

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, and Commissioner Asim Haque at the Public
Utilities Commission of Ohio, 180 East Broad Street,
Room 11-A, Columbus, Ohio, called at 10 a.m. on
Monday, January 4, 2016.

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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 Mr. Samuel C. Randazzo
20 and Mr. Matthew R. Pritchard
21 21 East State Street, 17th Floor
22 Columbus, Ohio 43215

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

25 Vorys, Sater, Seymour & Pease, LLP
By Mr. M. Howard Petricoff
Ms. Gretchen Petrucci
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, Exelon
Generation, LLC., and Dynegy, Inc.

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 Ohio Environmental Council
8 By Mr. Trent A. Dougherty
9 1145 Chesapeake Avenue, Suite I
10 Columbus, Ohio 43212

11 On behalf of the Ohio Environmental
12 Council and the Environmental Defense
13 Fund.

14 Taft, Stettinius & Hollister LLP
15 By Mr. Mark S. Yurick
16 65 East State Street, Suite 1000
17 Columbus, Ohio 43215

18 On behalf of The Kroger Company.

19 Ohio Partners for Affordable Energy
20 By Ms. Colleen L. Mooney
21 and Mr. David C. Rinebolt
22 231 West Lima Street
23 Findlay, Ohio 45840

24 On behalf of the Ohio Partners for
25 Affordable Energy.

Carpenter Lipps & Leland LLP
By Ms. Kimberly W. Bojko
Ms. Danielle Ghiloni
and Mr. Ryan P. O'Rourke
280 North High Street, Suite 1300
Columbus, Ohio 43215

On behalf of the Ohio Manufacturers'
Association Energy Group.

1 APPEARANCES: (Continued)

2 Sierra Club Environmental Law Program

3 Ms. Kristin Henry

4 and Mr. Tony Mendoza

5 85 Second Street, 2nd Floor

6 San Francisco, California 94105

7 Olson, Bzdok & Howard

8 By Mr. Christopher M. Bzdok

9 420 East Front Street

10 Traverse City, Michigan 49686

11 Earthjustice

12 By Mr. Shannon Fisk

13 Northeast Office

14 1617 John F. Kennedy Boulevard, Suite 1675

15 Philadelphia, Pennsylvania 19103

16 On behalf of the Sierra Club.

17 Spilman, Thomas & Battle, PLLC

18 By Mr. Derrick Price Williamson

19 1100 Bent Creek Boulevard, Suite 101

20 Mechanicsburg, Pennsylvania 17050

21 Spilman, Thomas & Battle, PLLC

22 By Ms. Carrie Harris

23 310 First Street, Suite 1100

24 Roanoke, Virginia 24011

25 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.

Boehm, Kurtz & Lowry

By Mr. Michael L. Kurtz,

Mr. Kurt J. Boehm

and Ms. Jody Kyler Cohn

36 East Seventh Street, Suite 1510

Cincinnati, Ohio 45202

On behalf of the Ohio Energy Group.

1 APPEARANCES: (Continued)

2 Environmental Law & Policy Center
3 By Ms. Madeline Fleisher
4 21 West Broad Street, Suite 500
5 Columbus, Ohio 43215

6 Environmental Law & Policy Center
7 By Mr. Justin M. Vickers
8 35 East Wacker Drive Suite 1600
9 Chicago, Illinois 60601

10 On behalf of the Environmental Law &
11 Policy Center.

12 Ohio Poverty Law Center
13 By Mr. Michael R. Smalz
14 555 Buttles Avenue
15 Columbus, Ohio 43215

16 On behalf of the Appalachian Peace and
17 Justice Network.

18 FirstEnergy Corp.
19 By Mr. Mark Hayden
20 and Mr. Scott J. Casto
21 76 South Main Street
22 Akron, Ohio 44308

23 Calfee, Halter & Griswold LLP
24 By Mr. N. Trevor Alexander
25 1200 Huntington Center
41 South High Street
Columbus, Ohio 43215

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 Mike DeWine, Ohio Attorney General
25 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.

1 APPEARANCES: (Continued)

2 Thompson Hine
3 By Mr. Michael Austin
4 41 South High Street, Suite 700
5 Columbus, Ohio 43215

6 On behalf of Buckeye Power.

7 Dickson Wright PLLC
8 By Mr. Terrence O'Donnell
9 and Mr. Raymond D. Seiler
10 150 East Gay Street, Suite 2400
11 Columbus, Ohio 43215

12 On behalf of the Mid-Atlantic Renewable
13 Energy Coalition.

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1 Monday Morning Session,

2 January 4, 2016.

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

5 The Public Utilities Commission of Ohio has called
6 for hearing at this time and place Case No.

7 14-1693-EL-RDR, et al., in the Matter of the
8 Application Seeking Approval of Ohio Power Company's
9 Proposal to Enter into an Affiliate Power Purchase
10 Agreement for Inclusion in the Power Purchase
11 Agreement Rider. Good morning, everyone.

12 My name is Sarah Parrot. With me on the
13 Bench is Greta See. We are the attorney -- excuse
14 me, the attorney examiners assigned by the Commission
15 to hear these cases. Also with us today is
16 Commissioner Asim Haque. Commissioner Haque.

17 COMMISSIONER HAQUE: Good morning. I feel
18 like I am testifying. This is a spot, I've sat in a
19 few spots in this room but never this one. Look,
20 these PPA cases carry with them the most gravity of
21 any cases that I will get the opportunity to decide
22 in my current term. Because of that it's my desire
23 to be in the room. It's my desire to be in the room
24 to hear testimony to understand your issues upon
25 cross-examination. I grew up litigating and by being

1 here, in my mind, this will be a far less academic
2 exercise than what Commissioners typically experience
3 with a mountain of documents to review in order to
4 make decisions.

5 At the same time, I don't want to be a
6 distraction, so this is -- other than asking the
7 attorney examiners who do a fantastic job running
8 these hearings if I can use the restroom --

9 EXAMINER PARROT: Health break.

10 COMMISSIONER HAQUE: -- health break,
11 sorry, or telling them I have to go pick up my kid
12 from daycare, this will be the last you will hear
13 from me. Of course, very interested in developing a
14 very robust record for myself, Chairman Porter,
15 Commissioner Trombold, Commissioner Slaby,
16 Commissioner Johnson. And so, if there are issues
17 that come up during the hearing that I think we need
18 to address further, I will work with the attorney
19 examiners to ensure that gets done.

20 That is it. I want to thank all of you
21 for being here. These are, as you well know, these
22 are extraordinarily important cases. Each one of you
23 represents a particular interest that I think is --
24 is, for lack of a better word, important, and so very
25 grateful for your presence and looking forward to

1 sitting in on these proceedings. Thanks.

