faced with termination of service
5 by the public utility, the person may request, in
6 writing, that the Commission provide assistance to
7 prevent the termination of service during the
8 pendency of a complaint?

9 MR. SATTERWHITE: Objection, your Honor.
10 She is asking specific code provisions without
11 providing him a copy of it. It would be nice to give
12 him a copy.

13 MS. BOJKO: Your Honor, I asked if he
14 understands. I think it's pretty clear today that
15 there are extra evidence items that came up today and
16 I am asking him if he is aware of the self-help
17 measure that's put out in the statutory provision
18 that he stated earlier that he did not take advantage
19 of.

20 MR. SATTERWHITE: First of all, it's a
21 rule, your Honor. And, second of all, she has made
22 repeated objection that this witness is not an
23 attorney and now she is saying isn't it true,
24 pursuant to this rule, provision, that this is an
25 occurrence. And I am just objecting to try to be

1 consistent with how she has attacked the witness
2 today.

3 EXAMINER SEE: And Mr. Allen can answer
4 the question if he knows.

5 A. So for this specific code language, I
6 can't state it verbatim, but my understanding is if
7 you file a formal complaint, there are some potential
8 remedies to having your service terminated.

9 But when talking with the PUCO staff about
10 same issue as a commercial account, which is what we
11 are discussing, a commercial account has to be
12 represented by legal counsel, which I think we've all
13 acknowledged I am not legal counsel here today. So
14 you have to weigh filing a formal complaint and the
15 costs of representation by legal counsel and what
16 your remedy could potentially be.

17 And so, my understanding, from talking
18 with Commission staff was it would require a formal
19 complaint and that added cost.

20 MS. BOJKO: Your Honor, I move to strike
21 everything. I asked him if he was aware of the
22 statutory -- or the, excuse me, the rule provision
23 that I -- that I read. I didn't ask him about any of
24 his experience.

25 MR. SATTERWHITE: Your Honor, she asked a

1 question based on a legal question I objected to and
2 the witness was told he could answer to the extent he
3 could, so he answered how it's applied to him. She
4 asked the question and she got the answer.

5 EXAMINER SEE: And the answer stands.

6 MS. BOJKO: Thank you, your Honor.

7 Q. (By Ms. Bojko) Okay. And just to be
8 clear, you stayed to prevent termination of service;
9 is that correct?

10 A. Yes, that's correct.

11 Q. And in this example, your experience that
12 you have referenced a couple of times today, this is
13 your personal experience; is that correct?

14 A. Yes, it is.

15 Q. You were not representing AEP in that
16 commercial contract that you entered into or your
17 church entered into; is that correct?

18 A. Oh, absolutely not.

19 Q. And that was FirstEnergy Solutions is the
20 supplier that you are talking about?

21 A. Yes.

22 Q. And aren't you aware that FirstEnergy
23 Solutions has publicly stated that they are not
24 pursuing any of the disputed charges against
25 residential customers in both Pennsylvania and Ohio?

1 MR. SATTERWHITE: Objection, your Honor.

2 I think we visited this before the break and moved on
3 from it.

4 MS. BOJKO: It's a different question
5 completely. Your Honor, before the break I was
6 talking about a letter and asking him if he was aware
7 of a letter that was produced by Ohio Edison, the
8 regulated utility company, stating that they were not
9 going to terminate service for disputed charges.

10 This question I asked if he was aware. He
11 is talking about his personal experience. I am
12 asking if he is aware that FirstEnergy Solutions, the
13 supplier he has been discussing for quite a few
14 minutes now, whether he is aware that they have made
15 a public announcement about whether they are pursuing
16 residential customers for those disputed charges.
17 Those are completely different topics.

18 EXAMINER SEE: And I will allow the
19 answer -- the question, as best you can, Mr. Allen.

20 A. And as we've discussed, my interest was in
21 a commercial account, not a residential account, so I
22 have not monitored what FirstEnergy has stated for
23 residential accounts.

24 Q. Nor have you continued to monitor what has
25 or has not happened with regard to the commercial

1 accounts that are actually in dispute and that are
2 pending before the Commission; isn't that true?

3 A. No, I have monitored it to a limited
4 degree. I know that the schools that were served by
5 FirstEnergy Solutions, I think they are the ones that
6 are actively leading a complaint. I think it's the
7 schools.

8 Q. You don't know that there are several
9 complaints pending here at the Commission?

10 MR. SATTERWHITE: Objection, your Honor.
11 We're back to trying to assert facts into the record.
12 The witness has given the scope of his understanding
13 and Counsel is again trying to testify to things to
14 put things in the record.

15 MS. BOJKO: Your Honor, he is misleading
16 the record. He is picking out things he wants the
17 Commission to know and I am pointing out that there
18 are other items that he is neglecting to tell the
19 Commission or failing to tell the Commission.

20 MR. SATTERWHITE: And I'm going to take
21 offense and object to the continual assertion by
22 Counsel that the witness is misleading the record.
23 The witness is testifying to his understanding and
24 his knowledge. The fact that it is not what
25 Ms. Bojko understands or what she thinks she's read

1 is irrelevant. I would ask the Bench to instruct her
2 to stop characterizing the witness and whether what
3 he is saying is misleading or not misleading is
4 inappropriate.

5 MS. BOJKO: Your Honor, with all due
6 respect, if a witness makes a statement on
7 cross-examination, you are allowed to challenge the
8 statement that the witness made. The witness just
9 made a statement saying that there was one complaint.
10 I'm challenging his assertion that there is one
11 complaint and asking him if he knows whether there
12 are other -- other complaints pending. If he is
13 going to testify to something then we have a right to
14 challenge the accuracy and the truthfulness of what
15 he is testifying to.

16 EXAMINER SEE: And you both can make your
17 point without the characterizations, and I am going
18 to allow Mr. Allen to answer the question.

19 MR. SATTERWHITE: Thank you.

20 EXAMINER SEE: And let's move on
21 efficiently.

22 A. And I apologize if my response made you
23 believe there was only one complaint. What I was
24 stating was I am aware of one complaint. There may
25 be other complaints out there. I just know of the

1 schools, there are other parties that tried to join
2 that complaint and there were objections to allowing
3 them to join that complaint. So I know there is at
4 least one complaint. There may be others.

5 Q. And you don't know the resolution --
6 strike that.

7 You're not part of that complaint; is that
8 correct?

9 A. I am not.

10 Q. And your church chose not to file a formal
11 complaint; is that correct?

12 A. That's correct.

13 Q. Let's turn to page 8 of your testimony,
14 please, sir.

15 A. I'm there.

16 Q. On page 8, the Q and A that starts on line
17 5, here you reference the economic base theory model
18 used by Dr. Holliday and the economic development
19 studies attached to your direct testimony; is that
20 correct?

21 A. The economic based model was used by
22 Dr. Holliday, yes.

23 Q. And that was what was attached to your
24 testimony, the economic development studies; is that
25 correct?

1 A. That's correct.

2 Q. And prior to drafting your rebuttal, you
3 personally have not run the base economic model; is
4 that correct?

5 MR. SATTERWHITE: Objection, beyond the
6 scope of the rebuttal testimony. As we established
7 earlier, the rebuttal is simple, repeating a simple
8 point of if the economic based model is still used
9 past I believe it was the 1970s. It's not dealing
10 with the intricacies of the base model. It's just a
11 matter of whether it is still used or not. It is a
12 very narrow, simple point.

13 MS. BOJKO: Your Honor, now Counsel is
14 testifying to what the purpose is behind the rebuttal
15 testimony of the witness. And while he may have
16 intended it to have that narrow application, first of
17 all, the witness is the person that should be
18 testifying, not Counsel.

19 Secondly, he opened the door by talking
20 about the economic base model and we have a right to
21 explore the new evidence that he has provided today.
22 We moved to strike that new evidence and that was
23 denied, so now we have a right to explore what he
24 does or doesn't know about these new attachments and
25 the new documents, and then we also have a right to

1 explore what he has or hasn't done in preparation of
2 his rebuttal testimony which was the point of that
3 question.

4 MR. SATTERWHITE: Your Honor.

5 MR. MICHAEL: I would simply point out
6 Mr. Satterwhite continuously misrepresents the nature
7 of the rebuttal testimony, the question that is asked
8 in the rebuttal testimony, and Dr. Dormady's
9 statements on his direct testimony, and I just want
10 to make those statements for the record, and we can
11 take that up on cross-examination, but he is
12 misrepresenting what the rebuttal testimony is.

13 EXAMINER SEE: And as you have already
14 acknowledged, you will have your opportunity when you
15 cross-examine this witness.

16 MR. MICHAEL: Thank you, your Honor.

17 EXAMINER SEE: Now, with that, the
18 witness --

19 MR. SATTERWHITE: May I respond?

20 EXAMINER SEE: No. The objection is
21 overruled. Mr. Allen can answer the question.

22 A. I have not run the economic base model.

23 Q. And you would agree with me that you still
24 are not an expert in the economic base model that you
25 reference on page 8; is that correct?

1 MR. SATTERWHITE: Objection, your Honor.
2 Whether this witness is an expert or not is
3 irrelevant to this rebuttal testimony. To make
4 Mr. Michael happy, I'll say the question is, has the
5 model gone largely forgotten. The rebuttal
6 testimony, which is what's at issue today in this
7 proceeding, is whether that's gone forgotten or not,
8 and is anybody else using it. That's way -- the
9 question we have pending right now is well beyond.

10 MS. BOJKO: Your Honor, if I may respond,
11 actually he makes some pretty bold statements and
12 assertions in his testimony on 8 and 9 that, as we
13 will explore through cross-examination, will be
14 impeached and challenged. So he is actually trying
15 to offer these as studies that the model has not been
16 forgotten, and that is actually in dispute. And if I
17 am allowed to continue my cross-examination, we will
18 demonstrate that his assertions in his testimony are
19 not accurate or do not accurately reflect the
20 question that he is trying to rebut or refuse.

21 MR. SATTERWHITE: Your Honor, she is
22 trying to retread ground that we tread a lot of
23 ground on in the prior hearing. Again, if you read
24 this question and answer, it is simply is this still
25 used, and she is trying to get into other issues.

1 This witness doesn't have to be an economic expert to
2 read what she keeps referring to as "studies," but
3 attachments that aren't necessarily studies. They
4 are accounts of public agencies using them.

5 EXAMINER SEE: Okay. The objection is
6 overruled. Mr. Allen can answer the question.

7 MS. BOJKO: Thank you.

8 THE WITNESS: Can I have the question
9 reread, please?

10 (Record read.)

11 A. I am not an expert in the application of
12 the economic base model.

13 Q. And since you last testified, you have not
14 published any books, treatises, or dissertations on
15 the base -- excuse me, the economic base theory, have
16 you?

17 A. I have not.

18 Q. And nor, since you last testified, you
19 have not published any books, treatises, or
20 dissertations on underlying methodologies and
21 procedures employed in the economic base theory; is
22 that correct?

23 A. That's correct. I am testifying as a
24 manager in a business that decides which models we
25 may want to employ to support decision making. And

1 in this case we chose to utilize the economic base
2 model. I am not an expert in the application of it,
3 but I looked to determine what models made sense for
4 us to use as a company.

5 Q. And you would agree that the economic base
6 model is a very simple analysis, would you not?

7 A. My view is that the economic base model is
8 a fairly transparent model that allows easy
9 understanding of the inputs and outputs. I wouldn't
10 characterize it as a necessarily a, I'll use the word
11 "simple" model.

12 Q. Oh, your testimony uses the word "simple"
13 on page 8, line 10. So you don't agree with the
14 quote that you quoted?

15 A. No. That's not correct. And I think you
16 mischaracterized the statement. This states that
17 it's the simplest of the models, it doesn't say that
18 it's a simple model. Very different facts.

19 Q. Thank you for that clarification. And
20 isn't it true that AEP used a simple ratio analysis
21 rather than a multiplier from a properly conceived
22 input-output model or econometric model?

23 MR. SATTERWHITE: Objection, your Honor.
24 AEP has presented no economic base theory model in
25 this testimony. She is now asking questions that I

1 believe she already asked in the initial testimony.

2 MS. BOJKO: Your Honor, this is directly
3 applicable to his comments about what this model does
4 or does not do, and it's a foundation question for
5 the next series of questions.

6 MR. SATTERWHITE: That's what I am
7 concerned about. We are getting into a bunch of
8 things that do not deal with this rebuttal testimony
9 again.

10 MS. BOJKO: It relates to the attachments
11 in the rebuttal testimony, your Honor.

12 MR. SATTERWHITE: For clarification,
13 there's attachments. There is some sources, but we
14 are not trying to admit those.

15 EXAMINER SEE: The objection is noted.
16 Let me hear this question and perhaps the one
17 following.

18 THE WITNESS: Can you please reread that?

19 (Record read.)

20 A. There are a lot of comments in there about
21 "properly conceived" and things. The company used
22 the base economic model. We didn't use a different
23 model.

24 Q. And I believe I think you've responded in
25 your prior question -- or prior answer that the

1 economic base model is the -- is one of the simplest
2 of all the models. So you would agree that
3 economists have used more complex multipliers than it
4 shall -- excuse me. Strike that. I'll start over.

5 You would agree with me that there are
6 more complex models than the economic base model; is
7 that correct?

8 A. And, remember, you know I am an engineer
9 by training. Models can be very complex or models
10 can be simpler and more transparent. The fact that a
11 model is more complex doesn't make the model more
12 accurate. It just makes it more complex to complete
13 the analysis and usually makes the inputs and outputs
14 less transparent. So the company chose to use this
15 model that we think is a reasonable model for the
16 purposes in this case.

17 Q. Yeah. But I believe you said in response
18 to the quote that this is one of the oldest and
19 simplest models, that there are more complex models
20 out there; is that correct?

21 A. There are more complex models out there.
22 Whether those complex models produce more accurate
23 results or not is a different question.

24 Q. And isn't it true that economists use more
25 complex multipliers if they do use the base economic

1 model?

2 A. I don't know that to be the case. We had
3 an economist that was on the Governor's Board of
4 Economic Advisors as our economist that prepared this
5 and this is the analysis he performed, so I don't
6 think I could agree with your assertion.

7 Q. You don't know that economists often
8 change the multiplier that's contained in the
9 economic base model?

10 MR. SATTERWHITE: I'll object, again, your
11 Honor. As you noted in the last one, and you were
12 going to ask more questions, here we are now dealing
13 with what's in the economic base theory application
14 and the witness's testimony is not dealing with that.

15 MS. BOJKO: Your Honor, he is talking
16 about the oldest and simplest economic base model and
17 then he's talking about who uses it and when they use
18 it and I am asking him a question of whether he knows
19 that some that may use it modify it and that was the
20 basis of my question. He is going on and talking
21 about how agencies continue to reference and use, and
22 I am exploring whether he knows that they also change
23 it.

24 MR. SATTERWHITE: And, your Honor, I think
25 she just admitted to my point of why I have said this

1 is beyond the scope of cross-examination. Though
2 what she keeps referring to as the simplest and
3 oldest is a quote from the World Bank report that the
4 OCC witness already said was a reliable source.

5 And so all he is pointing out that other
6 economists, other agencies do use the economic base
7 model. She wants to get into, well, they could use
8 something else, what are the multipliers that go into
9 that. That's well beyond the scope of the simple
10 point of his testimony.

11 MS. BOJKO: Your Honor, he keeps saying
12 it's the simple point of the testimony, but we have a
13 pretty large paragraph that makes many factual
14 assertions. He claims that agencies on page 9, line
15 5, he claims that "Agencies that continue to
16 reference and use the economic base model include,"
17 and he lists entities that he claims uses this model.

18 MR. SATTERWHITE: And I have no problem
19 with her asking a question about that. That's within
20 the scope of the testimony, not what happened -- what
21 was used in the base model that was in direct.

22 MS. BOJKO: No.

23 EXAMINER SEE: I am going to sustain the
24 objection.

25 MS. BOJKO: Thank you, your Honor.

1 Q. (By Ms. Bojko) Let's turn to page 9 of
2 your testimony. Turn to line 5. I want to focus on
3 that statement we were just talking about. You claim
4 on page -- line 5 that "Agencies that continue to
5 reference and use the economic base model include
6 Texas A&M Department of Agriculture Economics; is
7 that correct?

8 A. That's correct.

9 Q. So now -- do you have with you the Texas,
10 what you claim to be the Texas A&M Department of
11 Agricultural Economics document that you cite in
12 footnote 11?

13 A. I do.

14 MS. BOJKO: We are going to go ahead and
15 mark that, your Honor, because it's not marked. I
16 would like to mark it as OMAEG Exhibit 21, I believe.

17 EXAMINER SEE: OMAEG 21.

18 (EXHIBIT MARKED FOR IDENTIFICATION.)

19 Q. Sir, do you have in front of you what's
20 been marked as OMAEG Exhibit 21?

21 A. I do.

22 Q. And is that the document that's the result
23 of footnote 11?

24 A. It's the document that is referenced in
25 footnote 11, yes.

1 Q. Thank you for that. And this document
2 that you have is a two-page document; is that
3 correct?

4 A. Really, a one and a fourth of a page.
5 It's a -- I think it's a brochure they supply to
6 cooperative members, yes.

7 Q. So this brochure that you reference, did
8 you draft this brochure?

9 A. I did not. But I did obtain it directly.

10 Q. Was it prepared under your direction, sir?

11 A. It was not.

12 Q. Do you know who Mr. Park is?

13 A. I do not.

14 Q. Do you know who Mr. Davis is?

15 A. I don't see a Mr. Davis on this document.

16 Q. Do you know what the Cooperative
17 Management Program is?

18 A. The Cooperative Management Program would
19 typically be a program that helped support
20 agricultural endeavors in a community.

21 Q. Are you referring specifically to this
22 document? Do you know that about this document?

23 A. Yes. It's the AgriLife Extension of the
24 Texas A&M System, so it does support the agricultural
25 communities in those areas.

1 Q. And did you speak to Mr. Park prior to
2 referencing his brochure?

3 A. I did not.

4 Q. Do you know what the date of the brochure
5 is?

6 A. It's July, 2009.

7 Q. Where on the brochure does it say Texas
8 A&M Department of Agricultural Economics?

9 A. It says "Texas A&M System." And if you
10 look to the source of the document, it comes from
11 that department of Texas A&M.