2 EXAMINER PARROT: Thank you, Commissioner
3 Haque. All right. Let's get started with
4 appearances. Let's begin with the Company.

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

9 EXAMINER PARROT: On behalf of Industrial
10 Energy Users-Ohio.

11 MR. DARR: Thank you, your Honor. On
12 behalf IEU-Ohio, Sam Randazzo, Frank Darr, and Matt
13 Pritchard, from the law firm of McNees, Wallace &
14 Nurick, 21 East State Street, Columbus, Ohio.

15 EXAMINER PARROT: Sierra Club.

16 MR. MENDOZA: On behalf of Sierra Club,
17 Tony Mendoza, Kristin Henry, and Shannon Fisk.

18 EXAMINER PARROT: Ohio Environmental
19 Council and Environmental Defense Fund.

20 MR. DOUGHERTY: Your Honor, on behalf of
21 the Ohio Environmental Council and EDF, Trent
22 Dougherty.

23 EXAMINER PARROT: On behalf of Wal-Mart
24 and Sam's.

25 MS. HARRIS: Carry Harris with the law

1 firm of Spilman, Thomas & Battle.

2 EXAMINER PARROT: Ohio Consumers' Counsel.

3 MR. MICHAEL: Good morning, your Honor.

4 On behalf of AEP Ohio's residential utility consumers
5 the Office of the Ohio Consumers' Counsel, William J.
6 Michael, Kevin Moore, Jodi Bair, and as outside
7 counsel Dane Stinson from Bricker & Eckler.

8 EXAMINER PARROT: Ohio Energy Group.

9 MR. KURTZ: Good morning, your Honors.
10 Michael Kurtz, Kurt Boehm, and Jody Kohn.

11 EXAMINER PARROT: The Kroger Company.

12 MR. YURICK: On behalf of the Kroger
13 Company, Mark Yurick with the law firm of Taft,
14 Stettinius & Hollister.

15 EXAMINER PARROT: On behalf of the PJM
16 Market Monitor. All right. Let the record reflect
17 counsel is not present for the Market Monitor this
18 morning.

19 Mr. Petricoff, I guess I will let you
20 introduce all of your many clients for us.

21 MR. PETRICOFF: I am going to defer to --

22 EXAMINER PARROT: Mr. Settineri.

23 MR. PETRICOFF: -- Mr. Settineri and he
24 will give the --

25 EXAMINER PARROT: Okay.

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1 MR. SETTINERI: On behalf of PJM Power
2 Providers Group, the Electric Power Supply
3 Association, Dynegy Inc., the Retail Energy Supply
4 Association, Constellation NewEnergy Inc., Exelon
5 Generation Company, M. Howard Petricoff, Michael
6 Settineri, and Gretchen Petrucci, from the law firm
7 of Vorys, Sater, Seymour & Pease.

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

10 Ohio Manufacturers' Association Energy
11 Group.

12 MS. BOJKO: Thank you, your Honor. On
13 behalf of OMAEG, Kimberly W. Bojko, Ryan P. O'Rourke,
14 with the law firm of Carpenter Lipps and Leland.

15 EXAMINER PARROT: IGS.

16 MR. OLIKER: Good morning, your Honors.
17 On behalf of IGS Energy, Joseph Olikier.

18 EXAMINER PARROT: The Mid-Atlantic
19 Renewable Energy Coalition. All right. Let the
20 record reflect counsel for MAREC is not present this
21 morning.

22 FirstEnergy Solutions.

23 MR. ALEXANDER: Good morning, your Honor.
24 On behalf of FirstEnergy Solutions, Trevor Alexander
25 with the law firm of Calfee Halter & Griswold.

1 EXAMINER PARROT: Buckeye Power.

2 MR. MICHAEL: On behalf of Buckeye Power,
3 Michael Austin with the law firm of Thompson Hine.

4 EXAMINER PARROT: Ohio Hospital
5 Association.

6 MR. O'BRIEN: On behalf of the Ohio
7 Hospital Association, Richard L. Sites and Tom
8 O'Brien.

9 EXAMINER PARROT: The EPO. All right.
10 Let the record reflect counsel for EPO is not present
11 this morning.

12 The Direct Energy companies.

13 MS. SPINOSI: Good morning, your Honor.
14 On behalf of Direct Energy Business, LLC, and Direct
15 Energy Services, LLC, Jennifer L. Spinosi.

16 EXAMINER PARROT: Ohio Partners for
17 Affordable Energy. All right. Let the record
18 reflect counsel for OPAGE is not present.

19 Appalachian Peace and Justice Network.

20 MR. SMALZ: Your Honor, on behalf of the
21 Appalachian Peace and Justice Network, Michael R.
22 Smalz, with the Ohio Poverty Law Center, 555 Buttles
23 Avenue, Columbus, Ohio 43215.

24 EXAMINER PARROT: Environmental Law &
25 Policy Center.

1 MS. FLEISHER: Good morning, your Honor.
2 On behalf of the Environmental Law & Policy Center,
3 Madeline Fleisher and Justin Vickers.

4 EXAMINER PARROT: EnerNOC. Let the record
5 reflect counsel is not present this morning.

6 Mr. Settineri, did you enter an appearance
7 of P3 and EPSA?

8 MR. SETTINERI: I believe I did. PJM
9 Power Providers Electric Power Supply Association.

10 EXAMINER PARROT: Thank you.

11 And, finally, Commission staff.

12 MR. BEELER: On behalf of the staff of the
13 Public Utilities Commission of Ohio, Ohio Attorney
14 General Mike DeWine, Steven Beeler and Werner
15 Margard.

16 EXAMINER PARROT: Thank you, Mr. Beeler.

17 Are there any preliminary matters that the
18 parties wish to bring to the Bench's attention this
19 morning?

20 MR. NOURSE: Your Honor, one preliminary
21 matter was the intervention and testimony of PJM.
22 And in order to go forward with the existing
23 schedule, I guess I think that's the issue that needs
24 to be addressed at the threshold.

25 EXAMINER PARROT: At this point we are

1 going to defer ruling on that for now, Mr. Nourse.
2 Anything else?

3 MR. NOURSE: Well, I guess I assume you
4 are going to deal with the motions for subpoenas --
5 the motion to quash subpoenas. I think that's an
6 important issue we wanted to be heard on as well.

7 EXAMINER PARROT: We can go ahead and hear
8 arguments in response to the motions at this point if
9 that's the parties' preference. I am not sure that
10 would be the best one to -- I am just trying to think
11 through the order of things and we also have a motion
12 to compel and some other things, so I am just trying
13 to think if there is any rhyme or reason in which we
14 take these up this morning, but we can start with
15 that one.

16 MR. NOURSE: Again, I just mention the two
17 that affect the schedule and since we are proceeding
18 this week and trying to confirm and finalize the
19 schedule I think those two matters would affect the
20 schedule. I am not going to, I guess unless you
21 direct me otherwise, I wasn't planning on trying to
22 incorporate any other witnesses other than the ones
23 that have filed.

24 Obviously, we have a motion to strike in
25 conjunction with the PJM intervention and, of course,

1 their late request for late filing of testimony and
2 late intervention is pending, so I guess I view that
3 as a threshold issue but, so that's the reason I
4 wanted to address those two things.

5 As far as the motions to quash, you know,
6 again, I think those are very important issues that
7 would be a very bad precedent if parties to a
8 stipulation were required to produce witnesses and
9 respond to deposition notices merely because they
10 sign a stipulation.

11 Obviously, the parties and the company
12 have supported testimony and are prepared to
13 obviously have Mr. Allen take the stand and answer
14 any question about the -- about the stipulation. You
15 know, I think subpoenas and forcible testimony should
16 be limited to parties of factual knowledge that
17 particular individuals may have that are relevant to
18 the proceeding. I don't think that qualifies or
19 encompasses any employee or an agent of a signatory
20 party merely by the fact they signed the stipulation.

21 And I think there would be obviously, you
22 know, I agree with the arguments that the Sierra Club
23 put in their motion to quash relative to the chilling
24 effect on the attorney-client privilege as well as
25 the chilling effect on the settlement process if

1 parties will be able to, you know, sort of bully or
2 try to, you know, force disclosure based on, you
3 know, a sour grapes kind of theory, so I think that's
4 inappropriate and should not be enforced by the Bench
5 or by the Commission.

6 The three-part test that the Commission
7 and the Supreme Court have approved for consideration
8 of -- of contested stipulations does not incorporate
9 anything like that and doesn't require anything like
10 that. And so, you know, generally I just think it's
11 a rabbit trail that should not be pursued and it
12 would be inappropriate to force parties that are
13 signing and supporting a stipulation to produce
14 witnesses just -- just bear the burden, the expense,
15 the additional litigation, cost and effort to do that
16 as a punishment for supporting the stipulation.
17 Thank you.

18 MR. MENDOZA: Your Honor, if I may? I
19 just would like to add a little bit to what
20 Mr. Nourse said. It is a little bit of a situation.
21 Sierra Club did not intend to offer a witness to
22 support the stipulation. We -- and OCC is asking to
23 compel our witness to provide testimony on the
24 stipulation. The problem is that Sierra Club's
25 staff, the only information they have on the

1 stipulation is either information gained during
2 settlement negotiations or in discussion with Sierra
3 Club attorneys about the stipulation. There is no
4 nonpublic relevant factual information that could
5 come to light in the testimony of Sierra Club
6 witness. It would be a waste of the Commission's
7 time and it would be oppressive for Sierra Club to
8 produce someone to testify on privileged matters
9 essentially.

10 As far as Sierra Club and the one issue
11 OCC has asked about is Sierra Club's rationale for
12 entering into the stipulation. I think those types
13 of issues are highly privileged. They go right to
14 the attorney-client relationship. Decisions to enter
15 a settlement obviously involve a lot of balancing a
16 lot of factors.

17 And another issue that -- that OCC has
18 asked about is Sierra Club's position on various
19 parts of the stipulation. I think there is no point
20 in having a witness testify on that type of issue.
21 It's a legal matter. It's reflected in the
22 stipulation itself. It's apparent on the face of the
23 stipulation what Sierra Club's position is.

24 And I would like to add also that Sierra
25 Club has a First Amendment right to engage in

1 political advocacy at -- free from, you know,
2 unwarranted invasion of our privilege, essentially,
3 and so we would ask that the motion to compel be
4 denied and that our motion to quash be granted.

5 MR. OLIKER: Your Honor, if I can add to
6 that further. If you look at the Commission rules,
7 it says when there is a stipulation, one party must
8 submit testimony. That's all it says. It doesn't
9 say that every party has to. If you look at the
10 document itself, it says you cannot look at any one
11 individual provision and determine why any party
12 would have signed. It's a packaged deal. Further
13 explanation is not possible unless you examine all of
14 the provisions of the stipulation and that is
15 attorney-client privilege for why we might have said,
16 okay, we are going to drop our litigation position to
17 enter into this settlement package. You can't look
18 further than that without revealing the
19 attorney-client confidences.

20 MR. MICHAEL: If I could go ahead and
21 respond now, your Honors?

22 EXAMINER PARROT: Just a moment,
23 Mr. Michael.

24 Ms. Spinosi, before we proceed in the
25 other side of things, did you wish to add anything?

1 MS. SPINOSI: Sure. I mean, I think that
2 Direct Energy is in the same position as IGS and
3 Sierra Club in terms of the issues that OCC is
4 requesting information about. The one thing that is
5 distinct from our company's position is that we did
6 not previously offer witness testimony, but we made
7 it clear to OCC, following their request for a
8 deposition, that we did not intend to proffer a
9 witness for testimony. And, similarly, you know,
10 Direct Energy does not feel we should be compelled to
11 produce a witness to testify regarding, you know, our
12 position on various issues within the stipulation or
13 our rationale for its support. Thank you.

14 EXAMINER PARROT: Mr. Michael.

15 MR. MICHAEL: Thank you, your Honor. In
16 the event that your Honors' schedule did not permit
17 them to review the docket this morning, OCC did file
18 a memoranda contra and OCC would obviously request
19 that your Honors analyze that document before making
20 a ruling. And I am not going to rehash the arguments
21 that were made in that memorandum contra. I will
22 reiterate them by reference and suggest to your
23 Honors that the reasons stated in the memorandum
24 contra are more than adequate to granting our
25 subpoenas and requiring the subpoenaed parties to

1 produce a witness.

2 I did want to take a little time, however,
3 to address some of the arguments that were made
4 orally here. The first argument made by the parties
5 regarding the fact that AEP Ohio is putting on
6 Mr. Allen to support the stipulation, it would be
7 important, I think, for your Honors to note that
8 Mr. Allen, in responses to OCC discovery requests,
9 specifically referred OCC to the other parties and
10 indicated that the other parties could speak for
11 themselves and that AEP would not, could not, answer
12 on behalf of the other parties.

13 Further, regarding the broad assertions of
14 confidentiality, to the degree it needs affirming,
15 OCC has no interest in invading the attorney-client
16 privilege. However, there is no blanket privilege as
17 demonstrated by the fact that Mr. Allen is
18 testifying. If there were some sort of blanket
19 privilege to -- that would prohibit nonsignatory
20 parties from bringing signatory parties in to answer
21 questions about a stipulation they signed, Mr. Allen
22 would not be able to testify. These are all
23 signatory parties. They signed the stipulation. We
24 have questions to ask them about the stipulation that
25 they signed.