12 Q. Actually, I asked you if you could point
13 to the document and point to where it says Texas A&M
14 Department of Agricultural Economics.

15 A. It does not state it on the document, but
16 that's the source of where I obtained the document
17 from.

18 Q. Did Mr. Park run or use the economic base
19 model in this brochure?

20 A. No. And I think maybe you misunderstood
21 the purpose behind the brochure that's here. The
22 purpose of my reference in my testimony and this
23 document is to show that the economic base theory is
24 still used today and the first sentence of the
25 brochure makes it pretty clear. It says economic

1 based theory also called -- I'm sorry. "Export base
2 theory (also called economic base theory) is a useful
3 tool to describe a local economy and provides a
4 framework to analyze the impacts from changes in
5 economic activity." And it goes on to make
6 references to utilizing these types of models to talk
7 to others within the community about the economic
8 benefits of farms and agricultural endeavors in those
9 communities.

10 Q. And just so I --

11 MR. MICHAEL: Your Honor, I move to strike
12 his response. I apologize, Ms. Bojko.

13 MS. BOJKO: No.

14 MR. MICHAEL: But Mr. Allen was asked
15 if -- where, if anywhere in this document, the
16 economic base theory was run, and that's -- he went
17 well beyond that to address matters that had nothing
18 to do with the question that was asked which was
19 where in this -- where in this document is the
20 economic base theory run.

21 And Mr. Allen, further, and supported
22 purportedly by the comments of his counsel, is
23 testifying to the fact in his opinion or his asserted
24 fact that the economic base theory is still used.
25 And that's stated in the testimony referenced by

1 Attorney Bojko. The question was whether in this
2 document is it used, which he cites the document for.
3 The rest of his response was nonresponsive to the
4 question.

5 MR. SATTERWHITE: Your Honor, the question
6 was where did he run or use the model and the first
7 sentence talks about how he is using the model in the
8 actual document. And I was about to object because,
9 again, it was beyond the scope of what the rebuttal
10 testimony is. But the witness did clarify that maybe
11 she's just confused that the purpose of the rebuttal
12 testimony was to show that this model is still used
13 and that's how it's used in this document. And he
14 explained how the economic base theory is used in the
15 document that's been put in front of him.

16 MS. BOJKO: Objection, your Honor. He's
17 mischaracterizing the document now. In no way does
18 this document use the economic base model. And
19 that -- those are the points of my questions. It
20 does not -- agencies that continue to reference and
21 use, this does not in fact do that. And so my
22 question was where does it do it in this document to
23 impeach the witness. And now Counsel's
24 misrepresenting the document in order to prevent
25 impeachment of the witness.

1 MR. SATTERWHITE: Not at all, your Honor.
2 She is preoccupied with some study being done, as was
3 evident from your motion to strike, and she is still
4 trying to say all these studies are being done. The
5 witness said -- she asked was it run or used, he said
6 they used part of that, which is obviously what he is
7 responding to to show where he provided this document
8 and how the economic base model was used for purposes
9 of why he is using it in this case. What she wants
10 to use it for is beyond the scope of the rebuttal,
11 and if that's the real question, the whole line of
12 questioning should be stricken.

13 EXAMINER SEE: And the question is not
14 going to be stricken. The witness's answer is not
15 going to be stricken.

16 MR. SATTERWHITE: Thank you.

17 EXAMINER SEE: The objection is overruled.
18 Move to your next question.

19 MS. BOJKO: Thank you, your Honor.

20 Q. (By Ms. Bojko) You said in response to one
21 of my questions that the point of your testimony is
22 to show this is still being used today. And when you
23 said "today," you are talking about 2009; is that
24 correct?

25 A. No. Those are two examples I provided in

1 my testimony that were pretty clear and easy to cite
2 to, but there's other uses today. The most recent
3 one is New Mexico State University Arrowhead Center
4 in July, 2015, just a couple of months ago, so that's
5 an example where it's currently being used today.

6 MS. BOJKO: Objection, your Honor. Now, I
7 move to strike. He is providing new evidence on the
8 record. We have no idea if that document, sitting
9 here today, is an actual use of the base economic
10 theory, in an actual study that uses the theory, or
11 whether it's a brochure like the one that's provided.
12 I asked if -- with regard to his statement that Texas
13 A&M Department of Agricultural Economics uses this
14 today, if he is referencing the July, 2009 brochure.

15 MR. SATTERWHITE: Your Honor, she's trying
16 to argue with the witness and saying your premise of
17 your argument is that it's still used today, but this
18 is 2009 on this document. And the witness said it is
19 still used today, immediately refuting the
20 confrontation by the counsel, and saying he has
21 another example from 2015.

22 EXAMINER SEE: Okay. Mr. Allen, is the
23 reference that you made to 2015 from New Mexico
24 state, is that included in your testimony?

25 THE WITNESS: It's not included in my

1 testimony but --

2 EXAMINER SEE: Thank you. Thank you.

3 That response is stricken.

4 MS. BOJKO: Thank you, your Honor.

5 EXAMINER SEE: And you can answer the
6 question again.

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

9 (Record read.)

10 A. No. I am referring about current
11 practices including 2015.

12 Q. Okay. Can I take you back to your
13 testimony, please, on page 9. You say "Agencies that
14 continue to reference and use the economic base model
15 include the Texas A&M Department of Agricultural
16 Economics." And in response or as footnoted to that
17 statement, you provided us a July, 2009, brochure; is
18 that correct?

19 A. That's correct.

20 Q. Okay. And this brochure is actually a
21 document explaining the economic base model
22 components; is that correct?

23 A. It explains how the base model can be
24 used, yes.

25 Q. And Mr. Park, who wrote this brochure, did

1 not actually apply and use the economic base model
2 components to complete an economic development study
3 for the Texas A&M service -- or System; is that
4 correct?

5 A. Not in that document.

6 Q. Okay. Thank you.

7 And isn't it true that this document,
8 including the sentence that you read to me, nowhere
9 states that the Texas A&M Department of Agricultural
10 Economics references the base economic model; isn't
11 that correct?

12 A. I wouldn't agree or not. On the face of
13 the document it says that the economic base theory is
14 a useful tool to describe a local economy. So
15 clearly they are referencing the use of the model.

16 Q. But isn't it true, sir, that this document
17 does not state that the Texas A&M Department of
18 Agricultural Economics continues to reference the
19 economic base model?

20 A. This document from Texas A&M is telling
21 individuals in the cooperative community in Texas
22 that the economic base theory or economic base model
23 is a tool that they should be using. So I think they
24 are endorsing its use in this document clearly.

25 Q. It states that the Texas A&M Department of

1 Agricultural Economics uses and references the base
2 economic model?

3 A. They are referencing its usefulness. This
4 is a document from the Texas A&M Department of
5 Agriculture where they're suggesting its use. So I
6 don't know -- I am kind of lost with your question.
7 I apologize.

8 Q. Isn't this document just explaining the
9 economic base model and the type of tool that it can
10 be? It's not saying that they actually use this nor
11 does it actually use the base economic model; isn't
12 that true?

13 A. It wasn't intended to use the tool. What
14 it's doing is telling individuals that this is a
15 useful tool.

16 Q. And just to clear up the record because I
17 think you may have misspoke, doesn't this -- the only
18 indication on this document itself says that it's
19 regarding the Texas A&M System? I don't see anywhere
20 on this document that says it's for the Department of
21 Agricultural Economics, correct?

22 A. It came from the Department of
23 Agricultural Economics. That's where I obtained the
24 document from and it was prepared by them. The
25 AgriLife Extension, if my recollection is correct, is

1 under the Texas Department of Agricultural Economics.

2 Q. But that's not on this document; is that
3 correct?

4 A. No. That's why I am testifying to it here
5 as we speak.

6 Q. And again -- let's move on.

7 MS. BOJKO: Let's go to the second one.
8 Let's mark that as OMAEG Exhibit 22. And that one is
9 the one in footnote 12 which is from John Krantz.
10 May I mark that as OMAEG Exhibit 22, your Honor?

11 EXAMINER SEE: You may approach and you
12 may mark it.

13 (EXHIBIT MARKED FOR IDENTIFICATION.)

14 Q. Do you have in front of you, Mr. Allen,
15 what is -- what appears to be a two-page document
16 titled "Economic Insight" by John Krantz, and it's a
17 question "How do regional economies grow?" "Regional
18 Economic Growth and the Economic Base Concept."

19 A. Yes, that's the document.

20 Q. Is this the document that you were
21 referencing and cited to in footnote 12?

22 A. These are the pages I was referencing,
23 yes.

24 Q. And is this the document you were
25 referring to when you stated agencies that continue

1 to reference and use the economic base model include
2 the Utah Department of Workforce Services?

3 A. Yes.

4 Q. And this is the complete document that you
5 cited to, sir?

6 A. These are the relevant pages from that
7 document where they are talking about the use of the
8 economic base model.

9 Q. Well, sir, they are talking about the
10 economic base theory and components of that economic
11 base theory; isn't that correct?

12 A. The economic base model is the application
13 of the economic base theory. They go hand in hand
14 together. They are one and the same.

15 Q. And this is the document that you provided
16 as workpapers in response to your citation of the
17 testimony; is that correct?

18 A. Yes. Of the many documents I referred to
19 in identifying this, this is widely used. This is
20 one of the documents that I looked at.

21 Q. And did you draft this document?

22 A. I did not.

23 Q. It was prepared under your direction?

24 A. It was not.

25 Q. Do you know Mr. Krantz?

1 A. No.

2 Q. Did you speak to Mr. Krantz prior to
3 referencing his two-page document in your testimony?

4 A. No.

5 Q. What is the date of this document?

6 A. It's August of -- July, August of 2010.

7 Q. Where on the flier does it say Utah
8 Department of Workforce Services?

9 A. It's obtained from the Utah Department of
10 Workforce Services, that's where I obtained the
11 document, and you can see a reference on the bottom
12 of the page to jobs.utah.gov/wi. On the second page.

13 Q. Utah.gov. Where does it say that this was
14 drafted by or for the Utah Department of Workforce
15 Services?

16 A. That's where I obtained the document from.
17 It was prepared for them. It's one of their
18 documents.

19 Q. So is your answer the document itself does
20 not contain the word Utah Department of Workforce
21 Services?

22 A. It may not be listed on the document. My
23 testimony today is that's where I obtained it and so
24 that's the evidence.

25 Q. You obtained it, but you don't know that

1 this was prepared for the Utah Department of
2 Workforce Services, do you?

3 A. Yes, I do. It was prepared by them
4 actually. It's their document. And "Economic
5 Insight" is their document.

6 Q. And this isn't indicated anywhere on here
7 that it was the Utah Department of Workforce
8 Services.

9 MR. SATTERWHITE: Objection, asked and
10 answered. The witness has explained where he got it,
11 his understanding of what it was, the citation, the
12 jobs.Utah.

13 MS. BOJKO: I'll withdraw the question,
14 your Honor.

15 EXAMINER SEE: Thank you.

16 Q. In this document, this two-page document,
17 isn't it true that Mr. Krantz did not run or use the
18 economic base model?

19 A. That wasn't the intent of the document.
20 The intent of the document was to show that it's a
21 useful model today.

22 Q. So is the answer to my question, no, he
23 did not run or use the economic base model in this
24 article that he drafted?

25 A. He would not have run the economic base

1 model as part of this document.

2 Q. And isn't it true that this document
3 itself does not state that the Utah Department of
4 Workforce Services continued to reference and use the
5 economic base model?

6 A. My read of this document is that it's
7 confirming that the Utah Department of Workforce
8 Services is currently supporting the use of the
9 economic base model.

10 Q. Are you stating that it says in this
11 document that the Utah Department of Workforce
12 Services uses the economic base model?

13 A. They are describing the use of the
14 economic base model and its application and they are
15 giving references of how to calculate it. So my view
16 of that is that they are endorsing the use of the
17 model. This model -- this document isn't a use of
18 the model. But it talks about specific elements of
19 the model and how to use them, things like location
20 quotient, things of that nature.

21 Q. Sir, you do not know that to be true.

22 MR. SATTERWHITE: Objection, your Honor.
23 Now she is just arguing with the witness.

24 Q. Isn't that correct?

25 MS. BOJKO: I am not arguing. I am asking

1 if he knows that's a fact that I can't find anywhere
2 in this two-page document, the phrase "Utah
3 Department of Workforce Services," and I am asking
4 him if it actually says they use the economic base
5 model as opposed to it being a summary document of
6 one type of model.

7 MR. SATTERWHITE: You have asked the
8 question -- your Honor, she has asked the question
9 multiple times with different inflections and the
10 witness explained the document, his intention of
11 using it for, and how he believes they are using it,
12 so she is bickering back and forth with him.

13 EXAMINER SEE: I would agree that the
14 question has been asked and answered by this witness.

15 Q. Well, sir, isn't it true that they don't
16 give an example of the base economic model? What the
17 paragraph does is it talks about location quotients
18 and it gives an example of the location quotient
19 component of the economic base model?

20 MR. SATTERWHITE: Objection, your Honor.
21 It misrepresents the document. The document clearly
22 says "the theory is still popular today, even though
23 it is more often applied to regions and counties" in
24 the first paragraph, so she is picking one point out
25 and missing the point of the rebuttal testimony and

1 why it was included.

2 MS. BOJKO: Your Honor, he just said it
3 ran an example of an economic base model and that's
4 not what the document does. So now I am exploring
5 what the document does do which is run an example of
6 the location quotient portion of the model.

7 EXAMINER SEE: And I am going to allow
8 Mr. Allen to answer the question.

9 MS. BOJKO: Thank you.

10 A. This document is not a full analysis of
11 the model. It gives an example of an element that's
12 used in the model, the location quotient.

13 Q. Thank you.

14 And what this document does, it gives an
15 example of the three counties in Utah to give a
16 comparison of how specialized a county is in the
17 production of a particular good or service; is that
18 correct?

19 A. That's one purpose of this document.

20 Q. And Mr. Krantz does not go the next step
21 and actually use the local quotation -- location
22 quotation [verbatim], excuse me, to run the economic
23 base model; is that correct?

24 A. No, because this document isn't intended
25 to say what are the economic benefits of a specific

1 industry or number of jobs coming into a community.
2 What it's saying is that once you knew those types of
3 things, this is a model you could utilize to
4 understand the impact on the community.

5 Q. And in the beginning it says -- strike
6 that.

7 And this document does not say that this
8 is the only model that can or should be used; is that
9 correct?

10 A. That's absolutely correct.

11 MS. BOJKO: And now, your Honor, if I may
12 approach, as well as mark another document, it's the
13 World Bank document referenced in footnote 10 on
14 page 8.

15 EXAMINER SEE: You may.

16 MS. BOJKO: I would like to mark that as
17 OMAEG Exhibit 23.

18 EXAMINER SEE: So marked.

19 (EXHIBIT MARKED FOR IDENTIFICATION.)

20 MS. BOJKO: Thank you.

21 Excuse me, your Honor, I stand corrected.
22 What has been marked as OMAEG Exhibit 23 is a
23 "Regional and Local Economic Analysis Tools" document
24 that has been prepared for the World Bank Institute.

25 EXAMINER SEE: Just a second, Ms. Bojko.

1 I thought we had previously marked this.

2 MS. BOJKO: Oh.

3 MR. SATTERWHITE: Your Honor, I believe it
4 was used in the cross of the Witness Dormady, but
5 not marked.

6 MR. MICHAEL: I agree with that, your
7 Honor.

8 EXAMINER SEE: Okay. Go ahead, Ms. Bojko.

9 MS. BOJKO: Thank you. So it is marked as
10 OMAEG Exhibit 23?

11 EXAMINER SEE: Yes, it is.

12 Q. (By Ms. Bojko) Mr. Allen, do you have in
13 front of you what has been marked as OMAEG Exhibit
14 23?

15 A. I do.

16 Q. And is this the document that you
17 reference on page 8 of your rebuttal testimony in
18 footnote 10?

19 A. Yes.

20 Q. Did you draft this document, sir?

21 A. No.

22 Q. Was it prepared by you or under your
23 direction?

24 A. It was not.

25 Q. Do you know Mr. Dinc?

1 A. I do not.

2 Q. Did you speak to Mr. Dinc prior to
3 referencing this document?

4 A. I did not.

5 Q. And what is the date on the document, sir?

6 A. January, 2002.

7 Q. Did Mr. Dinc run or use the economic base
8 model in this document?

9 A. It appears in the back of the document
10 that there are applications to the economic base
11 theory in this report. Whether they were prepared by
12 Mustafa Dinc or not, I don't know.

13 Q. It's not an economic development study for
14 a particular purpose, is it? It does provide
15 examples, but it's not an actual economic development
16 study, is it?

17 A. No. It's a discussion of regional and
18 local economic analysis tools.

19 Q. Right.

20 A. Identifying the tools that are available
21 for use by different parties.

22 Q. In fact, doesn't it actually describe
23 multiple economic development models and tools that
24 can be used?

25 A. It does, and maybe we are confused, but my

1 testimony isn't to state that there is only one model
2 that can be used. What I'm rebutting here is the
3 statements of Dr. Dormady that the economic base
4 model has largely gone forgotten, and that's just not
5 true based on the research I have done.

6 Q. And again, this isn't an actual
7 application of economic development based model, it
8 is actually -- strike that.

9 This isn't an application of the economic
10 base model. It is a tutorial, so to speak, with
11 illustrative examples of how one could go about using
12 the economic base model as one of an economic -- of
13 their economic development tools.

14 A. I don't know that I would agree that it
15 has examples of how it could be used. I think it
16 actually has examples of how it is used, actually,
17 which are what the attachments at the end are. They
18 are not hypotheticals. They are actual, real world,
19 economic analyses that are attached.

20 Q. But they don't look -- first of all, isn't
21 it true that they reference multiple economic
22 development models and tools that could be used?

23 A. Yes.

24 Q. And isn't it true they offer examples of
25 multiple economic base -- or economic models --

1 economic development tools that can be used?

2 A. Yes.

3 Q. And isn't it true that they pull out
4 particular components of economic development tools
5 and demonstrate how those economic development tools
6 can be used?