1 And, further, as your Honors are well
2 aware, the Ohio Supreme Court has outright rejected
3 any sort of broad, quote-unquote, settlement
4 privilege. And to accept AEP Ohio's and IGS, Sierra
5 Club, and Direct Energy's arguments would resurrect a
6 broad settlement privilege contrary to the Ohio
7 Supreme Court's decision in the OCC versus PUCO case
8 that is cited in our memorandum contra.

9 I think it's important for your Honors to
10 keep in mind that the parties that are opposing our
11 ability to cross-examine witnesses on the stand are
12 trying to stop the process before it even starts. We
13 haven't asked a single question. Yet, during
14 deposition, because they didn't show up for that,
15 they haven't been on the stand yet.

16 The best they can do is refer your Honors
17 to some written discovery. Discovery tools are not
18 mutually exclusive. They have no idea that -- the
19 nature of the questions that we are going to ask at
20 the deposition other than the questions that we
21 shared in the memorandum contra, the topics we shared
22 in the memorandum contra.

23 So I think it's important to keep in mind
24 for your Honors that they are trying to stop the
25 process before it even starts. If they want to

1 submit to cross-examination and object at the time,
2 that's certainly their right to do so. OCC will
3 defend its questions at that time, but to stop the
4 process short is contrary to the very robust record
5 that it is my understanding the Commission would like
6 to hear on these cases of the most gravity.

7 Your Honor, there is also some serious
8 questions about the meaning of the document. I
9 shared with Sierra Club's counsel and we shared in
10 our memorandum contra and I shared with AEP Ohio's
11 counsel that the stipulation is vague and ambiguous.
12 The stipulation, as a settlement agreement, is a
13 contract like any other. And given a vague and
14 ambiguous contract, questions about the meaning of
15 the document are completely and utterly appropriate.

16 And I can give your Honors a couple of
17 concrete examples if I might very quickly. When I
18 had the good fortune of trying to resolve the
19 discovery dispute with Ms. Henry, she indicated to me
20 that it is Sierra Club's overall position as a matter
21 of policy that when they enter into a stipulation,
22 they don't -- they not oppose the stipulation. And I
23 shared with Ms. Henry that the text of the
24 stipulation is not consistent with what she asserted
25 was Sierra Club's general policy. So there is one

1 instance of vagary.

2 Further on that same subject matter during
3 Mr. Allen's deposition he asserted during the
4 deposition that Sierra Club supports the stipulation
5 as a whole and not oppose and support are vastly
6 different subject matters and at the very least
7 warrants some questions at a deposition and
8 cross-examination during a hearing of this matter.

9 Further, during Mr. Allen's deposition, I
10 questioned him about an interrogatory response where
11 OCC inquired about the meaning of "not oppose" and
12 the meaning of "not participating in." The
13 interrogatory gave a general response. And during
14 his answer, Mr. Allen clarified that that was a
15 general response and when used in any specific
16 document you had to look about how those terms were
17 used in the specific document and the intent of the
18 parties using them that in and of itself creates
19 vagary and warrants further discussion and
20 questioning about nonsignatory parties of those
21 parties that drop footnotes with respect to various
22 provisions in the stipulation.

23 And that is why OCC sought to depose IGS,
24 Direct Energy, and Sierra Club, and that is why we
25 have asked them to appear at the hearing so we could

1 ask questions about the meaning of the vague and
2 ambiguous stipulation and in particular the footnotes
3 that they included in the stipulation.

4 Lastly, your Honor, and I appreciate your
5 Honor's time to explain OCC's position, Mr. Olier
6 asserted correctly that in the OAC, a party is -- at
7 least one party is required to support a stipulation;
8 however, nothing in the OAC or the statutes prevent
9 or prohibit from taking the deposition, obtaining
10 discovery, or subpoenaing other signatory parties to
11 appear at the hearing to answer questions about the
12 stipulation that they signed.

13 So, in conclusion, your Honor, I would
14 first urge your Honor, if possible, to consider the
15 memorandum contra, the arguments therein, the matters
16 I have addressed here today, and just recall, your
17 Honors, that from OCC's perspective and from the
18 consumers' perspective that we represent, this is a
19 \$2 billion case.

20 It is a case of the most gravity and I
21 think the Commission would benefit from a very robust
22 record. So we would request that your Honors not
23 stop the process short, require the parties to appear
24 at deposition, the parties to appear at the hearing
25 for cross-examination; therefore, deny the motions to

1 quash. Thank you.

2 MR. NOURSE: Your Honor, if I could,
3 briefly.

4 EXAMINER PARROT: Ms. Bojko.

5 MS. BOJKO: He might want me to respond
6 first. Thank you. Just briefly, OMAEG supports
7 discovery rights afforded to all parties under Ohio
8 law. OMA specifically addressed one issue that was
9 in all three motions to quash that, to me, is
10 problematic. All three motions claim that the
11 subpoena was somehow executed improperly because it
12 was not signed by an Attorney Examiner that's sitting
13 or established to be the examiners in the case. And
14 that is just completely not consistent with the
15 Commission's rules, 4901:1-25(A)(1) or (2), as
16 indicated in the motions, they both allow a subpoena
17 to be signed by a designee in the legal department.

18 And clearly given the holiday schedule,
19 that is probably what happened in this case, one of
20 the two presiding examiners were not present, and
21 that another attorney examiner was designated as the
22 person to sign subpoenas or handle matters in the
23 absence of certain examiners. So I just wanted to
24 briefly explain that and also to express our
25 opposition to such a claim that is contained in the

1 motions. Thank you.

2 MR. MICHAEL: Your Honor, just real
3 quickly, if we could address that. In the memoranda
4 contra we did address the subject matter that
5 Ms. Bojko raised. Ms. Bair submitted an affidavit
6 attached to the memoranda contra, confirming that the
7 governing provisions of the OAC were in fact
8 followed. Thank you.

9 MR. SMALZ: And, your Honor, AP JN would
10 strongly concur with the arguments that were just
11 made by Consumers' Counsel and OMAEG and would
12 further reinforce the point made by Consumers'
13 Counsel that the stipulation contained some vague and
14 ambiguous, not clearly understandable provisions.

15 It's clear, however, that some of the
16 signatory parties signed on to the stipulation
17 because of concessions made to those particular
18 parties and their particular arguably narrow
19 interest.

20 And in order to properly assess the
21 stipulation, to determine whether it's in the public
22 interest, whether there was serious bargaining among
23 the parties and, most importantly, simply did it
24 determine the meaning of the stipulation in light of
25 the fact that the -- Mr. Allen, the sole supportive

1 witness, made it clear in his deposition that he is
2 either unwilling or unable to testify about the
3 rationale behind some of these particular concessions
4 made to other signatory parties, that it's important
5 to have testimony from some of those signatory
6 parties in order to have a complete record and a full
7 understanding of the meaning and impact of this
8 stipulation.

9 MR. NOURSE: Okay. Your Honor, if I
10 could, you know, I think it's clear under the
11 Commission's rule and under the three-part test that
12 there is no basis to require an additional witness or
13 to require every signatory party that signs a
14 stipulation to produce a witness or be compelled to
15 provide testimony.

16 Again, doing so would not only disregard
17 the three-part test and have a chilling effect on
18 settlement and also obviously the adverse impact on
19 the attorney-client privilege that's been discussed.
20 You know, just because someone asks a question about
21 the stipulation doesn't mean that it's a critical
22 question. It's an important question or it's a
23 relevant question.

24 And I think the example that was mentioned
25 earlier about discovery and saying that the company

1 deferred to other parties as to the meaning of -- as
2 to -- we don't speak for them and they would have to
3 speak for themselves, that was an alternative. It
4 wasn't the main answer to that question. There is an
5 objection. Counsel also participated in those
6 questions.

7 And, you know, so it's just like at the
8 legislature, if you want to ask an individual
9 legislator what a piece of law means, you might get
10 different answers, but it really doesn't matter
11 because what the law says and the words that are used
12 in the law are what it means. So even though the
13 Governor may sign a law, he is not going to try to
14 say what an individual legislator was thinking or was
15 thinking about the intent of the law.

16 Here, we have language that we are
17 perfectly willing and all the signatory parties are
18 willing to allow Mr. Allen to explain and defend. He
19 would do so to the full extent that we believe is
20 appropriate. We would take the risk that if there is
21 something that's a fatal flaw, there is something
22 that's, you know, an important ambiguity or something
23 that the Commission would believe under the
24 three-part test is a fatal flaw or a problem that
25 would require rejection of the stipulation, that's

1 the risk that the parties supporting the stipulation
2 would take. And we are willing to take that risk
3 with Mr. Allen's testimony.

4 So, you know, the idea that the opposing
5 parties want to get into the nuances of supporting
6 and not opposing and what footnotes mean and all that
7 kind of stuff, you know, it speaks for itself and
8 there is no -- there is no -- they've made no
9 justification of why these questions need to be
10 addressed and why they need to be, you know, haul
11 people into the Commission hearing process, you know,
12 against -- involuntarily require people to attend to
13 answer these questions.

14 As far as the other issue about who signed
15 the subpoena, I don't think that matters either. The
16 standard is whether the motion to quash should be
17 granted, so the subpoenas were signed and that's
18 fine. But that's the whole point of a motion to
19 quash and that's the reason that subpoenas are
20 typically signed as an administrative matter and
21 without great deliberation and determination whether
22 something is appropriate. So the motion to quash is
23 the appropriate procedure and the standard for the
24 motion to quash is what should determine your -- your
25 ruling.

1 And, you know, again, I would say OCC has
2 not made any claim that there is unique factual
3 knowledge that's relevant and probative of the
4 three-part test that would justify forcing these
5 external persons to come in and testify in the
6 Commission process. Thank you.

7 MR. MENDOZA: Your Honor, if I may
8 briefly? I just would like to respond to two things
9 Mr. Michael said. Sierra Club is not blocking the
10 discovery process. We responded -- OCC, in its
11 written discovery, asked a handful of questions that
12 sought relevant, factual information and we responded
13 to those. We provided them a contract we executed
14 with AEP Generation Resources. We also responded to
15 a question about whether we had performed any rate
16 analysis on the rate impact of the stipulation which
17 is relevant, factual information.

18 We did not respond to all the questions
19 that sought our attorney-client communications or our
20 legal positions in this case. So, just to be clear,
21 we are not opposed to broad discovery. We are
22 opposed to discovery that seeks to peek inside the
23 attorney-client relationship.

24 And then the second point, there continues
25 to be confusion about Sierra Club's position and the

1 need to ask one of our employees about what Sierra
2 Club's position is. Sierra Club's lawyers will be
3 informing the Commission of what our position is. We
4 did so in the stipulation. In case there is still
5 confusion about it, Sierra Club does not oppose the
6 stipulation. That is our position. And with that, I
7 ask that the -- our motion to quash be granted.

8 MR. OLIKER: Your Honor, just briefly. I
9 would echo many of the points made by Mr. Nourse and
10 Mr. Mendoza. Additionally, I just want to get back
11 to the point. We keep hearing request for parties'
12 rationales. The rationales for signing this
13 stipulation. That's not what the three-part test is
14 about. It's about whether there was knowledgeable
15 bargaining in that process and whether the parties
16 were capable. And whether or not it violates policy
17 and what it's in the public interest. That's the
18 three-prong test. It doesn't get to the rationale
19 why every single party may have or may not have done
20 something in the stipulation.

21 And regarding the Supreme Court case that
22 was referenced, that was about undisclosed side
23 deals. There is no case where there is a side deal
24 in this case that has not been disclosed. This is
25 simply not applicable to this proceeding.

1 Parties here have been willing to give
2 factual evidence. Similar to, as Sierra Club did,
3 IGS notified OCC in discovery that the requested
4 analysis that it sought had not been done. If it was
5 a question regarding factual issues like that, we
6 provided it.

7 We are not going to provide
8 attorney-client privilege regarding our internal
9 business, you know, rationale, based on
10 attorney-client advice for why we may or may not have
11 done something. It's simply off limits in this case
12 under the Rules of Evidence.

13 MR. MICHAEL: Your Honor, since it was
14 OCC's subpoena, I would like to take the opportunity
15 to respond a little bit. This rationale argument is
16 a strawman. I don't recall in my remarks referencing
17 the rationale at all. Mr. Nourse indicated that OCC
18 needed to show that the discovery sought was
19 important and relevant.

20 I give specific examples in the memorandum
21 contra and I referenced two instances of the vagary
22 in the stipulation based on AEP's Ohio own testimony
23 and responses to discovery. We don't have to
24 disclose, at this point in time, each and every
25 reason why we have important relevant questions, but

1 we did list a number of concepts in the memorandum
2 contra, and I raised two in my oral remarks.

3 Mr. Nourse referenced an objection to the
4 interrogatory that I raised in my opening remarks.
5 What he didn't point out is that in a prior
6 interrogatory, the witness that answered the
7 interrogatories adopted the response to the
8 interrogatory in her question as his own and,
9 therefore, the fact that there was an objection is of
10 no moment.

11 Your Honor, there was a comment by
12 Mr. Nourse about how the document speaks for itself.
13 The document does not and cannot speak for itself as
14 an inanimate object, and it's vague and ambiguous, as
15 not only OCC has maintained but also other opposing
16 parties have made clear in question with their
17 remarks here today.