7 A. I think it discusses those in different
8 places in the document about how different approaches
9 are useful, yes.

10 Q. Okay. It wasn't compiled to do an actual
11 economic development study that gives you a result
12 based on the economic base model; isn't that true?

13 A. That's right. It was describing the
14 application of the model.

15 Q. Okay. And the -- one of the models
16 discussed in here is called the shift-share model,
17 isn't it?

18 A. It does list that model.

19 Q. And did AEP use the shift-share model when
20 running its economic development studies?

21 MR. SATTERWHITE: Objection, beyond the
22 scope of the rebuttal testimony. This document as he
23 indicated in his testimony was provided because of
24 the statement that was discussed with Mr. Dormady on
25 page 13, where it's the oldest, simplest, and most

1 widely-used technique.

2 Getting into the other theories that might
3 be in here and applying it to what happened in the
4 direct case is well beyond the scope of the rebuttal
5 testimony that's been provided.

6 MS. BOJKO: Your Honor, he can't take a
7 document and pull out one scope from the document and
8 say that now the whole rest of the document is beyond
9 the scope of rebuttal. If he pulls -- if he
10 attaches -- or if he references a document and he
11 quotes from the document, then it's typical, in
12 fairness, to allow the whole document in. And it
13 does -- also you are allowed to question them on the
14 document to determine how and if the witness has
15 knowledge of that document for the purpose that he
16 purports to use it for.

17 MR. SATTERWHITE: And, your Honor, the
18 purpose it's used for is very simple. It's the
19 statement on page 13 about how widely it's used. AEP
20 did not attach this to put it in the record. It was
21 a matter of his research he did to rebut the exact
22 statement by Mr. Dormady that's included in the
23 testimony.

24 It's counsel from OMA that's trying to put
25 this in the record and saying there is other things

1 in here that need to be discussed when they are well
2 beyond the purpose of why it was provided on rebuttal
3 testimony. It's trying to seek to, I don't know,
4 attack or support, I don't know what it's trying to
5 do, with the direct case as opposed to the limited
6 purpose of the research done for this rebuttal
7 testimony.

8 EXAMINER SEE: Mr. -- the objection is
9 overruled. Mr. Allen, you can answer the question.

10 THE WITNESS: Can you please reread the
11 question? I think I remember. Did the company use
12 the shift-share model and the company is -- no, the
13 company did not use the shift-share model when
14 conducting AEP's development study.

15 Q. Did they use any of the other economic
16 development models or techniques listed in this
17 document other than the economic base model?

18 A. No. The company chose one model to use
19 and file in this case.

20 Q. And outside of the documents, do you have
21 any independent knowledge of the specific elements
22 discussed in the basic -- base economic theory
23 documents used by Mr. -- get my names correct,
24 Mr. Park, Mr. Krantz, or Mr. Dinc?

25 A. Based on my experience and education, I

1 have an understanding of the underlying principles
2 behind the economic base model and economic
3 development impacts of adding jobs to a community.
4 The actual application of a tool like the economic
5 base model, those details I leave to others that are
6 experts in that like Dr. Holliday that I utilized to
7 perform the calculations for me.

8 Q. I thought you explained to us the last
9 time in your direct testimony that you had never run
10 the base economic theory model and that you were
11 relying on Dr. Holliday's recommendations and that
12 you weren't familiar with the exact components or
13 non-sector, basic sector provisions that Dr. Holliday
14 used; is that not correct?

15 MR. SATTERWHITE: Objection, beyond the
16 scope.

17 MS. BOJKO: Your Honor, I am just
18 following up with a statement that he said here that
19 seems to be inconsistent with a prior statement he
20 made.

21 EXAMINER SEE: And if the statement is
22 inconsistent, you have both of them in the record.

23 Move on, Ms. Bojko.

24 MS. BOJKO: Okay. Thank you.

25 If I may have just one moment, your Honor.

1 EXAMINER SEE: Uh-huh.

2 Q. A clarifying question, Mr. Allen. Isn't
3 it true that currently, meaning 2015, October, 20 --
4 or November, 2015, that AEP Ohio no longer has
5 seasonal rates?

6 A. I don't know that for a fact. Only one of
7 our jurisdictions historically had it, so I am not
8 sure if those have continued.

9 Q. I'm sorry, I didn't hear that response.

10 A. Only one of our jurisdictions historically
11 had seasonal rates and I am not sure if they have
12 continued those.

13 MS. BOJKO: That's all I have. Thank you,
14 Mr. Allen.

15 EXAMINER SEE: Mr. Michael.

16 MR. MICHAEL: Thank you, your Honor.

17 - - -

18 CROSS-EXAMINATION

19 By Mr. Michael:

20 Q. How are you, Mr. Allen?

21 A. Fine.

22 MR. MICHAEL: Oh, she's going next?

23 MS. FLEISHER: Yes. If it's okay with
24 your Honors and everyone else, I would like to cut in
25 line with a not for getting out for child care

1 obligations tonight.

2 EXAMINER SEE: Is that okay with you?

3 MR. MICHAEL: Yes, sir, it is. Yes,
4 ma'am. I apologize.

5 EXAMINER SEE: Go ahead, Ms. Fleisher.

6 MS. FLEISHER: Thank you, your Honor, and
7 Mr. Michael.

8 MR. MICHAEL: You're welcome.

9 - - -

10 CROSS-EXAMINATION

11 By Ms. Fleisher:

12 Q. Mr. Allen, can you turn to Exhibit 45,
13 page 77, based on the numbers at the bottom.

14 A. I'm there.

15 Q. And at the -- about halfway down there's
16 an entry for Lykins Energy Solutions, a fixed
17 24-month offer for .0 -- or for \$6 -- 6.1 cents per
18 kilowatt-hour. Do you see that?

19 A. I see that.

20 Q. When you were reviewing contracts put
21 forth by the CRES providers, did you review the
22 Lykins contract?

23 A. I did not.

24 Q. You did not. Okay.

25 MS. FLEISHER: May I approach, your Honor?

1 EXAMINER SEE: Yes.

2 MS. FLEISHER: And if I could have this
3 marked as I think we are on ELPC Exhibit 16. And for
4 the record this is the Terms and Conditions sheet for
5 Lykins, for the Lykins contract, which I accessed
6 through the PUCO Apples to Apples website.

7 EXAMINER SEE: You said ELPC 16?

8 MS. FLEISHER: Yes, I believe so. Subject
9 to correction if I missed one.

10 EXAMINER SEE: Yes. The exhibit is so
11 marked ELPC Exhibit 16.

12 (EXHIBIT MARKED FOR IDENTIFICATION.)

13 Q. (By Ms. Fleisher) So, Mr. Allen, just to
14 confirm you did not review this form contract in
15 preparing your testimony; is that correct?

16 A. I think I looked at it when I was scanning
17 through others, but I didn't review it in detail, but
18 I think I have seen this one. I don't know if it was
19 for my testimony but it was for a prior purpose.

20 Q. Okay. And so you didn't --

21 MR. SATTERWHITE: Sorry. I was going to
22 say if Counsel is representing you got this from the
23 Apples to Apples website, we won't oppose.

24 MS. FLEISHER: They were. Okay. Great.
25 Thank you. Much appreciated. I will note that

1 one -- for some reason the -- if you go from the AEP
2 Apples to Apples, the link won't work. I got it by
3 going through the FirstEnergy, the same contract
4 terms and conditions link, and I confirmed
5 independently on the Lykins website this is the only
6 terms and conditions sheet that they apparently use.

7 MR. SATTERWHITE: So this is an FE
8 contract is what you are saying?

9 MS. FLEISHER: I will throw this one to
10 the PUCO for I don't know why the Lykins website on
11 the Apples to Apples website doesn't work, and I just
12 want to be absolutely clear as to, you know, so if
13 you go to the website that that would happen to you,
14 too. I assume, but I have no reason to believe that
15 there's any other terms and conditions sheet out
16 there. This is the one on their website generic --

17 MR. SATTERWHITE: I think I am going to be
18 okay. Let me just ask a question. So what you are
19 saying if you link from the AEP page from the Apples
20 to Apples it doesn't take you to the Lykins site?

21 MS. FLEISHER: You get a 404, you know,
22 page not found.

23 MR. SATTERWHITE: Okay.

24 MS. FLEISHER: If you go from the other
25 utilities, you get to this. And if you go to the

1 Lykins website and you say I want to sign up as an
2 AEP customer, you get to this.

3 MR. SATTERWHITE: And, your Honor, I guess
4 with that explanation on the record, we can continue,
5 recognizing this is --

6 MS. FLEISHER: I am happy to do this
7 subject to check. I don't particularly know how to
8 check it, but to the best of my knowledge this is the
9 website.

10 MR. SATTERWHITE: This may not be an offer
11 in our territory, but I want to move things along
12 too.

13 MS. FLEISHER: Certainly, yeah, we can
14 revisit.

15 EXAMINER SEE: And you're willing to
16 accept it at this point, subject to check?

17 MR. SATTERWHITE: With all of these
18 explanations, at least there is context to it, so I
19 think we are okay that the CRES contract is a CRES
20 contract.

21 MS. FLEISHER: Yes.

22 MR. DARR: For purposes of reference, your
23 Honor, if you look at the second page, there's a
24 direct reference to AEP Ohio at the bottom of that
25 page. So it appears to be a standard contract across

1 all three utilities listed.

2 EXAMINER SEE: Yes. Thank you, Mr. Darr.

3 Go ahead, Ms. Fleisher.

4 MS. FLEISHER: Thank you, your Honor.

5 Q. (By Ms. Fleisher) And so just to confirm,
6 Mr. Allen, I didn't check whether this contract has
7 any passthrough provision for fixed rate customers.

8 A. Not as I was preparing my testimony in
9 this case.

10 Q. Okay.

11 A. My rebuttal testimony.

12 Q. And is it correct that on the Apples to
13 Apples, Exhibit 45 for that contract, it says this is
14 a fixed rate with no passthrough charges or hidden
15 fees?

16 A. Yes.

17 Q. Okay. And when you were reviewing
18 contracts for CRES providers, did you just choose a
19 few to look through or how did you -- how did you
20 determine which to look at?

21 A. I looked at several of them identifying
22 those where the terms allowed the CRES provider to,
23 in my view, adjust the fixed rate during the term of
24 the contract. That's not to say there aren't others
25 out there that have more restricted language. My

1 testimony was intended to say there are some fixed
2 contracts out there that may not be as fixed as
3 customers may believe and they still have the ability
4 to see changes in price during the term.

5 Q. And for the contracts that you did
6 identify in your testimony, do you know whether those
7 would allow for the passthrough of the PPA rider in
8 the event it's a charge to customers?

9 A. The PPA rider is not a charge to CRES
10 providers. It would be part of the nonbypassable
11 charge so it wouldn't have any impact on the CRES
12 providers.

13 Q. And can you turn to page 3 of your
14 rebuttal testimony.

15 A. You have no more questions on this
16 document?

17 Q. None. You can put it aside. Thank you.

18 A. I'm there.

19 Q. Okay. And the question starting on
20 line 19 asks "Exelon Witness Campbell stated during
21 Cross Exam that competition leads to price stability.
22 Do you agree?" And so the following answer is meant
23 to relate to whether competition creates price
24 stability, correct?

25 A. Yes, that's correct.

1 Q. Okay. And you provide in that answer
2 certain information about CRES offer prices as well
3 as SSO auction prices, correct?

4 A. Yes, that's correct.

5 Q. And just to confirm all those -- all those
6 prices are nominal figures, correct? They are not
7 adjusted for inflation?

8 A. These are all talking about a period of 12
9 months for CRES offers or less. So I mean the
10 current inflation market is really irrelevant when
11 you are talking nominal or discounted dollars, but
12 from a customer perspective they don't really think
13 in discounted dollars. They think in nominal
14 dollars, what do they pay on the bill, so that's what
15 I reflected here.

16 Q. Just to make sure I am understanding
17 correctly. So, for example, on page 4, line 18 and
18 19, when you say the January, 2014, 12-month contract
19 product was \$4.92 per megawatt-hour, that's in 2014
20 dollars?

21 A. It's in dollars over the -- over the term,
22 so it's not in 2014 dollars. It's comparing those
23 two products for the planning year. So it covers a
24 portion of 2014 and 2015.

25 Q. Okay.

1 A. Its rate.

2 Q. All right. And so with respect to the
3 CRES contract offers that you discuss, those are
4 all -- strike that.

5 With respect to the CRES offers you
6 discuss, your testimony doesn't provide any
7 information as to whether any customers signed up for
8 those offers, correct?

9 A. That's correct. That's why I provided a
10 range of data sets to show what the minimum offers
11 were, what the median offer was, what the average
12 was, to show that any number of offers that a
13 customer could have obtained during that period
14 showed very similar changes in price.

15 Q. And so your testimony doesn't provide
16 information about the prices actually paid by retail
17 customers during the timeframes you are discussing,
18 correct?

19 A. Those would be the prices paid by
20 customers if they entered into those contracts.

21 Q. But you don't provide any, I guess, sort
22 of absolute figures of, you know, this many customers
23 were in a contract at this rate, or so on and so
24 forth; is that correct?

25 A. Those would be pieces of information that

1 the CRES would maintain, and if I knew the number of
2 customers that were served by each individual CRES
3 which we have access to, I clearly wouldn't share
4 that in public data.

5 Q. Are you aware that the Energy Information
6 Administration collects state-by-state data regarding
7 retail electricity prices?

8 A. I know that they collect that data from my
9 experience. It's not a data source that retail rates
10 that we -- that we ever utilize because it includes a
11 combination of many utilities and there is some
12 questions about whether customers are shopping and
13 not shopping so we usually go to other sources of
14 data as opposed to that data source.

15 MS. FLEISHER: Your Honor, I would move to
16 strike everything after he was aware of it. I didn't
17 ask whether they used it.

18 MR. SATTERWHITE: Your Honor, I believe
19 the questions were about whether EIA collects data,
20 and if he was aware of it, and he should be able to
21 say why he doesn't think it's reliable.

22 MS. FLEISHER: Your Honor, that last
23 portion of what Mr. Satterwhite said was not part of
24 my question.

25 MR. SATTERWHITE: Right, but it's context

1 for the witness. The witness has knowledge of what
2 data is collected and the authenticity of it's
3 shared.

4 EXAMINER SEE: And the answer can stand.

5 Q. (By Ms. Fleisher) And does AEP submit data
6 to EIA regarding -- regarding electricity prices?

7 A. I suspect we are required to.

8 Q. Okay. Are you familiar with EIA Form 826?

9 A. I am not.

10 MS. FLEISHER: May I approach, your
11 Honors?

12 EXAMINER SEE: Yes.

13 MS. FLEISHER: And if I could have this
14 marked as ELPC Exhibit 17.

15 EXAMINER SEE: Yes.

16 (EXHIBIT MARKED FOR IDENTIFICATION.)

17 MS. FLEISHER: And for the record, this is
18 data regarding the average retail price of
19 electricity, by month, for 2002 through 2014,
20 extending slightly beyond that, obtained from the
21 U.S. EIA electricity data producer site, along with a
22 chart, along with the spreadsheet with the data.

23 Q. And, Mr. Allen, do you have any reason to
24 doubt that this is a true and accurate representation
25 of EIA's data regarding average retail electricity

1 prices in Ohio?

2 A. I have no way to know whether it's an
3 accurate representation or not. I have no idea if it
4 includes cooperative customers, which EDUs it
5 includes, whether it includes just the average price
6 of SSO service or customers served under CRES. I
7 have no way to validate any of this data or to
8 understand whether it's -- what it represents and
9 what it claims on its face in any kind of reliable
10 fashion.

11 Q. And have you -- in preparing your
12 testimony did you consider attempting to calculate
13 the average retail price paid by AEP customers in
14 any -- in any way?

15 A. I didn't attempt to analyze historical
16 data for AEP Ohio's customers because it's not
17 relevant to the new environment we are existing in
18 starting in June of 2015 when we are obtaining all of
19 our capacity and energy to serve our SSO customers in
20 the open market.

21 And what I would tell you, just from
22 looking at this document though, is that the -- where
23 it shows what appears to be volatility in the
24 residential rates, that seasonal pattern that it's
25 showing, all that's showing is spreading a fixed

1 charge over fewer kilowatt-hours in the shoulder
2 months. So it's not indicating the rates for
3 customers are actually going up and down. It's just
4 the application of dividing kilowatt-hours by
5 kilowatt-hours into the combination of the fixed and
6 variable rates customers would experience.

7 MS. FLEISHER: Your Honors, I don't have
8 an objection, but I move to strike just because there
9 was no question pending. Certainly his attorneys can
10 elicit that on redirect if it's important.

11 MR. SATTERWHITE: That's fine.

12 EXAMINER SEE: It's stricken.

13 Q. And can you turn to the spreadsheet passed
14 the first page of the exhibit. And I apologize. I
15 realize it printed -- Excel printed it poorly, but
16 can you tell that the columns are Ohio all sectors,
17 Ohio residential, Ohio commercial, and Ohio
18 industrial in that order?

19 MR. SATTERWHITE: Objection, your Honor.
20 The witness has stated that he does -- cannot
21 authenticate this document. He doesn't know if it's
22 accurate. The fact that there's letters missing here
23 just goes further into we don't know what this
24 document is. We have stricken the only part that
25 this witness has talked about as anything to deal

1 with this document. So it's inappropriate to ask the
2 witness any questions about this.

3 MS. FLEISHER: That's -- the issue with
4 column headings is one of printing. I am happy to
5 provide a clean copy if that would be helpful. I
6 believe you can see some of the letters enough to
7 substantiate what the titles of the columns are. In
8 terms of asking him to authenticate the document, I'm
9 not. I am just asking him to look at the data with
10 me and ask him a couple of questions.

11 MR. SATTERWHITE: That's my point, your
12 Honor. That's just the first question dealing with
13 something on the document. The witness has stated he
14 can't authenticate this. There is lots -- if this is
15 what it purports to be, there is lots of problems
16 with it because of things that could be missing. So
17 this is my first opportunity to really object and say
18 this document should not be used for
19 cross-examination purposes due to lack of foundation.