18 Regarding a comment by Sierra Club, they
19 keep on referencing the fact that they responded to
20 questions in writing. Discovery is not mutually
21 exclusive. You don't get to do writing or a
22 deposition. You get to do both so long as they seek
23 relevant and important information. And as I have
24 asserted here and also in the memorandum contra, we
25 seek relevant, important information. So the fact

1 they responded to some written discovery doesn't
2 preclude OCC from, A, taking the depositions, and, B,
3 cross-examining them during the hearing.

4 And as I have tried to make clear here
5 today and also in the memorandum contra, what we
6 expect to ask them questions about is in no way,
7 shape, or form limited to what we tried to take
8 written discovery on.

9 Real quickly on the Supreme Court case
10 referenced, and Mr. Olikier taking issue with my
11 characterization of that case, that case stood for
12 the broad principle that there is no settlement
13 privilege. Whether that has to do with side deals or
14 questions about the meaning of a vague and ambiguous
15 document, there is no blanket settlement privilege
16 that Ohio recognizes, and were the Commission to
17 quash the subpoenas, that's, in effect, what would
18 happen.

19 EXAMINER PARROT: Anything else,
20 Mr. Michael?

21 MR. MICHAEL: Yeah. Just thank you, your
22 Honor, for asking. Just one quick last point. Were
23 your Honors to take the opportunity to look at the
24 footnotes that IGS, Sierra Club, and Direct Energy
25 participated in, your Honors would probably take note

1 that there are footnotes associated with assertions
2 in the stipulation with respect to the three-prong
3 test, and they either don't oppose it, they are not
4 participating in them, or both.

5 So there are -- there is relevant factual
6 information out there, we think, germane to the
7 three-part test, particularly in light of the
8 ambiguity. So, once again, we would simply request
9 that your Honors deny the motion to quash, require
10 the parties to appear at deposition and also at the
11 hearing for cross-examination.

12 EXAMINER PARROT: Thank you, Mr. Michael.

13 MR. MICHAEL: Thank you, your Honor.

14 EXAMINER PARROT: Mr. Michael, I do agree
15 with you that there are two different issues here,
16 that the discovery issue and the taking of
17 depositions is different. There are different
18 standards there than there are with respect to the
19 offering of testimony at the hearing itself.

20 With respect to that latter issue and the
21 motion to quash, we are going to defer our ruling on
22 those motions at this point and take that up down the
23 road a bit. Recognizing, Mr. Nourse, as you pointed
24 out, though, this does affect the schedule, so we
25 won't sit on it for too long, I promise you that.

1 But with respect to the motion to compel,
2 we are going to grant your motion, OCC, on that
3 request to take depositions of an individual from
4 both Sierra Club, IGS, and Direct Energy. We are
5 going to direct those three parties to produce an
6 individual for a deposition. I will leave it to all
7 of you to work out the time and place for that, but
8 we are going to impose a quick deadline here and
9 expect those occur, if not later this afternoon, by
10 tomorrow.

11 MR. MICHAEL: Thank you, your Honor.

12 EXAMINER PARROT: Any other preliminary
13 matters?

14 MR. OLIKER: Your Honor, that may,
15 depending on the order of witnesses, that may present
16 some difficulty for IGS. As you know, according to
17 the Commission's rules, if a party cannot obtain
18 counsel to represent them, then the deposition is of
19 no value and cannot be offered into evidence. I am
20 the only counsel for my company and I may need to be
21 here depending on the witnesses that are presented,
22 so I may need a tad bit of flexibility.

23 EXAMINER PARROT: Well, I will just point
24 out, Mr. Oliker, that the depositions were noticed to
25 occur last week before this hearing started, and I

1 think it may have been in your best interest to have
2 thought about this maybe before we were in this
3 position of having to schedule depositions while the
4 hearing is now in session.

5 So I will just ask if you do have that
6 sort of issue, you bring it to our attention as soon
7 as possible and we will work with you and OCC to see
8 what we can work out, but it is the Bench's ruling
9 that these depositions happen in expeditious fashion.
10 All right? Anything else on that?

11 Any other preliminary matters, Ms. Bojko?

12 MS. BOJKO: Thank you, your Honor. At
13 this time, your Honor, the Ohio Manufacturers'
14 Association Energy Group would like to note its
15 continuing objection to the procedural schedule
16 established in this proceeding and we would like to
17 renew our previously-offered motion for a continuance
18 in this case, including the latest phase of this
19 proceeding of holding a hearing on a stipulation that
20 was filed a little over a week before the holidays,
21 with a discovery cutoff date on Christmas eve, the
22 deadline for filing expert testimony in opposition on
23 the first business day after the holiday, and the
24 commencement of the hearing on the first business day
25 after another holiday.

1 The December 14 stipulation raises several
2 new issues that were not in their original
3 application or were not addressed at the initial
4 hearing. Given the new issues raised in the
5 stipulation during the Holiday season, 11 parties
6 filed or supported a motion for an extension of the
7 procedural schedule on December 16, 2015, requesting
8 a modest three-week extension in order to provide the
9 intervenors who opposed the stipulation adequate time
10 to review the stipulation and the supporting
11 testimony, to conduct discovery, engage expert
12 witnesses over the holidays, prepare testimony and
13 prepare for a hearing.

14 To date, the motion has not yet been ruled
15 upon. Pursuant to Ohio Revised Code 4903.082 and
16 OAC 4901-1-16, all parties and intervenors must be
17 granted ample rights of discovery and allowed
18 thorough and adequate preparation in participation in
19 Commission proceedings.

20 The holidays, abbreviated preparation
21 time, and overlapping depositions and deadlines with
22 the FirstEnergy ESP proceeding clearly do not allow
23 for the thorough and adequate preparation of this
24 proceeding afforded by law, and is both unjust and
25 prejudicial to the nonsignatory intervening parties

1 in this case.

2 Therefore, OMAEG seeks to preserve its
3 rights under Rule 4901-1-15(F) of the Administrative
4 Code to raise the propriety of the ruling issued
5 under 4901-1-15 or lack thereof, in essence denying
6 the motion for a continuance of the hearing.

7 Rule 4901-1-15(F) allows any party that is
8 adversely affected by an oral ruling issued under
9 4901-1-14 of the Administrative Code, and who elects
10 not to make an interlocutory appeal, to still raise
11 the propriety of that ruling as an issue for the
12 Commission's consideration, by discussing the matter
13 as a distinct issue in its initial brief or any other
14 appropriate filing prior to the issuance of the
15 Commission's order in this case. Thank you.

16 EXAMINER PARROT: Mr. Settineri.

17 MR. SETTINERI: I would just note for the
18 record that PJM Power Providers Group, Electric Power
19 Supply Association, Retail Energy Supply Association,
20 Constellation NewEnergy Inc., and Exelon Generation
21 Company join in that objection.