20 EXAMINER SEE: What was the last part of
21 that, Mr. Satterwhite?

22 MR. SATTERWHITE: Due to the lack of
23 foundation.

24 MR. DARR: The foundational issue was
25 addressed initially, your Honor, by the fact that the

1 document is an EIA document. This Bench has
2 repeatedly taken judicial notice or administrative
3 notice of EIA documents. The related question goes
4 to whether or not the document is appropriate for
5 cross-examination. So there is not a question
6 pending; there is nothing to object to.

7 MR. SATTERWHITE: The question pending was
8 look at the face of the document and make an
9 interpretation.

10 MR. DARR: And she represented to you that
11 if you needed a copy that includes the full column
12 headings that she would make it available.

13 If we are going to quibble about this, we
14 are going to be here a really long time, your Honor.

15 EXAMINER SEE: And I am going to be here
16 either way. Thank you, all.

17 MS. FLEISHER: Your Honors, if I may?
18 This is an EIA --

19 EXAMINER SEE: Hold on just a minute.

20 MS. FLEISHER: Sorry, your Honor.

21 EXAMINER SEE: Mr. Satterwhite's objection
22 is overruled.

23 You can continue, Ms. Fleisher.

24 MS. FLEISHER: Thank you, your Honors.

25 EXAMINER SEE: But if you do have a better

1 copy, it would be appreciated.

2 MS. FLEISHER: I can do that. First thing
3 tomorrow I could find it. And I also just,
4 Mr. Satterwhite, I know the URL cuts off on the
5 printout. I wasn't sure how to fix that, but I am
6 happy to send you links, live links to everything.

7 MR. SATTERWHITE: It just further
8 substantiates the witness's inability to say this is
9 accurate as far as I'm concerned.

10 EXAMINER SEE: So noted.

11 MR. SATTERWHITE: Thank you.

12 Q. (By Ms. Fleisher) Mr. Allen, can you look
13 at the January, 2015, entry in the first column, Ohio
14 all sectors?

15 A. Okay.

16 Q. And that shows an average retail price of
17 9.76 cents per kilowatt-hour; is that correct?

18 A. There's the No. 9.76 on this page, but I
19 want to clarify as we are going through this that if
20 this is an EIA document that talks about Ohio average
21 retail rates, all sectors, what it's reflecting is a
22 rate for the entire State of Ohio, not the Ohio Power
23 EDUs or the EDUs of FirstEnergy or Dayton or the
24 co-ops. It's a compilation of all those mashed
25 together to come up with the state average rate. So

1 it's not a number that is helpful to look at from a
2 customer perspective; any of these numbers on this
3 page.

4 And I am speculating that it includes
5 co-ops because at times EIA data excludes those. So
6 I really have no way to validate this data other than
7 to say, as a minimum, this is a compilation of all
8 the EDUs in the state.

9 Q. And can you look at the January, 2014,
10 entry in the same column, 9.3 cents per
11 kilowatt-hour, correct?

12 A. It says 9.3, but I have no idea what the
13 meaning of that is. And as we -- as you are
14 combining industrials with commercial and
15 residential, when you build these averages, what you
16 are starting to build into that is changes in the
17 economic output of the state and the weighting of the
18 industrial to the commercial to the residential
19 sectors. So looking at this data is completely
20 meaningless.

21 MS. FLEISHER: And, your Honors, could you
22 please direct the witness just to answer my question
23 which I believe was a "yes" or "no" question --

24 MR. SATTERWHITE: Your Honor --

25 MS. FLEISHER: -- going forward?

1 MR. SATTERWHITE: I'll object to that,
2 your Honor. I'm sorry. Go ahead.

3 EXAMINER SEE: You can try again,
4 Ms. Fleisher.

5 MS. FLEISHER: Okay. I am just trying to
6 move expeditiously.

7 EXAMINER SEE: I think we would all like
8 that, but that isn't the case thus far.

9 MS. FLEISHER: Okay.

10 Q. And can you go to the January, 2013, entry
11 in the first column. That -- that's an average
12 retail price of 8.89 cents per kilowatt-hour; is that
13 correct?

14 A. Subject to the same caveats I mentioned
15 previously, the number states 8.89 on this document.

16 Q. Okay. And you don't provide similar
17 actual retail price paid -- similar information in
18 your testimony regarding actual retail prices paid by
19 customers, correct?

20 A. I would never present it in this format
21 because it is completely unusable. But as far as the
22 actual rates customers pay for SSO service, I didn't
23 provide that in my testimony because that's
24 historical and a time that doesn't exist going
25 forward. It's a completely different paradigm.

1 MS. FLEISHER: That's all I have, your
2 Honors. Thank you.

3 EXAMINER SEE: Mr. Michael.

4 MR. MICHAEL: Go ahead, Ms. Fleisher.

5 MS. FLEISHER: Sorry to cut you off.

6 MR. MICHAEL: Not a problem.

7 MS. FLEISHER: My apologies to the extent
8 I am asking for a little special treatment, but I was
9 just wondering if we could deal with this exhibit now
10 before I go, unless we are going to last into
11 tomorrow, in which case I will, of course, be here.

12 EXAMINER SEE: As the Bench already
13 indicated, I couldn't give you an answer on this one
14 at this point.

15 Mr. Satterwhite?

16 MR. SATTERWHITE: So that was a movement
17 for Exhibit 17?

18 MS. FLEISHER: Well, it was a request to
19 the Bench or a question to the Bench as to whether it
20 would be okay to move this into evidence now. And
21 so --

22 MR. OLKER: Both exhibits?

23 MS. FLEISHER: Both, although I believe as
24 we indicated --

25 MR. SATTERWHITE: 16, the Lykins contract,

1 with the caveats in the record, we are okay agreeing
2 to that. As far as 17, the witness has said why it's
3 not valuable information and he couldn't really
4 authenticate any of it. All we have is Counsel
5 saying they have got it off the internet, so I would
6 think that would be prejudicial to the record.

7 EXAMINER SEE: You trailed off at the end.
8 Let me hear that again, Mr. Satterwhite.

9 MR. SATTERWHITE: Thank you. I believe
10 including ELPC 17 would not be proper. The witness
11 could not authenticate it. The only representation
12 we had was that Counsel took it off the internet and
13 didn't even have the entire tagline from the internet
14 on the bottom of it. Counsel -- I couldn't agree
15 with the Lykins contract because my witness had said
16 he had never seen it before and it would be
17 prejudicial to the record. As he indicated multiple
18 times the data is unreliable to all of Ohio.

19 MS. FLEISHER: Your Honors, this is
20 information from the EIA which is a government agency
21 that specifically collects this information. I
22 believe Mr. Allen did say that he was aware that AEP
23 reports this information to EIA. It's publicly
24 available and the Commission can consider it and give
25 it the weight that it's due. But I think it would be

1 consistent with your Honors past rulings to take
2 notice of data that hasn't been provided by AEP
3 regarding what prices Ohio customers are actually
4 paying with respect to electricity.

5 MR. SATTERWHITE: Your Honor, she squarely
6 brought up the relevance of this as well with that
7 response, and this witness indicated this is all of
8 Ohio. This is beyond the scope of his testimony
9 because I can't compare what's in here to the
10 rebuttal testimony that's provided for the number of
11 inadequacies that he pointed out. So it's just an
12 improper thing to have in this record. If there is a
13 case that's opened up about all of Ohio, this can go
14 in. This is about AEP Ohio and it would be
15 inappropriate to put in the record.

16 MS. FLEISHER: Your Honor, Mr. Allen's
17 rebuttal testimony directly addresses the proposition
18 as to whether competition leads to price stability.
19 That question is not limited to Ohio, and certainly I
20 don't think any of the issues that he raises are
21 particular to AEP Ohio. They are particular to a
22 deregulated competitive state. And so to the extent
23 this information reflects whether there is price
24 volatility in Ohio as a competitive deregulated
25 state, I think is entirely relevant to assessing his

1 rebuttal testimony.

2 MR. SATTERWHITE: But it does include
3 co-ops and munis that are not subject to the same
4 competition. It is tainted. It is tainted
5 information.

6 EXAMINER SEE: Were you responding to
7 that, Ms. Fleisher?

8 MS. FLEISHER: Certainly, your Honor.
9 That's an argument as to the weight to give the
10 document which can be made in briefs, but that
11 doesn't mean that the Commission should be excluded
12 from looking at this information and considering
13 whether the Commissioners deem it to be valuable.

14 MR. SATTERWHITE: My last word, I will
15 stand by the witness saying it has no value.

16 EXAMINER SEE: Okay. I think
17 Mr. Satterwhite has responded to both your requests.
18 The Bench will take notice of it and rule on your
19 motions to move those two exhibits with the others.

20 Mr. Michael, it's your turn.

21 MR. MICHAEL: Thank you, your Honor.

22 - - -

23 CROSS-EXAMINATION (CONTINUED)

24 By Mr. Michael:
25

1 Q. Mr. Allen, I want to draw your attention
2 to page 3, specifically lines 1 through 3 of your
3 rebuttal testimony. And you talk about the PPA
4 rider's purported hedge benefit there, correct?

5 A. That's the intended PPA rider, that's
6 correct.

7 Q. And then in the next paragraph you talk
8 about the potential for an offset, and you had a long
9 and lengthy discussion with Attorney Bojko about
10 that, right?

11 A. I discussed this page with Ms. Bojko.

12 Q. And then on page 7, lines 10 through 13,
13 there you discuss the potential for a -- the hedge
14 operating as a credit to customers, correct?

15 A. I'm sorry. You were saying page 7, lines
16 10 through 13 --

17 Q. Yes.

18 A. -- that statement about it being a credit,
19 yes.

20 MR. MICHAEL: May we approach, your Honor?

21 EXAMINER SEE: Yes.

22 MR. MICHAEL: Your Honor, I would like, in
23 the interest of time, to provide to the witness what
24 I would request to be marked as OCC Exhibits 22, 23,
25 and 24.

1 EXAMINER SEE: The three exhibits are so
2 marked.

3 (EXHIBITS MARKED FOR IDENTIFICATION.)

4 MR. MICHAEL: Your Honor, I asked
5 Mr. Satterwhite if he would stipulate to the
6 admission of these documents, and, if so, I would not
7 ask any further questions in the interest of time.

8 Have you had a chance to consider that,
9 Matt?

10 MR. SATTERWHITE: Yeah. As long as we can
11 clarify which discovery response applies to which OCC
12 Exhibit number. These are all --

13 MR. MICHAEL: Sure.

14 MR. SATTERWHITE: That would be fine.

15 MR. MICHAEL: Certainly. Thank you. The
16 first document, OCC No. 22 is the request for
17 admission RFA-3-015, with the response prepared by
18 William A. Allen.

19 OCC Exhibit No. 23 is the request for
20 admission RFA-3-016, with the response prepared by
21 William A. Allen.

22 And then OCC Exhibit No. 24 is request for
23 admission RFA-3-017 with the response prepared by
24 William A. Allen. And with that identification,
25 Mr. Satterwhite, no objection to their admissibility?

1 MR. SATTERWHITE: No.

2 MR. MICHAEL: Thank you. I don't have any
3 further questions. Your Honor.

4 EXAMINER SEE: Thank you. And thank you
5 for moving expediently.

6 MR. MICHAEL: Thank you for
7 Mr. Satterwhite's cooperation in that.

8 MR. SATTERWHITE: Thank you for your
9 cooperation.

10 EXAMINER SEE: Mr. Olikar.

11 MR. OLIKER: Yeah. Just briefly.

12 - - -

13 CROSS-EXAMINATION

14 By Mr. Olikar:

15 Q. Mr. Allen.

16 A. Yes.

17 Q. You talked earlier about -- what level of
18 switching that's occurred in the AEP service
19 territory is a result from governmental aggregation?

20 A. About 8 percent of the residential
21 switching, which is the largest percentage of
22 aggregation, is the result of governmental
23 aggregation. So we are talking about, I think, 33
24 percent of those residential customers switched,
25 8 percent through aggregation, so about 25 percent

1 have switched not through aggregation.

2 Q. And you agree that aggregations are
3 represented by brokers typically?

4 A. I don't know if there is brokers in the
5 middle of aggregation contracts or not.

6 Q. But they are not just picking a contract
7 on the Apples to Apples website and there is your
8 rate. Typically it doesn't work that way, right?

9 A. I have had limited experience with
10 aggregation but generally the community would
11 negotiate with CRES providers for a term, a rate, and
12 contract.

13 Q. So it's a more sophisticated negotiation
14 that you would typically see for a single individual
15 residential customer?

16 A. As opposed to a "take it or leave it"
17 approach that a single residential customer has, I
18 think in the governmental aggregation space this
19 community may have a little more negotiating power.

20 Q. Okay. So the residential customers that
21 have switched that are making their own purchasing
22 decisions, you are really talking about 25 percent of
23 the customer base, correct?

24 A. It's 25 percent of the customer base, but
25 probably 75 percent of the residential switches would

1 be individual switches.

2 Q. Okay. And you talked with Ms. Bojko about
3 potential passthrough provisions, correct?

4 A. I spoke about specific provisions in these
5 contracts, yes.

6 Q. Okay. And you agree that IGS Energy did
7 not flow through any charges as a result of the polar
8 vortex as a result of balancing operating reserve
9 public cost?

10 A. I don't know whether IGS passed any
11 through with specificity, but my understanding, from
12 information I have heard, that IGS was not one of the
13 entities that passed those charges through.

14 Q. Thank you.

15 And you would agree that a CRES provider
16 like IGS might decide not to flow through any
17 unexpected charges to their customers because they
18 don't want to damage their relationship they have
19 with their customers?

20 A. That's one potential reason, but the
21 important fact that you mention there, it's a
22 decision of the CRES provider, not a decision of the
23 customer.

24 Q. And ultimately didn't FirstEnergy
25 Solutions withdraw its proposal to recover uplift

1 charges from customers?

2 A. I don't know that with specificity.

3 Q. Okay. You talked earlier about AEP Ohio
4 transition from legacy rates to market-based rates.
5 Do you remember that discussion?

6 A. Yes, generally the -- as you move through
7 the ESPs, yes.

8 Q. And that transition was complete with
9 respect to the procurement of the SSO product on
10 June 1 of 2015?

11 A. Generally, yes.

12 Q. And prior to that occurring, there was a
13 mixture of cost-based components and
14 competitively-procured components to the SSO,
15 correct?

16 A. For a short period of time there was a
17 blend. Prior to that there were cost-based
18 components and then agreed-to components as part of
19 the ESP proceedings or ETP proceedings or RSP
20 proceedings.

21 Q. Okay. And during that time of blend, 2014
22 period, there was an element called the "fixed-cost
23 rider," correct?

24 A. And to help you out I am referring to the
25 rider that recovered OVEC- and Lawrenceburg-related

1 costs. We had an FCR rider that had been broken out
2 of the company's fuel clause. I am not sure how that
3 relates to my testimony, but.

4 Q. Okay. And would you agree that during
5 this period of time the SSO price contained not only
6 the bids for the competitively procured SSO but also
7 you added onto that the fixed -- the FCR rider?

8 THE WITNESS: Can you reread that
9 question, please?

10 (Record read.)

11 A. The SSO rate for customers would have
12 included all of the approved elements from the
13 Commission's ESP and other orders, which one of those
14 would have been the FCR, one would have been the FAC
15 mechanism, one would be a competitive procurement.
16 There were a number of items that would have been in
17 that SSO rate.

18 Q. And during that transition period, would
19 you agree that there was -- it was a time where the
20 SSO price was rising in many months to the range of
21 10 cents per kWh for generation?

22 A. I don't know what the SSO rates were in
23 that period. I know it would depend on the customer
24 class and the like.

25 Q. Would you agree that for residential

1 customers the SCR rider was approximately 4 mills to
2 9 mills depending on what company?

3 A. I don't know.

4 Q. What is your memory of the magnitude of
5 the FCR rider?

6 MR. SATTERWHITE: Your Honor, at this
7 point I'll object. I think it's beyond the scope of
8 this witness's testimony. He made a statement
9 earlier and he probed into that about how different
10 riders existed, but I think we got kind of far afield
11 from that limited statement of Mr. Allen.

12 MR. OLIKER: I am about to tie it
13 together, your Honor. Trying to move as
14 expeditiously as possible. Skipping a few of the
15 foundation questions for the sake of time.

16 MR. SATTERWHITE: I believe he already
17 asked his questions and the witness wasn't able to
18 answer. Circling back to the horses.

19 EXAMINER SEE: Unless you can tie it all
20 together with this next question, it's over.

21 MR. OLIKER: Okay. As long as I can have
22 the answer to this question then.

23 EXAMINER SEE: Reread the question for
24 him, please, Karen.

25 (Record read.)

1 A. I don't have a memory of what the
2 magnitude of that rider was.

3 Q. Okay. And just to clarify earlier, did
4 you indicate you don't remember what the SSO rates
5 for generation were in 2014?

6 A. That's correct.

7 Q. Okay. Would you agree that CRES providers
8 in 2014 that were posting offers on the Apples to
9 Apples website and doing direct mail were competing
10 against not only other CRES provides but also against
11 the SSO price?

12 A. Yes. And it's my memory that the
13 Commission designed the SSO rate and the capacity
14 price to CRES providers to give CRES providers an
15 advantage in trying to attract those customers
16 through discount capacity pricing.

17 Q. But you don't remember what the SSO price
18 was, right?

19 A. I do not.

20 Q. Okay. But another element included in the
21 SSO price that would have raised it would have been
22 the \$188 per megawatt-day that was assumed for
23 capacity?

24 A. No.

25 Q. Why is that not true?

1 A. The company's generation rates, base
2 generation rates were unrelated to the \$188 per
3 megawatt-day. They were a legacy value that
4 continued forward, not tied to the company's actual
5 costs.

6 And as part of the company's transition to
7 a fully auction-based SSO in June of 2015, the
8 Commission directed the companies to blend the base
9 generation rates with the 188 capacity rate that was
10 charged -- that was used to defer charges to CRES
11 providers. So those were blended and those were
12 actually reductions. So it was not an increase due
13 to the 188. It was actually a reduction as the
14 Commission had the company blend those rates together
15 over time.

16 Q. January 1, 2015, capacity was 188.88 for
17 the SSO, was it not, for that five-month product?

18 A. No.

19 Q. You are saying it was the RPM price?

20 A. No.

21 Q. Then what was the price for capacity for
22 auction bidders on January 1, 2015?

23 A. For auction bidders --

24 Q. For the SSO product?

25 A. Auction bidders did not procure capacity

1 from the company so they had no obligation to buy
2 capacity.

3 Q. And the company collected 188.88 from the
4 SSO customers, did it not?

5 MR. SATTERWHITE: I am going to object.
6 Again, I tried to provide some time. I am failing to
7 see how this relates to the rebuttal testimony. It's
8 beyond the scope.

9 MR. OLIKER: Your Honor, this is the
10 timeframe he has provided that CRES providers
11 included offers in the Apples to Apples. He has
12 admitted that they are bidding -- that they are
13 providing offers that are competing against the SSO
14 price. I want to talk about what the SSO price was
15 at that time and what may have been influencing those
16 offers.

17 MR. SATTERWHITE: He stated what he's
18 known and now he is just arguing with him about what
19 might be in there beyond what the witness has said he
20 could testify to.

21 MR. OLIKER: If he doesn't know at all,
22 that's fine. I don't think we've gotten there yet.
23 He has indicated he does know certain things.

24 EXAMINER SEE: You can answer the
25 question, Mr. Allen.

1 THE WITNESS: Can I have it reread,
2 please?

3 (Record read.)

4 A. There was a base generation rate component
5 to SSO customers' bills that was based upon a rate of
6 \$188.88 per megawatt day, but there were other
7 elements of the customer rates that were different
8 than that, and customers weren't paying for capacity.
9 The Commission directed the companies to change their
10 base generation rate to reflect a rate equivalent to
11 188.88, but it was not for the procurement of
12 capacity necessarily.

13 Q. Okay. Thank you. And would you agree
14 that between the PJM planning year of 2013-'14, 2014
15 -- 2014-'15, the price for capacity went up about
16 \$100 a megawatt-day?

17 A. I don't have those off the top of my head.
18 If you had a document I could refer to, that would
19 help, but I just don't recall those off the top of my
20 head which years they moved up.

21 Q. So when you drafted your testimony, you
22 didn't look at the price of capacity between 2013-'14
23 and 2014-'15?

24 A. No. My testimony looked at the prices
25 charged to customers. What causes prices to go up

1 and down really is not the fundamental aspect of what
2 my testimony was trying to do. I am saying that
3 customer rates went up. Customers don't care what's
4 driving their rate up or down. What they care about
5 is that their rates are moving up and down.

6 If I went to talk to the average
7 residential customer, they would have no idea what a
8 capacity rate was, and if I explained their rate went
9 up because of changes in the PJM capacity market,
10 they would have no idea what I was talking about and
11 they could care less. All they would care about was
12 that their rate moved up and down, so that's really
13 the point of my testimony.

14 Q. You testified in the last ESP case,
15 correct?

16 A. Yes. I have testified in several of them.

17 Q. And a large component -- as well as the
18 capacity case, correct?

19 A. Yes.

20 Q. And AEP is claiming that case was around
21 the prices for capacity in '12-'13 and '13-'14
22 period, correct?

23 A. The Company's position in that case was
24 around PJM capacity prices in general not being
25 supportive of the cost of operating generation and

1 the fact that the company was an FRR entity and was
2 entitled to cost-based compensation for CRES use of
3 our capacity.

4 Q. Do --

5 A. That was the point of those cases.

6 Q. Sorry. I didn't mean to cut you off. Do
7 you remember in the '12-'13 and '13-'14 PJM planning
8 year that capacity was at all time lows?

9 A. And that's my point, I don't remember
10 exactly which two planning years. There were two
11 planning years that were in the \$16 a megawatt-day
12 and \$27 a megawatt day is my recollection. I just
13 don't recall which planning years they are off the
14 top of my head.

15 Q. Do you recall that after those two
16 planning years it went up to about \$120 a
17 megawatt-day?

18 A. My recollection is there were two years
19 about 120, and then it dropped back down to 60, and
20 that was kind of the impetus behind the revisions to
21 PJM's capacity market that they just can't figure out
22 how to make capacity prices work.

23 Q. Okay. So you would agree then after those
24 two low years, the prices went up about \$100 a
25 megawatt-day?

1 A. And then they went down about \$60 a
2 megawatt-day.

3 Q. So do you know what the average peak
4 demand is of a residential customer?

5 A. No.

6 Q. Do you have a high-level understanding?
7 Do you know, is it 2 to 4 kilowatts? And if you
8 don't know, that's fine.

9 A. I don't know.

10 Q. Would you agree that if we were to
11 monetize the impact of \$100 a megawatt-day, it's
12 simply 100 -- per 1 megawatt of demand, it's 100
13 times 365?

14 A. For a customer of a peak load of one
15 megawatt you would do that. You would do that math.

16 Q. \$36,500, is that -- do you accept that
17 number?

18 A. 36,500 for a customer with a 1 megawatt
19 peak at the time of the PJM 5 coincident peaks, which
20 isn't a customer's peak. That's -- it's a different
21 construct than what we are used to dealing with in
22 traditional regulation.

23 Q. But if you were to drop that down to 1
24 kilowatt, we would just divide it by \$1,000, it would
25 give us \$36.50?

1 A. 36,500 divided by a thousand is 36.50.

2 Q. Okay. And assuming the price of capacity
3 did, in fact, go up \$100 a megawatt-day between the
4 '13-'14 and the '14-'15 planning year for every
5 kilowatt of demand that a CRES provider has, they
6 would have to recover an additional \$36.50, correct?

7 A. That's theoretically true if the CRES was
8 buying all their capacity in the market and didn't
9 have physical generation hedges behind it. So I
10 really can't answer how they would have to move their
11 prices. It depends on each CRES and the procurement
12 strategies and how much headroom they had built into
13 their initial offers and the like.

14 MR. OLIKER: Okay. If I could have one
15 minute, your Honor.

16 Your Honor, thank you very much. I think
17 that's all the questions I have.

18 Thank you, Mr. Allen.

19 THE WITNESS: Thanks.

20 EXAMINER SEE: Let's go off the record for
21 a minute.

22 (Discussion off the record.)

23 EXAMINER SEE: Let's go back on the
24 record.

25 Mr. Oliker, you are finished with your

1 cross-examination?

2 MR. OLIKER: Yes, your Honor.

3 EXAMINER SEE: Mr. Darr.

4 MR. DARR: Thank you, your Honor.

5 - - -

6 CROSS-EXAMINATION

7 By Mr. Darr:

8 Q. Mr. Allen, do you still have in front of
9 you what's been marked as ELPC Exhibit 17?

10 A. Yes.

11 Q. I believe in response to a question from
12 counsel for ELPC you indicated that the variability
13 that we see in the residential price curve, which is
14 the top curve, was affected in part because of
15 customer charges? Did I hear that correctly?

16 A. When I look at a set of data like this,
17 that's what I would speculate is that that's the
18 cause. But I don't have data underlying it that
19 supports that, but that's generally the type of trend
20 we see.

21 Q. Okay. And the speculation is based on the
22 fact that you have periods where demand goes up which
23 operates to spread the fixed customer charges over
24 more units, correct?

25 A. That's correct.

1 Q. And as a result of that, the price will
2 drop on a per-unit basis, correct?

3 A. On a per-unit basis when you include the
4 fixed charges, that's correct.

5 Q. And this variation would be independent of
6 any variation that would be caused by a change in the
7 price of generation itself, correct?

8 A. That change would be independent of any of
9 the other factors that affect the rates customers
10 pay, yes.

11 Q. So the volumetric effect of seasonal
12 changes would be reflected in changes in price that a
13 customer would see if the customer were calculating
14 an average price per megawatt or an average price per
15 kilowatt-hour, correct?

16 A. A customer were attempting to change that
17 rate, but it would be just part of the overall bill.

18 Q. Now, could you turn for a moment to your
19 testimony at page 3.

20 A. I'm there.

21 Q. And in this example you indicate that one
22 of the benefits of the hedge is that it will affect
23 or mitigate the prices that customers see, and I am
24 quoting here on line 15, when the "mitigation is most
25 beneficial"; is that correct?

1 A. Yes.

2 Q. Now, I want to make sure I understand that
3 you're not saying here that the mitigation will occur
4 during the period in which the price increase has
5 taken place; is that fair?

6 A. That's correct. I am stating it would
7 happen soon after.

8 Q. And by "soon after," what you're
9 suggesting is that the reconciliation process would
10 have the effect of offsetting the customer's bill, in
11 your example, by \$5.14 per megawatt-hour, correct?

12 A. Yes, that's correct.

13 Q. Now, do I understand correctly that, as
14 proposed, the reconciliation process would occur
15 annually, but that the company would consider doing
16 it quarterly, correct?

17 A. Yes. I think the company believes
18 quarterly would be an appropriate approach.

19 Q. And this second reconciliation process
20 would include not only changes affected by what's
21 contained in your example, but would also include a
22 change in the forecast of the revenues and charges
23 that would arise under the PPA, and the revenues that
24 would be recovered by the company through the PJM
25 markets; is that correct also?

1 A. No. I talked about there's two elements.
2 What I am talking about here is the true-up provision
3 and the effect that changes in the actual weather
4 would have on the true-up provision. The -- there's
5 a second element that each year when we do an annual
6 forecast of revenues and expenses for the units,
7 there would be a new rate that would be applied each
8 year.

9 Q. Okay. So let's assume that the
10 reconciliation process for the forecast occurs on
11 January 1. Are you following me so far?

12 A. There is no reconciliation for the
13 forecast. There is a reconciliation for the
14 deviation between actual revenues and expenses as
15 compared to what had been forecasted.

16 Q. Let me rephrase then and make sure we are
17 on the same page.

18 On an annual basis, the company would come
19 forward with a forecast of what it anticipated, on a
20 weather normalized basis, it would receive in charges
21 under the PPA and the ICPA and the revenues that it
22 would receive for the liquidation of the power
23 received under those two contracts into the PJM
24 markets, correct?

25 A. That's correct. That would set one rate.

1 Q. And you would recalculate a charge or a
2 credit --

3 MR. SATTERWHITE: He was trying to --

4 Q. -- based on that, correct?

5 EXAMINER SEE: Let him finish.

6 MR. DARR: I thought he had. I apologize
7 if I stepped on his answer.

8 A. On an annual basis, the company would do
9 that calculation and set a charge or credit that
10 would apply for a 12-month period.

11 Q. So over the term of the ESP, the remaining
12 two years of the ESP, we would see a charge
13 established on January 1, 2016, and a new charge or
14 credit established on January 1, 2018, correct?

15 A. Assuming that it happens in January of
16 each year, yes, that would be correct.

17 Q. Yeah. And it's also assuming that we have
18 an order by the Commission by the first of January,
19 correct?

20 A. That's correct.

21 Q. And then if I understand it correctly,
22 this charge or credit would be adjusted on a
23 quarterly basis beginning on, for example, April 1,
24 July 1, and October 1, correct?

25 A. There would be a second element which

1 would be the true-up that would actually happen four
2 times a year; January, April, July, and October.

3 Q. And, in fact, there would be another --
4 there would be three true-ups associated with
5 calendar year, let's say 2016; there could also be,
6 in 2018, a reconciliation for the last quarter of
7 2017, correct?

8 A. It would either be four reconciliations a
9 year and then the company proposes the PPA rider
10 mechanism would continue on. So I don't envision an
11 ending reconciliation.

12 Q. Now, the billing cycles that are used by
13 AEP Ohio are on 30-day clocks, correct?

14 A. They are on approximately 30-day clocks,
15 that's correct.

16 Q. So, for example, if I incur a charge -- if
17 I take service from AEP Ohio in say April of 2016, I
18 receive the bill for that service sometime in May of
19 2016, correct?

20 A. There's billing cycles that are involved
21 there, so customers spread across the month for most
22 of our customers.

23 Q. I understand that. But if I'm a cycle one
24 customer of AEP Ohio, I get -- my bill is set roughly
25 on the first day of the month, I am going to get a

1 bill on the first day of the month for the service
2 that I was provided by AEP Ohio and the CRES provider
3 if it's on a consolidated basis for the prior month,
4 correct?

5 A. Yes. Several days after -- a few days
6 after the 1st, you would get a bill for the prior
7 month, yes.

8 Q. And if I understand it correctly, in terms
9 of the calculation of the benefit or cost -- and let
10 me rephrase that. In terms of the calculation of the
11 rider itself, you are proposing, at least initially,
12 to calculate this based on a kWh basis, correct?

13 A. The rider would be applied on a
14 kilowatt-hour basis, correct.

15 Q. So the kilowatt basis that I would receive
16 the credit or charge would be based on my billing
17 determinants, again, my example for April, in which I
18 would be billed in May, correct?

19 A. I think you said "kilowatt," but your
20 kilowatt-hour usage would impact the charge you would
21 see for that month, you would see that bill the
22 following month.

23 Q. Now, during the so-called polar vortex, am
24 I correct that the company reached out to customers,
25 I believe as Mr. Vegas indicated, to implement demand

1 response?

2 A. Company Witness Vegas would be a better
3 person to ask. I'm not familiar with the specifics
4 of the operation of the distribution system.

5 Q. You are aware that as part of the response
6 to the polar vortex, what you described as the polar
7 vortex, but the winter events in January of 2014,
8 there were requests for voluntary DR or demand
9 reductions put out by PJM and by individual
10 utilities, correct?

11 A. I don't know that with any knowledge.

12 Q. You are familiar with the winter report
13 produced by PJM that's been previously marked as
14 OMAEG Exhibit 2?

15 A. I have not read that document. I may have
16 seen it, but I have not read it in any detail.

17 Q. So you are not familiar with the fact that
18 there were voluntary DR reductions.

19 A. It wouldn't surprise me. I just don't
20 know how much or when they were called and the like.

21 Q. And to the extent the customer had a
22 billing determinant based on -- in January of 2014, a
23 billing determinant based, in part, on its demand,
24 its overall demand may have been affected by that DR
25 or that demand reduction, correct?

1 A. It would depend on the specific tariff the
2 customer was on.

3 Q. Well, there are customers that are -- that
4 are demand metered, correct?

5 A. Absolutely, but the issue is that if you
6 are -- if you get a demand response call and you
7 curtail production during the period of two to three
8 days during the polar vortex, and just subsequent to
9 that your peak goes back to its normal level, you
10 would see a bill based on your total demand because
11 it doesn't do it hour by hour. It would look at --
12 kilowatt-hours would go down because you curtailed,
13 but not your demand necessarily.

14 Q. And to the extent that your charge or
15 credit is based, at least initially, as proposed in
16 your proposal to be kilowatt-hour based, to the
17 extent that you reduced your kilowatt-hours for that
18 month in any subsequent month, would that -- that
19 would not be reflected in any benefit or gain in any
20 subsequent period, correct?

21 A. No. You would receive a benefit in the
22 month you curtailed for all of the -- PJM's paying
23 you to curtail or you are getting a lower demand in
24 that month.

25 Q. Wait a second. PJM wasn't -- I'm sorry.

1 MR. SATTERWHITE: Objection.

2 MR. DARR: I understand, Mr. Satterwhite.
3 I am going to allow him to answer his question. I
4 apologize.

5 MR. SATTERWHITE: Thank you. Can I have
6 the question and answer reread, your Honor?

7 THE WITNESS: Yeah.

8 EXAMINER SEE: Yes.

9 MR. SATTERWHITE: Thank you.

10 (Record read.)

11 MR. DARR: Let me rephrase the question
12 because I think I made it too complicated.

13 MR. SATTERWHITE: I just wanted to get the
14 answer in there too. I think we were -- I think we
15 were rereading the question and answer. He was cut
16 off in the answer he was giving, so it's not about
17 rephrasing it; it's allowing the witness to give a
18 full answer.

19 MR. DARR: That's fine.

20 EXAMINER SEE: Do you want to reread the
21 start of the answer too?

22 MR. SATTERWHITE: Thank you.

23 (Record read.)

24 A. That wouldn't necessarily flow into future
25 months.

1 Q. I guess that's my point or the point that
2 I am to get to here. In the year that you receive --
3 excuse me, in the month you receive the credit or the
4 charge, that's based on the demand -- excuse me, the
5 kilowatt hours that you use in the -- in that month,
6 in that billing month, correct?

7 A. Yes, that's correct.

8 Q. So to the extent that, for example, a
9 customer responded by reducing its kilowatt-hour
10 consumption as a result of a request from PJM, they
11 would be -- that customer would be overcompensated in
12 a subsequent period, would it not?

13 A. No. That customer would be compensated by
14 PJM or their demand response rider for performing
15 that action. What they would receive in a future
16 period is a benefit from the PPA rider that has that
17 price stabilizing effect that passes through benefits
18 to customers because there were high prices in that
19 winter period.

20 Q. My question, Mr. Allen is this: To the
21 extent that the reconciliation -- reconciliation
22 adjustment that you've identified on page 3 occurs,
23 it's going to occur in a month at least three months
24 removed from when the event that caused that charge
25 to occur, that charge or credit to occur; isn't that

1 correct?

2 A. It would occur several months subsequent
3 to that event.

4 Q. And it would have nothing to do with the
5 inputs or -- excuse me, the generation that caused --
6 that that customer caused the system in, say, January
7 of 2014?

8 A. I think you're mixing the two. What
9 happened in January for that customer isn't changing
10 the cost of generation for all customers to the
11 extent that they are getting compensated for reducing
12 their demand. They are getting compensation for
13 performing that service to PJM, but their total usage
14 in that month is relatively comparable to what their
15 normal usage would be. All you are doing is reducing
16 their kilowatt-hour consumption in a limited number
17 of hours or days. The rest of the days in the month
18 would be comparable to their normal usage, so I don't
19 see it as being a big disparity.

20 Q. Didn't you just tell me, with regard to
21 ELPC, that the variations that we see on this chart
22 are specifically the result of changes in load?

23 A. Those are changes, and I am speculating as
24 I look at this for the residential class. It's
25 changes in the kilowatt-hour consumption of the

1 customer divided by the fixed customer charge. So
2 there's two elements of residential customer rates.
3 One is a variable rate, and that rate, when you are
4 looking at that in a cents per kilowatt-hour basis,
5 is going to be constant over time, on a rate basis.
6 But then when you add in the fixed charge, when you
7 change the kilowatt-hours, its rate is going to go up
8 and down each month and so that's going to create
9 this volatility.