22 MR. SMALZ: And, your Honor, I would also
23 note for the record that AP JN joins in that
24 objection.

25 MS. FLEISHER: And, your Honor, ELPC joins

1 in the objection as well. Without reiterating the
2 merits, we obviously have a pending request for
3 certification of interlocutory appeal, which is aimed
4 at the goal of preserving our rights on this issue
5 going forward. Thank you, your Honor.

6 MR. DOUGHERTY: And, your Honors, OEC and
7 EDF also join in support.

8 MR. MICHAEL: OCC joins in support.

9 MR. NOURSE: Your Honor, just briefly, I
10 think the, you know, again, the three-part test and
11 the issues that are really important in this case are
12 narrower than the parties that oppose the stipulation
13 would like to acknowledge. The schedule is
14 reasonable. The fact that it goes through the
15 holidays or the deadlines were on business days that
16 are near holidays really has no bearing.

17 And, obviously, the fact that parties
18 filed motions doesn't mean the Commission -- that
19 doesn't change the status quo. It doesn't
20 automatically invalidate the schedule that's been
21 adopted. It doesn't change the momentum and the
22 deadlines that have been established in the case.

23 In fact, if parties file motions or
24 interlocutory appeals, you know, doesn't mean that
25 the Commission has to rule on them, and not by a

1 particular date, and obviously the Commission and the
2 attorney examiners have tremendous discretion, as the
3 Supreme Court has acknowledged, with regard to
4 procedural allocation matters such as the schedule.

5 I don't think any of the parties have
6 demonstrated any sort of prejudice, any sort of, you
7 know, harm, that has come about by the schedule
8 that's been adopted as being followed. I think all
9 the parties are here and ready to go today. So I
10 just, you know, disagree with those statements and
11 wanted to put that on the record. Thank you.

12 EXAMINER PARROT: All right. With that,
13 the objections are noted for the record, but I think
14 it's not going to come as any surprise to you we are
15 all here today. This date has been established as
16 the date for this hearing and we are going to move
17 forward.

18 Anything else before we call our first
19 witness?

20 MR. SATTERWHITE: Thank you, your Honor.
21 How would like naming conventions? I was thinking --

22 EXAMINER PARROT: We are just -- are you
23 speaking of exhibits? We are just going to pick up
24 where we left off, Mr. Satterwhite, if that's all
25 right, so you are on Company Exhibit No. 52.

1 (EXHIBIT MARKED FOR IDENTIFICATION.)

2 MR. SATTERWHITE: Thank you. That's what
3 I needed to know. The company would call William
4 Allen to the stand.

5 (Witness sworn.)

6 EXAMINER PARROT: Please have a seat.

7 - - -

8 WILLIAM A. ALLEN

9 being first duly sworn, as prescribed by law, was
10 examined and testified as follows:

11 DIRECT EXAMINATION

12 By Mr. Satterwhite:

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

15 A. Yes. It's William A. Allen and my
16 business address is One Riverside Plaza, Columbus,
17 Ohio 43015.

18 Q. And by whom are you employed and in what
19 capacity?

20 A. I am employed by American Electric Power
21 Corporation as managing director of regulatory case
22 management.

23 Q. And did you have testimony prepared by you
24 or under your direction filed in this docket on
25 December 14, 2015?

1 A. Yes, I did.

2 Q. I placed in front of you an exhibit that I
3 have marked as AEP Ohio Exhibit 52. Do you see that
4 document?

5 A. I do.

6 Q. Could you please identify that document
7 for me?

8 A. That document is my direct testimony in
9 support of AEP Ohio's settlement agreement that was
10 filed December 14, 2015.

11 Q. And what are the attachments on that
12 document?

13 A. It consists of 15 pages of prefiled
14 written testimony as well as two exhibits, Settlement
15 Exhibit WAA-1 is a copy of the joint stipulation and
16 recommendation and Exhibit WAA-2 is a modified
17 Exhibit KDP-2 which shows the expected value of the
18 PPA rider over the 8-1/2 year term included in the
19 stipulation.

20 Q. Do you have any updates or corrections to
21 this testimony?

22 A. I have one correction on page 9, line 14.
23 The word "five" should be replaced with "four" such
24 that the sentence reads "The projects will be
25 proposed over the next four years with the goal of

1 having the projects completed by 2021."

2 Q. And when you prepared this testimony, did
3 you answer the questions honestly and truthfully?

4 A. Yes, I did.

5 Q. And with the change that you identified on
6 page 9, line 14, do you adopt this testimony as your
7 testimony for the Commission today?

8 A. Yes, I do.

9 MR. SATTERWHITE: Your Honor, I tender the
10 witness for cross-examination pending -- for -- I
11 move for admission of this pending cross-examination,
12 excuse me.

13 MR. SETTINERI: And, for the record, your
14 Honor, could we have the Exhibit No. read, please?

15 MR. SATTERWHITE: 52.

16 MR. SETTINERI: 52, thank you.

17 EXAMINER PARROT: Mr. Satterwhite, I think
18 for the sake of clarity of the record, I think it's
19 the Bench's preference we mark the stipulation itself
20 as Joint Exhibit 1, for example. I know it's
21 attached to Mr. Allen's testimony. I just think it
22 would be easier in terms of citation and that sort of
23 thing to have it as a separate exhibit all on its
24 own.

25 MR. SATTERWHITE: Would you like me to

1 walk through that with him?

2 EXAMINER PARROT: That would be good at
3 least to introduce it.

4 MR. SETTINERI: I was actually going to
5 mark that as an exhibit as well. Would you like to
6 have a copy that was printed off the docket versus
7 one that was attached to testimony?

8 MR. SATTERWHITE: Sure. We could just
9 refer to it in the docket, I think. I think if you
10 just give one to the reporter.

11 EXAMINER PARROT: Yeah.

12 MR. SATTERWHITE: Would you like me to
13 proceed?

14 EXAMINER PARROT: Yes, Mr. Satterwhite.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 Q. (By Mr. Satterwhite) Mr. Allen, do you
17 have a copy of the stipulation that was filed on
18 December 14, 2015, in front of you?

19 A. Yes, I do.

20 Q. For purpose of this hearing we are going
21 to refer to this document as Joint Stipulation
22 Exhibit 1.

23 A. Okay.

24 Q. And that was filed in the docket on
25 December 14, 2015, correct?

1 A. Yes, it was.

2 Q. The document that's been placed in front
3 of you, that is a full and accurate document
4 entailing what was in the stipulation, correct?