10 What you see in the example that you've
11 given is on the industrial side you don't see any of
12 that variation here. So for industrial customers,
13 like your clients are, this doesn't really apply, and
14 those are the customers that are doing the demand
15 response.

16 Q. And isn't it true that on -- that those
17 customers will face exactly the same changes in the
18 kWh charge or credit, kWh charge or credit that
19 residential customers will face, that other
20 commercial, small and large -- excuse me, small and
21 large commercial customers will face, and what other
22 small commercial customers -- small industrial
23 customers will face?

24 A. Under the company's proposal, it will be a
25 uniform kilowatt-hour charge against all customer

1 classes.

2 Q. Regardless of the volatility that they
3 cause on the system, right, Mr. Allen?

4 A. What you are showing there has nothing to
5 do -- this ELPC document has nothing to do with
6 volatility caused by customers on the system. All it
7 looks at is customer rates and how they change as a
8 result of the fixed charges being spread over a
9 larger or smaller number of kilowatt-hours.

10 Q. One last question then. Didn't you just
11 tell me that the industrial rates lacked volatility
12 as shown by this charge on ELPC 17?

13 A. What I was saying is that the spreading of
14 fixed charges over different levels of customer --
15 over different levels of kilowatt-hours don't have a
16 pronounced effect on the industrial class because
17 they are fixed charges; their customer charge is very
18 small compared to their energy and demand charges.

19 MR. DARR: Thank you. Nothing further,
20 your Honor.

21 EXAMINER SEE: Mr. Settineri.

22 MR. SETTINERI: Thank you, your Honor.

23 - - -

24 CROSS-EXAMINATION

25 By Mr. Settineri:

1 Q. Good evening, Mr. Allen.

2 A. Good evening.

3 Q. Let's see how quickly we can go through
4 this. I just want to follow-up on your example of in
5 your testimony about the \$5.14 credit.

6 A. Okay.

7 Q. You were talking earlier today, walking
8 someone through the example of the fact there would
9 be a \$2 PPA rider charge in effect and that there
10 would be then -- subsequently there would be a \$5.14
11 true-up through the rider process itself, correct?

12 A. That was hypothetically described, yes.

13 Q. And that was -- so I just want to
14 understand exactly what you are saying. For
15 instance, if we start at January, 2016, you would
16 have a \$2 PPA rider charge in effect, correct?

17 A. Under that hypothetical, yes.

18 Q. All right. And let's say we have an
19 extreme weather event in the first quarter of 2016,
20 that would result in a true-up at the end of the
21 first quarter of \$5.14, a credit coming through the
22 revenues as a result of the extreme weather event,
23 correct?

24 A. Yes.

25 Q. Okay. So after that true-up occurs, does

1 the \$2 rider charge continue through the second
2 quarter?

3 A. The true-up provision would happen
4 sometime after the first quarter, and so the customer
5 would see a net charge of \$3.14 for that quarter, and
6 then at the expiration of the \$5.14 credit then there
7 would be other elements of a true-up that would be
8 included for customers based on the next quarter that
9 was relative.

10 Q. Next quarter.

11 A. But the underlying charge of \$2 in this
12 hypothetical would continue for the entire 12-month
13 period that it was initially established for.

14 MR. SATTERWHITE: Your Honor, could I ask
15 that the answer be reread? I think there was a
16 simple mistake that the witness will pick up right
17 away.

18 MR. SETTINERI: There was.

19 MR. DARR: Do we all want to just correct
20 it now instead of going through this process? I
21 think he said "charge" when he meant to say "credit."

22 MR. SATTERWHITE: Yeah.

23 MR. DARR: With regard to the \$3 and
24 whatever it was.

25 Q. Your reconciliation, it was a \$5.14 credit

1 coming off of the market's \$2 rider charge, the
2 difference is a \$3 credit to the customers, correct?

3 A. That's correct.

4 Q. And that corrects your previous answer.

5 A. Yes, it does.

6 Q. Where you called it a "charge." And so
7 you are saying then the rider stays set at \$2 for the
8 entire year is what you are telling me, correct, the
9 \$2?

10 A. The base element of the charge stays fixed
11 at \$2 over the 12-month period and then there are
12 reconciliation elements that would occur each
13 quarter.

14 Q. And then if I am the customer and I see on
15 my bill a PPA rider charge, it wouldn't say \$2 the
16 entire year, correct? It would fluctuate quarter to
17 quarter, correct?

18 A. Depending on how the bill is set up, how
19 the Commission directs the company to implement it, I
20 would suspect that there would be a combined charge
21 on customer bills for the net of the two with the
22 reconciliation, but they could be done on separate
23 line items.

24 Q. That's all. Thank you.

25 Earlier you had mentioned about that as a

1 trustee of your church, with your FES contract, you
2 had experienced some uplift charges that were passed
3 through by FES as a -- is that correct?

4 A. Yes.

5 Q. Was that -- did that occur once under that
6 contract?

7 A. It occurred once under the contract, and
8 when the contract terminated, I left the contract,
9 and was served under SSO service.

10 Q. Okay. And so that contract is no longer
11 in existence with the church?

12 A. That's correct.

13 Q. Okay. All right. And those uplift
14 charges, were those a result of what you believe to
15 be the polar vortex?

16 A. They were the result of charges that
17 suppliers incurred in PJM. That's the description
18 that FirstEnergy provided to the investment
19 community. Other than that, I can't provide any
20 additional evidence.

21 Q. And when you say charges "incurred," would
22 it be fair to say as a result of the polar vortex?

23 A. I think they occurred as a result of the
24 polar vortex and the shortage in generating capacity
25 needs.

1 Q. And you are not aware of any passthrough
2 charges or uplift charges as a result of the polar
3 vortex by a CRES provider other than FES, correct?

4 A. I'm not aware of any, that's correct.

5 Q. Just saved a few questions there.

6 In regard to the contracts -- well, I will
7 just say page 5 of your testimony you reference
8 contracts that you've reviewed, correct?

9 A. Yes. I refer to those in my testimony,
10 correct.

11 Q. And just for the record, how many
12 contracts did you review to prepare your testimony,
13 your answer on pages 5 through 6?

14 A. I would guess I probably looked at maybe
15 6, 8, 10.

16 Q. And you personally reviewed the contracts?

17 A. I did.

18 Q. Thank you.

19 Is it your position that customers don't
20 like to see their rate going up and down on a monthly
21 basis?

22 A. From my experience in the regulatory
23 arena, in many jurisdictions, that's my experience,
24 yes.

25 Q. Okay. If you could turn to page 3, lines

1 1 to 3 of your testimony. And there it's a carryover
2 from page 2, but you are answering a question about
3 staggering and laddering. And in your answer you
4 state that "In contrast, the PPA rider mechanism is
5 intended to provide a hedge against changes in market
6 prices over a much longer period and provides a true
7 hedge for both SSO and shopping customers." Do you
8 see that at lines 1 through 3?

9 A. I do.

10 Q. Okay. When you say you are distinguishing
11 the SSO versus the PPA, and you note that it's over a
12 much longer period, is the distinction that the SSO
13 auctions are three-year periods and the PPA --
14 proposed PPA rider is going to be for the life of the
15 proposed units, correct?

16 A. That's one element in the term is that the
17 SSO auctions are very limited in term, one to three
18 years, and that the PPA rider exists over a much
19 longer period.

20 Q. And that is a distinction between the two.

21 A. That's the distinction between the two
22 related to the term. I also have a distinction in
23 the staggering and laddering between masking changes
24 in the market price and the ability of the PPA rider
25 to actually provide a real hedge to customers as

1 market prices rise under the staggering and
2 laddering.

3 As market prices rise or fall, customers
4 see changes in their bill over a longer period of
5 time, but they still see those changes in prices
6 occur. So if market prices are going up, customers
7 will see those under the staggering and laddering
8 approach. It's just how soon do they see those under
9 the PPA rider approach, some of that can be
10 mitigated.

11 Q. So you believe there is more of a quicker,
12 less lag time in terms of the market -- in terms of
13 the -- under the PPA rider?

14 A. It's not a matter of lag time. It's the
15 inability of the SSO auctions to provide mitigation
16 to the absolute level of market prices and only the
17 PPA mechanism can do that.

18 Q. All right. Let me ask you this: In --
19 you reference a true hedge and, but in regards to
20 would you agree with me that for a hedge to be
21 effective, it has to be an amount that's significant
22 enough to actually mitigate or offset a customer's
23 invoice?

24 A. Generally, you would view a hedge as being
25 more valuable, but mitigates a reasonable percent to

1 the customer bill.

2 Q. Okay. And in regards to -- and let me
3 ask: So you would agree with me that a hedge could
4 be low -- so low in regards to amount that it really
5 isn't an effective hedge, correct?

6 A. A 1-percent hedge probably wouldn't be
7 valuable to customers. What we are looking at here
8 is about a 30-percent hedge which I think is a
9 reasonable level.

10 Q. And you -- you said that earlier, a
11 30-percent hedge, is that hedge based on the
12 aggregate of the credits over the life of the units?

13 A. That's based upon the size of the PPA
14 rider units, their generation output, their capacity
15 as compared to the overall demand of the AEP Ohio
16 system and our customers.

17 Q. Okay. So you're familiar with
18 Mr. Pearce's exhibit, in his direct testimony, laid
19 out the various scenarios for the credit for the
20 term?

21 A. KDP-2, yes.

22 Q. And do you believe that the credits shown
23 in that chart would be viewed as being an effective
24 hedge for the year that the credits are noted in
25 them?

1 A. I believe that proposal and the results
2 provide an effective hedge for customers, yes.

3 Q. And I know at one point in your direct you
4 calculated \$1.75 as being a charge. Do you recall
5 that? In the short term? Let me strike that and
6 just rephrase it.

7 In your direct testimony do you recall
8 that you had referenced \$1.75 being a charge in the
9 short term?

10 A. I include that in my testimony with the
11 assumption that it would be an October 1st start date
12 for the PPA.

13 Q. And the reason I ask about that is I want
14 to understand, you were talking about the effect of
15 the hedge and the amounts of the credits through
16 Mr. Pearce's KDP-2 exhibit. And I don't know if you
17 have a copy of your workpapers there from your
18 initial direct testimony with the \$1.75. I have a
19 copy if you would like. I also have an extra copy of
20 Mr. Pearce's exhibit if you would like that, but I
21 just want to make sure I'm understanding if I was to
22 calculate the amount of the credit or I should say
23 the amount of the credit a customer would see in
24 these years, I want to make sure I am doing it right.
25 So I don't know if you have a copy of your

1 workpapers.

2 A. I do not from my direct testimony.

3 MR. SETTINERI: May I approach, your
4 Honor, I would like to give the witness a copy of his
5 workpapers.

6 EXAMINER SEE: You may.

7 MR. SETTINERI: I am not planning to mark
8 these as exhibits, your Honor. I would be glad to
9 provide copies to the Bench as we talk through it.

10 EXAMINER SEE: Yes.

11 MR. SETTINERI: Your Honor, what I would
12 do at this time for ease is simply mark as
13 RESA/Exelon No. 2 the document that has been at the
14 top labeled WP WAA-2.

15 EXAMINER SEE: So you do want to mark it?

16 MR. SETTINERI: I will mark one just for
17 clarity.

18 EXAMINER SEE: Okay. The exhibit is so
19 marked as RESA Exelon 2.

20 MR. SETTINERI: Thank you, your Honor.

21 (EXHIBIT MARKED FOR IDENTIFICATION.)

22 Q. Mr. Allen, can you identify what's been
23 marked as RESA Exelon Exhibit No. 2?

24 A. That's my workpaper.

25 Q. Okay. And then I've also handed you a

1 document that has been noted as KDP-2. Do you
2 recognize that document?

3 A. I do.

4 Q. That's part of Mr. Pearce's direct
5 testimony, correct?

6 A. Yes.

7 Q. Okay. So if I was to understand the -- I
8 want to go back to our discussion of an effective
9 hedge. I wanted to calculate the value of the credit
10 for a customer in a month, specifically a
11 residential, but if I look at your workpapers, I see
12 that you calculated the \$1.75 and you used -- and am
13 I correct then, for starters, that you had a charge
14 for '15, for the months of October through December,
15 in 2016, of 46 and 49, I think that's million
16 dollars, correct?

17 A. Yeah, for 2015 the last three months it
18 was 46 million, and for 2016 it was 49 million.

19 Q. Okay. And so if I was to match up that --
20 those numbers with Mr. Pearce's KDP-2, am I correct
21 then it would be the row under the weather normalized
22 case, the row that has "Net PPA Rider Credit/(Charge)
23 excluding PJM CP, including CO-2 tax"?

24 A. Yes, that would be the 49 million.

25 Q. All right. So you took -- so you totaled

1 those two numbers, correct?

2 A. I'm sorry. What numbers did I total?

3 Q. Let me make --

4 A. I see. Yes, I get it. Yes, I totaled the
5 46 and 49 and divided by the total hours.

6 Q. And really what -- just to be clear here,
7 you take 46 plus 49, right?

8 A. Yes.

9 Q. And then you divide by the sum of 10,715
10 plus 43,643?

11 A. That's correct.

12 Q. Okay. And then you take that number,
13 multiply it by a thousand, and you get -- come up
14 with \$1.75 per megawatt-hour, correct?

15 A. Yes.

16 Q. And so the annual load is 43,643 gigawatt
17 hours, correct?

18 A. That's correct.

19 Q. Okay. So, for instance, if I wanted to do
20 a -- to determine the credit for 2018 in the same
21 role you used for your \$1.75, I see in 2018 it's a
22 credit of 15 million, correct?

23 A. It is.

24 Q. So I would divide by 43,643 to determine
25 what the -- and multiply that by a thousand, that

1 would give me my dollars per megawatt-hour, correct?

2 A. So are you looking at the hedge value of
3 the PPA, is that what you are asking me about?

4 Q. I am just trying to figure out what that
5 credit would be or the hedge value.

6 A. Okay. So I think you are a little
7 confused here. So what you are looking at when you
8 look at the weather normalized price, it's \$15 a
9 megawatt-hour. And you would divide that by the
10 46 -- I'm sorry, 43,643. That would give you an
11 initial proposed charge of 34 cents per
12 megawatt-hour.

13 So that's the initial charge -- I'm sorry,
14 the initial credit under the PPA for 2018. When you
15 are trying to understand the hedge benefit of the PPA
16 rider, what you then have to do is take the 214
17 million from the 5-percent higher load case and
18 subtract from that the 15 million that you started
19 with, okay, so there is \$199 million benefit that the
20 PPA rider produces in the 5-percent higher load case,
21 and then you would take that number and divide it by
22 the 46 -- 43,643, once again, and that would produce
23 a benefit to customers of \$4.56 on the rider.

24 So the hedge benefit to customers is the
25 \$4.56 per megawatt hour that comes out of that

1 calculation. So it's much in excess of the 34 cents
2 you are talking about. That's really the baseline.

3 Q. All right. And you completely lost me
4 there and I hate to take people's time to go through
5 this, but it's important to understand. So I am
6 really interested in what -- so if we go with the
7 weather normalized case, so if the -- if that's
8 the -- if that is what happens in 2018, there would
9 be -- it's \$15 million is the net PPA rider credit,
10 correct?

11 A. That would be the initial PPA rider credit
12 based upon the normal weather and load. And then the
13 next step to talk about is hedge values, you have to
14 look at what's happened with market volatility and
15 the like.

16 Q. It will help for me to understand if I
17 walk through it.

18 A. Sure.

19 Q. So 15 million. I take 15, divide by
20 43,643, equals .003, times a thousand, gives me
21 .3437, which is 34 cents a megawatt-hour, right?

22 A. Yes.

23 Q. And if I'm a thousand-hour residential
24 customer, right, and I convert megawatt-hours to
25 kilowatt-hours and multiply by my thousand hour load,

1 the customer would see 37 -- 34 cents, a credit on
2 their monthly bill.

3 A. That's right. That would be that charge
4 they would see across all 12 months absent the
5 true-up provision.

6 Q. So that would be your PPA rider charge
7 base charge for the year is what you are saying,
8 right?

9 A. That would be the base charge. And then
10 the hedge benefit comes from the fact that if you see
11 extreme weather during that year and you just see a
12 5-percent increase in load in that year compared to
13 weather normal, then the benefit of the PPA rider is
14 \$214 million. At the same time -- and so, that
15 \$214 million, you have to subtract out the \$15
16 million that you already embedded in base, okay, and
17 that produces a \$199 million benefit that you then
18 divide by the 43,643 to get what the true-up benefit
19 would be, which would be \$6.14.

20 So that period when customers are seeing
21 higher bills due to extreme weather in that year or
22 due to the economy being very strong, the customers
23 would see a benefit of \$6.14, so that's really the
24 hedge benefit.

25 Q. It's going -- it's going to help me walk

1 through my own questions because I am having a hard
2 time following you. So I understand where you are
3 now. So under a weather normalized case, in that
4 year, we are projecting \$15 million in revenues, we
5 understand that's going to be a 34 cent credit to the
6 customer, residential customers, a thousand hours.

7 A. Yes.

8 Q. So now, you are saying that that forecast
9 could be different, there could be -- there could be
10 load changes at that time, right? Could be lower,
11 could be higher, right?

12 A. Actual market prices could be higher and
13 lower due to changes in load or weather, yes.

14 Q. Now, let's go to the average of high and
15 low load, and low load though, all right, so that's
16 taking an average. Would you -- so if that -- if we
17 use that number of 58 million, come up with a credit,
18 you wouldn't apply your 5 percent higher load
19 forecast and 5 percent lower load forecast, correct?

20 A. Customers wouldn't ever see the average of
21 the high and low load scenario on their bill because
22 what that's reflecting is there's a series of events,
23 year to year. Some years are going to be high; some
24 years are going to be low. So we have averaged those
25 for the purpose of coming up with the net benefit

1 over the 10-year period.

2 But what you have to recognize is that
3 what customers really experience is something that's
4 higher or lower than weather normal. So it's going
5 to be moving in the direction of the 5 percent higher
6 load -- higher load forecast or towards the 5 percent
7 lower load forecast. You shouldn't use the average
8 of the high and low load forecast to anticipate what
9 customer charges are going to be on an individual
10 year basis. You have to move to the higher load case
11 and the lower load case to understand that
12 interaction.

13 Q. So you would disagree with Mr. Pearce's
14 testimony that what's in bold there on the average of
15 high load is what would be the most reasonable
16 expectation to see as credits?

17 A. That's not what I stated at all. What --
18 the average of the high and low load forecast, if you
19 are looking at the 574 million that's on the total
20 column, that's a reasonable number to look at because
21 that's the expectation that over time you are going
22 to have, averaging of high and low, and they are
23 going to balance out because there is an equal
24 probability of the two occurring.

25 What I wouldn't say though is that

1 customers would ever expect to see the average high
2 and low load forecast case as an annual impact on
3 their customer bills. And as we discussed about, the
4 weather normalized case is what would set the
5 baseline. And then the hedge value that does the
6 true-up provision, you would be looking at the higher
7 load -- higher load forecast case and the lower load
8 case forecast.

9 Q. In regards for the Commission to
10 understand what the total credit or charge would be
11 for customers, they are going to look at one row,
12 correct?

13 A. If the Commission is looking at the
14 benefit of the PPA rider purely from a dollar and
15 cents perspective over the forecast period, the
16 number I would look at is the number between the
17 574 million and then the "Net with Maximum PJM
18 Capacity Performance," so somewhere between
19 574 million and 1.5 billion as a benefit.

20 When you are looking at customer impacts,
21 they should be looking at the weather normalized
22 cases setting the base, and then the hedge benefits
23 are what show up in the 5 percent higher load
24 forecast and lower load forecast.

25 So they really have to look at all of the

1 elements. Picking one single number wouldn't be the
2 beginning and end of their analysis.

3 Q. Okay. Turn to page 3 of your testimony.

4 A. Okay. I am there.

5 Q. All right. Page 3 at the bottom there,
6 working back to the Apples to Apples and in that --
7 in your answer there you are disagreeing with certain
8 statements you believe Exelon Witness Lael Campbell
9 made, correct?

10 A. I am in disagreement with statements that
11 I heard Exelon Witness Campbell state, yes.

12 Q. Okay. And you rely on historic data in
13 your answer there, correct, based on the Apples to
14 Apples chart?

15 A. Yes.

16 Q. Now, you agree that not all CRES offers
17 are listed on the Apples to Apples website, correct?

18 A. It's my understanding that some may not be
19 listed on the Apples, but it is a resource for
20 customers. My expectation would be CRES providers
21 would present a large number of their offers on that
22 Apples to Apples website so customers can see them.

23 Q. But you agree not all offers are listed on
24 that website.

25 A. They may not all be there, correct.

1 Q. Okay. Thank you.

2 And offers that may not be listed on the
3 Apples to Apples website could include promotional
4 offers that are lower than the pricing that's listed
5 on the Apples to Apples site, correct?

6 A. Providers could offer promotional offers.
7 I find it odd that a CRES provider would keep from
8 the public a lower-priced offer if they are trying to
9 compete for customers when the Apples to Apples
10 website is a pretty valuable tool for customers to go
11 do comparison shopping. So it would really surprise
12 me to see that they didn't list some of their better
13 offers on that website.

14 Q. So the answer to my question is "yes,"
15 that there could be promotional offers that are not
16 listed on the Apples to Apples website, correct?

17 A. There could be.

18 Q. So, now, you presented an average of the
19 CRES offers from the websites for certain years,
20 correct?

21 MS. HENRY: Objection. Mischaracterizes
22 the testimony. He didn't average all the years. He
23 averaged one week from what -- he averaged two
24 different weeks. It wasn't a full year analysis.

25 MR. SETTINERI: Let's just withdraw the

1 question.

2 Q. Let's turn back to your exhibit on your
3 testimony, Mr. Allen, which is --

4 A. WAA-R-1.

5 Q. Thank you very much. Now, you would agree
6 with me that the shopping customer is not going to
7 take the average price that you listed here, correct?

8 A. No. In fact, that's why I included the
9 minimum offer price as well, yes.

10 Q. Okay. There was some questions from
11 Mr. Olier earlier about capacity prices. And I just
12 want to clarify for the record the capacity price for
13 2000-2014 plan year, if I told you it was
14 approximately \$28, would that sound about right to
15 you?

16 A. For which planning year?

17 Q. 2014 -- sorry, 2013 to 2014 planning year.

18 A. It may have been.

19 Q. And if it's helpful, I have some documents
20 from the PJM website. If that would help refresh
21 your recollection, I would be glad to share that with
22 you.

23 A. Sure. That would help.

24 Q. I am just going to hand you some
25 documents, spreadsheets from PJM and if that

1 refreshes your recollection.

2 A. So for the planning year 2013-'14, it
3 appears that the capacity rate was approximately 28,
4 29 dollars a megawatt-day.

5 Q. And then '14 -- planning year '14 and '15,
6 would you agree that the capacity price was -- for
7 that planning year was approximately \$128 a
8 megawatt-day?

9 A. That's the final zonal capacity price,
10 yes, that's correct.

11 Q. Okay. And for planning year '15 and '16,
12 the capacity price was approximately \$135 a
13 megawatt-day, correct?

14 A. Yes, for the AEP zone, that's correct.

15 Q. Okay. Thank you. Now, when we look at
16 these offers that you have listed here in your
17 WAA-R-1, if I walk through those, the 12-month offer
18 in January 6, 2014, that would consist of five months
19 during the 2014 capacity pricing period and seven
20 months in the '14-'15 capacity period, correct?

21 A. No. It would probably include three
22 months of the '13-'14 planning year and nine months
23 of the '14-'15 planning year.

24 Q. Okay. And how do you come up with the
25 three months?

1 A. It typically takes approximately 45 days
2 for a customer to switch so these offers would be
3 looking for a customer to switch nominally around
4 March 1, and March, April, May would be the three
5 months of the first planning year.

6 Q. So basically I would add two months to the
7 January, so January, February, March.

8 A. That's a reasonable way to look at it,
9 yes.

10 Q. Okay. And to kind of eliminate some
11 questions, repetitive questions here, you would agree
12 with me that the -- for the 12-month offers,
13 January 6, '14; April 25, 2014; and January 2, 2015,
14 those offers would consist of certain months where
15 the capacity price was different than other months
16 within that 12-month period, correct?

17 A. Yes.

18 Q. Okay. Thank you. In regards -- the same
19 kind of concept to these 12-month offers, if I look
20 at the January 6, 2014, one-year product, now, if you
21 are assuming it's going to pick up in March, then
22 that product would pick up the summer load and
23 possibly the entire 2014-2015 winter season, correct?

24 A. It would pick up an entire 12-month
25 period. All of them have an equal number of summer

1 months and winter months. Every offer covers 12
2 months, covers all 12 months.

3 Q. Do you feel based on this you are not
4 splitting winters between offers --

5 A. No.

6 Q. -- based on the fact that you -- the way
7 you look at it that the contract would start in March
8 versus January?

9 A. That's correct. That's why I only looked
10 at 12-month and 24-month offers. It would be
11 inappropriate to look at six-month offers because you
12 end up with those blending problems we were talking
13 about seasons.

14 Q. You see what I am saying -- I am getting
15 at. A different point here is that if you started
16 these contracts in January, then you would have a
17 winter split. One contract would pick up a different
18 winter's load so let's say the contract starts
19 January 6, 2014, you are going to pick the back end
20 of 2014 winter and you are going to pick the front
21 end up in the 2015 winter, correct, if it started in
22 January?

23 A. Yes.

24 Q. Okay. But your assumption is under this
25 that you are starting all your contracts basically

1 two months later in March or --

2 A. Yes.

3 Q. -- maybe June.

4 A. But it doesn't matter whether it's picking
5 up a '14-'15 winter or a combination of an early 2014
6 winter and end of the year. That has really no
7 bearing on seasonality of pricing. What's important
8 is to make sure we pick up all the seasons and what
9 we are looking at, customers would see these kinds of
10 changes in price over a period of time looking at
11 CRES offers.

12 Q. All right. And if I wanted to look at --
13 let's look at the 24-month offers. The min there in
14 January 6, 2014, we show a minimum offer at 6.75 per
15 kilowatt-hour, correct?

16 A. Yes.

17 Q. Okay. And if a customer purchased a
18 two-year product then and you had another customer,
19 all else equal, buying the successful one-year
20 product of January 6, '14, and January 2, 2015, so
21 they would be on the, say, 24-month period, correct?
22 Do you follow me?

23 A. Sure. I see what your statement is, yes.

24 Q. Okay. Now, if I want to -- so the
25 customer on the one-year contract would have a price.

1 If they went with the lowest price, they would have a
2 first year .0649 dollars per kilowatt-hour --
3 actually 6.49 cents per kilowatt-hour and then 7.88
4 cents per kilowatt-hour in year two, correct?

5 A. Yes.

6 Q. Okay. And if it's an annual residential
7 customer, that would be a thousand kilowatt-hour load
8 times 12, 12,000 kilowatt-hours in a year, right?

9 A. Yes.

10 Q. So if I wanted to determine what the --
11 whether there would be a savings to have a 24-month
12 offer versus a 12 -- two 12-month offers, would you
13 agree with me that the math would be for the first 12
14 months I would take the difference between the .0675
15 on the 24-month offer minus .0649 and then --

16 A. I think there is a simpler way to do it.
17 I would take 0.675 times 24,000 and compare that to
18 0.649 times 12,000, 0.788 times 12,000, take the sum
19 of those, and you get the delta and you can see
20 whether customers would have been smarter to select a
21 24-month product or two successful 12-month products
22 assumes they have perfect knowledge when they got
23 started with the whole deal.

24 Q. Saved some questions. Thank you. Let's
25 go back to page 7 of your testimony, please.

1 A. I'm there.

2 Q. Okay. All right. There you answer a
3 question about Mr. Cavicchi's testimony, correct?

4 A. Yes.

5 Q. Okay. At line 21, you agree with
6 Mr. Cavicchi that hourly energy prices are more
7 volatile than longer-term energy prices, correct?

8 A. That's correct.

9 Q. Okay. And you're familiar with
10 Mr. Cavicchi's attachment AJC-1 that's attached to
11 his direct testimony?

12 A. I've seen it but I didn't commit it to
13 memory.

14 MR. SETTINERI: Why don't we go ahead,
15 your Honors, if I may approach, I will provide this
16 document to Mr. Allen.

17 EXAMINER SEE: Okay.

18 MR. SETTINERI: Refresh his recollection.
19 Would the Bench like copies?

20 EXAMINER SEE: Yes.

21 Q. Are you familiar with this document, Mr.
22 Allen?

23 A. Yes, I have seen this.

24 Q. And this is the document -- did you review
25 this document in preparing your answer that's listed

1 at page 7 and 8 of your testimony?

2 A. I reviewed his statements, and I looked at
3 this document, but I didn't try to recreate his
4 analysis.

5 Q. Okay. And in his testimony -- now, his
6 testimony relates to comparing future energy
7 contracts to the volatility of the spot market
8 pricing, correct?

9 A. I don't know that he did that in his
10 testimony.

11 Q. Okay. Let's look at the document I have
12 handed you, Attachment AJC-1 for Mr. Cavicchi's
13 testimony?

14 A. Yes.

15 Q. Would you agree with me this table shows
16 that he's comparing product duration with half a
17 year, a quarter, and then a day?

18 A. Yes.

19 MR. SATTERWHITE: At this point I'll
20 object, your Honor. The witness said he didn't use
21 this and didn't try to recreate this for purposes of
22 his testimony. If you look at page 7, there is very
23 specific citations to what he is responding to. I
24 don't believe this exhibit appeared within those
25 quotations, so it's beyond the scope.

1 MR. SETTINERI: Well, your Honors, this is
2 the document that's referenced in the exact testimony
3 that he references in the question. I would be glad
4 to provide it.

5 MR. SATTERWHITE: If it's within the body
6 of those quotes, then I will retract it.

7 MR. SETTINERI: Are you quoting the
8 question?

9 MR. SATTERWHITE: The question that talks
10 about page 11, lines 17 through 19, and page 12,
11 lines 3 through 4.

12 MR. SETTINERI: I would be glad to provide
13 that to move things along.

14 Q. Mr. Allen, would it help if you had a copy
15 of Mr. Cavicchi --

16 A. I have read his testimony.

17 MR. SATTERWHITE: Thank you.

18 Q. All right. Mr. Allen, I have handed you a
19 copy of Mr. Cavicchi's prefiled -- direct testimony
20 from this proceeding. You are familiar with that,
21 correct?

22 A. Yes.

23 Q. And you reviewed that to prepare your
24 answer here at 7 and 8, correct?

25 A. I have reviewed this, yes.

1 Q. And at page 11 of Mr. Cavicchi's testimony
2 which is cited in the question line 17 to 19, in
3 fact, I want to direct your attention to actually the
4 start of line 16, Mr. Cavicchi's testimony states
5 "Yes" -- let me strike that. There's a question at
6 line 15 "Have you done an analysis of electricity
7 price volatility?

8 "Answer: Yes. Attachment AJC-1 compares
9 the volatility of wholesale energy prices at PJM's
10 AEP Dayton Hub for product duration of one day to one
11 year." Do you see that?

12 A. I do see that.

13 Q. Okay. So when you prepared your
14 testimony -- rebuttal testimony, you were responding
15 to the analysis that he did in response to this
16 question, correct?

17 A. I was providing responsive testimony to
18 that analysis and his conclusions based upon that
19 analysis.

20 Q. And his conclusions looked at the
21 volatility of product durations of one year compared
22 to one day, correct?

23 A. Not exactly. If you look at Attachment
24 AJC-1 that you provided to me kindly, if you look at
25 the footnote for the products -- I'm sorry, the

1 asterisk for the note for year, half-year, quarter
2 products, those are implied volatility based on a
3 forward curve and then all others, which is only the
4 day because that's the only one without an asterisk,
5 all others indicate historic volatility.

6 So what I have done is stepped away from
7 the theoretical concept he has about looking at
8 volatility in the forward markets and stepped back to
9 look at what is the actual volatility on a historic
10 basis in PJM and that's where we see that in the real
11 world we see significant volatility in the PJM
12 markets as opposed to implied volatility based on
13 forward markets which isn't what customers
14 experience. Customers experience is real world
15 volatility and prices.

16 Q. Okay. So your -- your table though at
17 page 8, you based your analysis here on the real time
18 load weighted average LNP, correct?

19 A. Yes.

20 Q. And that would be an average of the year's
21 spot price, correct?

22 A. The load weighted average of the spot
23 prices for that year, yes.

24 Q. Okay. So you are not focusing on forwards
25 in your answer. You are simply coming back to

1 looking at the historical average of the spot prices
2 in the past years and how those averages change year
3 to year, correct?

4 A. Yes.

5 MR. SETTINERI: Okay. And if I may, your
6 Honor, approach, I would like to mark RESA/Exelon
7 Exhibit 3.

8 EXAMINER SEE: Yes, you may approach.

9 (EXHIBIT MARKED FOR IDENTIFICATION.)

10 Q. And, Mr. Allen, you relied on a -- for the
11 data for your chart at page 8 of your testimony, you
12 relied on a PJM document, correct?

13 A. I did, the PJM State of the Market Report.

14 Q. All right. And what I have marked as
15 RESA/Exelon 3, are you familiar with that document,
16 Mr. Allen?

17 A. Yes. It's a document that I provided as
18 one of my workpapers.

19 Q. Okay. And on that document Table 3-62, is
20 that the table you used to create the information --
21 I should say the chart that's at page 8 in your
22 testimony?

23 A. Yes.

24 Q. Okay. And -- okay. And then if you look
25 above Table 3-62, just so we are clear here, last

1 sentence of the paragraph that has a heading "Real
2 Time Load Weighted Average LMP," would that proper
3 definition be load weighted average LMP is the
4 average of PJM hourly LMP each weighted by the PJM
5 total hourly load, correct?

6 A. I was -- I'm sorry. I was reading on the
7 paragraph below. I missed where you were reading
8 from.

9 Q. I was just reading that last sentence in
10 that first paragraph on the right-hand column.

11 A. To that last sentence there it says load
12 weighted average LMP is the average of PJM hourly LMP
13 each weighted by the PJM total hourly load.

14 Q. And that's -- the load weighted average
15 LMP is what then Table 3-63 uses, correct?

16 A. Yes.

17 Q. Okay.

18 MR. SETTINERI: One moment, your Honors.

19 Q. I want to go back to a discussion earlier
20 you were talking about the value of the hedge.

21 A. Yes.

22 Q. Do you recall that?

23 A. I recall that.

24 Q. So I want to walk you through this slowly
25 again. So I am trying to understand this a little

1 better. So if we have --

2 A. Are we back on Exhibit KDP-2?

3 Q. Yeah, KDP-2. Let's just go to the line
4 that's the average of high load and low load forecast
5 and let's say in 2018 the way everything works out
6 there is a PPA rider credit of \$58 million and that's
7 going to be the net all -- of the sales, payments, et
8 cetera, correct?

9 A. I wouldn't agree with your premise.

10 Q. How I characterized it?

11 A. That's right. I would say a bill for
12 customers.

13 Q. I'm sorry. Let me make it simpler.
14 That's the \$58 million PPA credit for 2018. So --

15 A. If I just assume the number is 58 million
16 without assuming where it comes from; is that what
17 your statement is?

18 Q. I assume that \$58 million would be the net
19 PPA rider credit.

20 A. Okay.

21 Q. Okay? That's \$58 million. All right?
22 Now, is that number going to be -- that number, we
23 know we can calculate what that would end up being
24 for a thousand kilowatt-hour residential customer,
25 correct?

1 A. You can calculate what the impact would be
2 of a \$58 million credit to a residential customer,
3 yes.

4 Q. We understand that. All right. Now, and
5 that's the number, that's what ended up being the
6 total, and so when you talk about the value of the
7 hedge, now, you're saying that if there are load
8 fluctuations during the year, that that number could
9 change; is that what you are saying?

10 A. What I stated, and maybe I wasn't clear
11 enough, is that we would never use the average of the
12 high and low load forecast data to prepare a customer
13 bill. If I were to use data from this document to
14 identify what I think the charge or credit would be
15 initially, the number would come from the
16 weather-normalized case. That would be the starting
17 point and then the true-up would reflect somewhere in
18 between the 5 percent higher load forecast case and
19 the 5 percent lower load forecast case. We wouldn't
20 charge customers a true-up or an annual rate based
21 upon the average of the high and low load forecast
22 cases. That case is there solely to provide the
23 Commission an estimate of the net benefit over the
24 entire period, not to identify what the hedge value
25 is in any one period, the hedge value, and that's why

1 we included the five higher and lower load forecast
2 cases, to give an indication to the Commission of the
3 value of the hedge that we are proposing here.

4 Q. Okay. So I -- so I understand it then, if
5 we go back to what you did for your \$1.75 for the
6 short term under that weather-normalized case,
7 50 million which I think you dropped to 46 million
8 given the timing and 49 million, right? You were
9 able to come up with a \$1.75 charge to customers
10 during that period.

11 A. That would be the initial charge. It
12 wouldn't be the true-up piece. That's the hedge
13 benefit.

14 Q. Okay. So you are saying that's going to
15 be the set PPA rider to start with. That's your
16 January in our example of 2016. That's your PPA
17 rider and then you are going to have a true-up, and
18 now you are looking at maybe doing it quarterly,
19 correct?

20 A. In my scenario it would have been starting
21 in October.

22 Q. Right.

23 A. Now, we are moving to January, so if you
24 did the math there, you would take 49 million divided
25 by the 43,643 so you would be closer to a dollar.

1 MR. SETTINERI: 49 million, okay, okay. I
2 understand. Thank you for walking me through that.

3 No further questions, your Honor. Thank
4 you for your patience.

5 EXAMINER SEE: Mr. Kurtz?

6 MR. KURTZ: Thank you, your Honor.

7 - - -

8 CROSS-EXAMINATION

9 By Mr. Kurtz:

10 Q. Mr. Allen, it's correct, isn't it, you
11 filed no rebuttal testimony to the OEG witnesses,
12 Mr. Taylor, Mr. Kollen, and Mr. Baron?

13 A. I did not file testimony. It doesn't mean
14 that I agreed with all of their positions, but I did
15 not file rebuttal testimony, that's correct.

16 MR. KURTZ: Okay. Thank you. No further
17 questions.

18 EXAMINER SEE: Mr. Beeler.

19 MR. BEELEER: No questions. Thank you.

20 EXAMINER SEE: While you consider if there
21 is going to be redirect, we are going to take a brief
22 recess.

23 MR. SATTERWHITE: Thank you.

24 (Recess taken.)

25 EXAMINER SEE: Let's go back on the

1 record.

2 Mr. Satterwhite?

3 MR. SATTERWHITE: Thank you, your Honor.

4 In the spirit of efficiency and mercy, we have no
5 redirect.

6 EXAMINER SEE: Okay. We have already
7 moved for the admission of AEP Exhibit 51. Are there
8 any objections?

9 MR. MICHAEL: Your Honor, OCC would renew
10 its motion to strike Mr. Allen's rebuttal testimony,
11 specifically on page 8, lines 9 through 10, up to and
12 including footnote No. 10 and on page 9, lines 2
13 through 7, including the footnote. After the Bench
14 has had the benefit of cross-examination, it should
15 be abundantly clear that Mr. Allen did not prepare
16 any of the documents discussed or cited in his
17 rebuttal testimony. He did not direct their
18 preparation. None of the documents are subject to
19 any exception to hearsay including the purported
20 public records exception and, therefore, the
21 testimony and the documents cited should be stricken.

22 MR. SATTERWHITE: Your Honor, I will rely
23 on what I said earlier and just point out that
24 these -- what we had just provided as footnotes was
25 to show the research Mr. Allen did to show a simple

1 limited point. The documents have been -- have now
2 been marked as exhibits by OMAEG and there was
3 discussion. I think it's appropriate to have all
4 that in the record.

5 MR. MICHAEL: Your Honor, I would simply
6 point out the purpose for marking those documents and
7 discussing them with Mr. Allen as the
8 cross-examination made clear was that Mr. Allen did
9 not prepare those documents. They were not prepared
10 at his direction. They were not prepared or reflect
11 the activities of the office or agency or matters
12 observed pursuant to duty imposed by law. And as I
13 stated earlier, your Honor, I am simply renewing the
14 motion because your Honor now has the benefit of Mr.
15 Allen's actual testimony to confirm all the reasons
16 why those -- that testimony and those documents are
17 hearsay and should be stricken.

18 EXAMINER SEE: With that AEP Exhibit 51 is
19 admitted into the record.

20 (EXHIBIT ADMITTED INTO EVIDENCE.)

21 EXAMINER SEE: Ms. Henry.

22 MS. HENRY: Sure. Sierra Club moves
23 Exhibits 41, 42, 43, 44, 45, and 46 into the record.

24 EXAMINER SEE: Are there any objections to
25 the admission of Sierra Club Exhibits 41 through 46?

4411

1 MR. SATTERWHITE: No, your Honor.

2 EXAMINER SEE: Sierra Club Exhibits 41,
3 42, 43, 44, 45, and 46 are admitted into the record.

4 (EXHIBITS ADMITTED INTO EVIDENCE.)

5 EXAMINER SEE: OMA --

6 MR. SATTERWHITE: Your Honor, the only one
7 the company will oppose is ELPC 17 in terms of
8 efficiency.

9 EXAMINER SEE: OMA Exhibits 21, 22, and
10 23, there are no objection? Good to hear. Any
11 objection from anyone else?

12 They are admitted into the record.

13 (EXHIBITS ADMITTED INTO EVIDENCE.)

14 EXAMINER SEE: 17 is the only one you are
15 opposing?

16 MR. SATTERWHITE: Yes, your Honor.

17 MR. SETTINERI: We also have RESA/Exelon
18 Exhibits 2 and 3.

19 MR. SATTERWHITE: We oppose no other
20 exhibits other than ELPC 17.

21 EXAMINER SEE: That's what I wanted to
22 hear. Okay. Your objections to ELPC 17.

23 MR. SATTERWHITE: Yeah. The witness
24 wasn't able to authenticate this document. There
25 were questions -- even counsel admitted didn't have a

1 complete web address on the bottom. It's also
2 prejudicial as this witness described the information
3 as all Ohio, not AEP. You can't rely upon this data.
4 I know Mr. Darr attempted to ask some questions on
5 this document as well but that dealt I think
6 theoretically with seasonal changes. I don't think
7 you need this document to follow that conversation,
8 and the witness indicated that there are numbers on
9 here and items on here, but he can't say whether it's
10 authentic or not, and it doesn't relate to the AEP
11 Ohio rates.

12 MR. DARR: Your Honor, if I may respond,
13 the EIA document is on -- with regard to
14 authentication is self-authenticating. It's a
15 document that the government agency published in the
16 regular and ordinary course. There have been
17 multiple documents of similar nature admitted on the
18 same basis including some PJM documents which the
19 company somewhat incorrectly described as government
20 documents at one point.

21 With regard to his argument --
22 Mr. Satterwhite's argument about it being
23 prejudicial, that goes to weight. And whether or not
24 it's appropriate to give it any weight at this point,
25 certainly Mr. Allen went on at length as we all

1 watched with regard to why he thought the information
2 in it was somehow faulty but that goes -- again, that
3 goes to weight. And whether or not it is unduly
4 prejudicial is a different question from whether or
5 not it is prejudicial, prejudicial simply because it
6 doesn't say what Mr. Allen would like it to say which
7 is that there are changes. It doesn't change the
8 relevancy of it which goes to whether or not it is --
9 there are price changes or shifts which was, I think,
10 the point which ELPC was looking at in which I
11 further demonstrated through my cross-examination.

12 MR. SATTERWHITE: Your Honor, I am happy
13 to amend it to say it is now unduly prejudicial
14 because as this witness testified, it's completely
15 irrelevant to AEP Ohio's territory and it's presented
16 for the purpose of showing competition and it
17 includes entities within Ohio that are not subject to
18 competition. So the prejudicial part is that it's
19 completely irrelevant and can't be compared to
20 anything already in the record.

21 MR. DARR: This from a company that is
22 seeking to reregulate its generation resources. Your
23 Honor, I find that hard to believe.

24 MS. HENRY: And I would note, you know,
25 the fact that there is no information in the record

1 about actual volatility in rates, I mean, that's
2 obviously an absent piece.

3 EXAMINER SEE: ELPC is admitted into the
4 record.

5 (EXHIBITS ADMITTED INTO EVIDENCE.)

6 EXAMINER SEE: The Commission will use it
7 for what they believe it to be.

8 MR. SATTERWHITE: Thank you.

9 MR. SETTINERI: Your Honor, was
10 RESA/Exelon 2 and 3 admitted?

11 EXAMINER SEE: RESA/Exelon is not opposed
12 by the company and are admitted into the record.

13 (EXHIBITS ADMITTED INTO EVIDENCE.)

14 MR. SETTINERI: Thank you, your Honor.

15 MR. NOURSE: Your Honor, would you like to
16 revisit the briefing schedule, hear any more from the
17 company on that?

18 EXAMINER SEE: Hold on just a second,
19 Mr. Nourse. Just a minute here.

20 And just to be clear I think the company
21 did not oppose OCC Exhibits 22, 23, or 24, and they
22 were previously admitted into the record, correct?

23 MR. SATTERWHITE: Yes. Thank you.

24 (EXHIBITS ADMITTED INTO EVIDENCE.)

25 EXAMINER SEE: Go ahead with your briefing

1 discussion, Mr. Nourse.

2 MR. NOURSE: Yeah. I just wanted to
3 revisit, of course, our proposal; and, you know, I
4 think the only comment I heard was about the
5 FirstEnergy schedule being established I guess since
6 the time we had finished our hearing and naturally
7 proposed our briefing schedule. You know, and so the
8 FirstEnergy schedule is out there. It's further back
9 than certainly what we wanted so I think it does give
10 room for our more -- in fact, it probably, I think,
11 highlights the fact that we should try to get done
12 quicker.

13 I mean, our case is definitely more urgent
14 than FirstEnergy's. They have -- they are dealing
15 with a rate plan that expires in the middle of next
16 year. You know, it's been discussed on the record
17 and public knowledge that AEP is looking at these two
18 tracks of, you know, selling these plants or putting
19 them into this PPA, and obviously the intervenors,
20 the opposing intervenors, understand that. That's
21 why they've opposed our schedule at every step of the
22 way since we filed over a year ago to initiate this
23 case on October 6.

24 So we would certainly appreciate a
25 briefing schedule that -- that, you know, winds up in

1 early December and gives the Commission a chance to
2 decide this case at or around the end of this year.

3 EXAMINER SEE: Okay. So more specifically
4 what are you proposing, Mr. Nourse?

5 MR. NOURSE: We would propose November 17,
6 two weeks from today, for initial briefs and
7 December 1, two weeks hence for reply.

8 EXAMINER SEE: Anybody else want to chime
9 in?

10 MS. HENRY: Yeah, I would, if I may, your
11 Honor. So I don't -- you know, I did talk to some of
12 the other intervenors, and I would note first, No. 1,
13 this is -- this is a weighty decision for the
14 Commission to consider. We are talking about whether
15 AEP should get a rider that would be, as you said,
16 for the life of these units which goes through 2051
17 so it's a -- there is a lot at stake in this. And
18 the intervenors think three weeks is the minimum that
19 would be acceptable for a brief which is what we said
20 before.

21 The only problem was that since then the
22 FirstEnergy brief got scheduled which got -- so if we
23 did three weeks, that would put our brief due around
24 November 24 or 25. That only leaves one -- at the
25 most one business day between the FirstEnergy brief,

1 and parties think it's unreasonable to have just one
2 business day between FirstEnergy and this one just
3 given the breadth of material that has to be briefed.
4 So we would propose to have initial briefs due on
5 December 3, which is three business days after the
6 FirstEnergy brief, and then have reply briefs due on
7 December 23.

8 MR. NOURSE: Can I clarify? I thought the
9 initial FirstEnergy date was November 30.

10 MS. HENRY: November 30.

11 MR. NOURSE: So I am not sure what you
12 said about November 24 being one business day away
13 from FirstEnergy.

14 MR. DARR: That darn little holiday right
15 in the middle of that week is causing a problem.

16 MS. HENRY: It's Thanksgiving.
17 Thanksgiving is that week.

18 MR. SETTINERI: It's called a holiday,
19 Steve.

20 MS. HENRY: 26th and 27th, 26th is
21 Thanksgiving, the 27th is the Friday after it, and
22 then it's the weekend.

23 MR. NOURSE: Okay. I just wanted to
24 clarify we were talking about the same date.

25 MS. HENRY: Yeah. And I would also -- the

1 other thing I would note is that under theirs --
2 under their proposed schedule our reply brief -- the
3 reply brief would be due one day after the
4 FirstEnergy initial brief.

5 MR. KURTZ: Your Honor, I would agree with
6 Ms. Henry. This case is too important to rush it at
7 this stage of the game. We have all been diligent
8 for as long as this case has been filed. December 3
9 for an initial brief is reasonable.

10 MR. NOURSE: Your Honor, I was waiting for
11 everyone else but, your Honor, I think, again, we've
12 had -- they asked for three. They got -- they would
13 have three and a half weeks from when the main
14 hearing ended. We have been in hearing one day for
15 rebuttal so take that away from the three and a half
16 weeks you still have more than three weeks after the
17 hearing ended to get to initial brief. So I do think
18 that's reasonable, and certainly parties, you know,
19 should have been starting some of their work on brief
20 by now.

21 MS. HENRY: And if I may address that, I
22 have been involved in PUC proceedings for years
23 across many different jurisdictions and until you see
24 the rebuttal testimony, although you may brief what
25 you may cover, you are not going to draft a brief

1 because you have no idea what the actual final case
2 is going to look like. So, I mean, realistically
3 today is the day that it starts. And everybody has
4 always said -- I mean, the discussion last week was
5 that intervenors said three weeks from the close of
6 that hearing, rebuttal hearing.

7 MR. SETTINERI: Your Honor, if I may very
8 briefly, for RESA, Exelon, Constellation, P3, and
9 EPSA, we will have at least three briefs in both
10 proceedings, three in FirstEnergy, three in this
11 proceeding. We have been dealing with two trials at
12 the same time. If the goal is to have a decision by
13 the end of the year, that could drive briefing
14 schedules obviously. If that's not -- if that's not
15 a goal, these plants aren't going to be sold in six
16 weeks or eight weeks. There's no reason to put
17 people through the ringer for that reason so I would
18 ask you to take that into consideration. Thank you.

19 MR. NOURSE: Your Honor, again, the
20 FirstEnergy hearing has been the chorus we have heard
21 throughout our entire proceeding. You know, I think
22 the Commission did the right thing moving forward
23 with the hearings even though, you know, people have
24 worked it out saying it's been -- it's been happening
25 on both ends of the hall and we have gotten

1 everything done. I think we have been very
2 efficient.

3 So, again, this is just more of the same
4 argument. I don't think, you know, AEP should be --
5 the outcome should be determined by the timing of the
6 FirstEnergy case, especially given that
7 FirstEnergy's, you know, issues don't even need to be
8 resolved until the middle of next year so.

9 MR. MICHAEL: Your Honor, OCC would simply
10 suggest that what should drive it is giving
11 consideration to what is reaching a right decision
12 based on a full, complete, and accurate record, not
13 AEP's schedule for whether or not they are going to
14 sell the plants, not the FE hearing, but what is
15 reasonable to get a full, complete, accurate set of
16 briefs before the Commission so it can reach the very
17 best decision based on the very best information and
18 get it right. And if that's the guiding principle,
19 then at a minimum OCC would support the schedule
20 suggested by Sierra Club.

21 MS. HENRY: I would also note providing
22 more time will allow parties to synthesize the large
23 quantity of information and present it in the
24 clearest and most concise fashion for the Commission
25 to consider.

1 EXAMINER SEE: Okay. Question,
2 Mr. Nourse, is AEP going to be putting in the
3 rebuttal transcript in the record?

4 MR. NOURSE: Yeah. Hopefully tomorrow.

5 EXAMINER SEE: Did you get a response on
6 that?

7 MR. DARR: She was stoic.

8 MR. NOURSE: She is doing her job
9 admirably.

10 EXAMINER SEE: Okay. Okay. The Bench has
11 taken under consideration the briefing schedule
12 proposed by the parties, and the briefing schedule is
13 as follows: Initial briefs will be due November 24
14 by end of business, reply briefs December 29 by end
15 of business. December 9. Did I say 29th? No. I'm
16 sorry. December -- December the 9th.

17 MR. NOURSE: Oh, thank you.

18 MR. SETTINERI: Your Honor, no page
19 limitations, I take it, on the briefs?

20 MR. NOURSE: No, your Honor. I would
21 oppose that because these guys can all coordinate and
22 split up their arguments.

23 MR. SETTINERI: Just confirming, that's
24 all.

25 EXAMINER SEE: No. There is -- the Bench

4422

1 is not putting any page limit on the briefs.

2 MR. NOURSE: I'm sorry. I just want to
3 clarify you said November 24 and December 9?

4 EXAMINER SEE: December 9.

5 MR. NOURSE: And we would be doing
6 electronic service of the initial briefs? You want
7 everybody to do that?

8 EXAMINER SEE: Yes, yes.

9 MR. NOURSE: I think everybody does it
10 already.

11 EXAMINER SEE: Yes, that's usually, and if
12 you are only -- with the courtesy copy to the AEs.

13 MR. NOURSE: Okay. Thank you.

14 EXAMINER SEE: Thank you. Off the record.

15 (Thereupon, the hearing was concluded at
16 7:30 p.m.)

17 - - -

18

19

20

21

22

23

24

25

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, November 3, 2015, and carefully compared with my original stenographic notes.

Karen Sue Gibson, Registered
Merit Reporter.

Carolyn M. Burke, Registered
Professional Reporter.

(KSG-6113)

- - -

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

11/4/2015 10:35:29 AM

in

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 11/03/15 - Volume XVII electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.