5 A. Yes, that's correct.

6 Q. This is also attached to your testimony as
7 well as an exhibit, correct?

8 A. That's correct.

9 MR. SATTERWHITE: Okay. Thank you, your
10 Honor.

11 EXAMINER PARROT: Thank you,
12 Mr. Satterwhite.

13 All right. So the parties have a proposed
14 order for cross-examination?

15 MS. BOJKO: Your Honor, our preference is
16 for the signatory parties to go first and then, yes,
17 we do have, Mr. Settineri, OCC, and then OMAEG.

18 EXAMINER PARROT: All right. So let's
19 start down on this end of the table. Ms. Spinosi?

20 MS. SPINOSI: No cross.

21 EXAMINER PARROT: Mr. Mendoza?

22 MR. MENDOZA: Thank you, your Honor. No
23 questions.

24 EXAMINER PARROT: Mr. Olikar?

25 MR. OLIKER: No, your Honor. Thank you.

1 EXAMINER PARROT: Ms. Harris?

2 MS. HARRIS: No questions.

3 EXAMINER PARROT: We are going to have --
4 it would be helpful if everybody was sitting in more
5 in line. Mr. Kurtz.

6 MR. KURTZ: No questions.

7 EXAMINER PARROT: Non-opponents, any
8 questions from IEU?

9 MR. DARR: No questions, your Honor.

10 MR. YURICK: No questions.

11 EXAMINER PARROT: Ms. Harris, you said no
12 questions.

13 MS. HARRIS: No questions.

14 EXAMINER PARROT: All right. Let's pick
15 up with --

16 MS. BOJKO: Mr. Settineri.

17 EXAMINER PARROT: -- Mr. Settineri.

18 MR. SETTINERI: Actually, your Honors, I
19 believe First Energy Solutions was an appearance.

20 MR. ALEXANDER: No questions, your Honor.

21 EXAMINER PARROT: I'm sorry, Mr.
22 Alexander. I am forgetting the folks in the back.
23 Thank you.

24 Buckeye?

25 MR. AUSTIN: No questions.

1 EXAMINER PARROT: All right. Any other?

2 Okay. All right.

3 Mr. Settineri, I think you're up.

4 MR. SETTINERI: Thank you, your Honor.

5 - - -

6 CROSS-EXAMINATION

7 By Mr. Settineri:

8 Q. Good morning, Mr. Allen.

9 A. Good morning.

10 Q. A few references to clear up for the
11 record. You would agree when I refer to "AEP Ohio,"
12 that would be also Ohio Power Company, correct?

13 A. That's correct.

14 Q. Okay. And when I refer to "AEP Generation
15 Resources," if I refer to it as "AEPGR," you agree
16 that would be the same?

17 A. I understand that reference, yes.

18 Q. Okay. And as of today, you would agree
19 that AEPGR is an active participant in the PJM
20 wholesale markets?

21 A. Yes, that's correct.

22 Q. Okay. And that would be in regards to
23 both capacity, energy, and ancillary service markets,
24 correct?

25 A. That's correct.

1 Q. And in your role as managing director of
2 regulatory case management, you are generally aware
3 of Ohio Administrative Code rules that apply to the
4 Ohio Power Company, correct?

5 A. Generally aware, not all the specifics
6 though, but generally aware, yes.

7 Q. And you're, I assume, well informed as to
8 Ohio Power Company tariffs, correct?

9 A. I'm familiar with many of Ohio Power's
10 tariffs, yes.

11 Q. Okay. Now, you are familiar with Ohio
12 Power's amended application that was filed in this
13 proceeding on May 15, 2015, correct?

14 A. Yes, I believe.

15 Q. Okay. And at this stage of the
16 proceeding, Ohio Power is seeking approval of its
17 amended application as modified by the stipulation,
18 correct?

19 A. Yes, that's correct.

20 Q. And the amended application only sought
21 Commission approval to populate the PPA rider at a
22 Commission ruling on the prudence of AEP Ohio
23 entering into the PPA with AEPGR, correct?

24 A. Those were two of the elements. The
25 testimony also describes some of the rate impacts of

1 that filing.

2 Q. You refer to testimony. Is that your
3 prior testimony in this proceeding?

4 A. My prior testimony as well as the
5 testimony of various other company witnesses, yes.

6 Q. Going back to my question though, what I
7 want to nail down is that -- no, strike that.

8 Now, the -- the stipulation that's been
9 marked as I believe it's -- well --

10 EXAMINER PARROT: Joint Exhibit 1.

11 MR. SETTINERI: Thank you.

12 Q. Joint Exhibit 1, that contains provisions
13 that modify the population of the PPA rider as
14 proposed in the amended application, correct?

15 A. It modifies elements of the PPA rider,
16 that's correct.

17 Q. That would result in how the rider is
18 populated, correct?

19 A. The rider continues to be populated with
20 the costs and revenues associated with the PPA
21 between AEP Ohio and AEPGR, as well as the sale of
22 that energy and capacity into the PJM markets.

23 Q. For instance, the term is different now,
24 correct?

25 A. The term is different as well as the

1 additional credit commitments that AEP Ohio makes in
2 Section Roman III.A.3.

3 Q. Now, the stipulation does not contain
4 provisions that modify Ohio Power's request for a
5 Commission ruling on the prudence of AEP Ohio
6 entering into the PPA with AEPGR, correct?

7 A. Can you repeat that question, please?

8 Q. Sure. I would be glad to. The
9 stipulation does not contain provisions that modify
10 Ohio Power's request in its amended application for a
11 Commission ruling on the prudence of AEP Ohio
12 entering into the PPA with AEPGR, correct?

13 A. The stipulation recommends that the
14 Commission approve the prudence or determine that its
15 prudent for AEP Ohio to enter into a PPA with AEPGR
16 as described in the company's amended application and
17 as modified in Attachment A to the stipulation.

18 Q. Okay. But more basically, from the
19 amended application to the stipulation, that request
20 remains the same, correct?

21 A. The company continues to make the request
22 of the Commission deeming AEP entering into the PPA
23 with AEPGR is prudent, yes.

24 Q. Thank you. If you could turn to
25 Attachment A of the stipulation, please.

1 A. I'm there.

2 Q. Attachment A presents a summary of the
3 changes to the PPA with AEPGR, correct?

4 A. Yes, it does.

5 Q. Okay. Now, to be clear, a PPA for the PPA
6 units has not been executed between AEP Ohio and
7 AEPGR to this date, correct?

8 A. That's correct.

9 Q. But there is a draft PPA that has been
10 produced in discovery, correct?

11 A. Yes, that's correct.

12 Q. And that was just produced, I believe,
13 last Wednesday.

14 A. I don't know the date it was provided, but
15 it was provided in response to discovery of the
16 parties, yes.

17 Q. All right.

18 MR. SETTINERI: Your Honor, if I may
19 approach and mark an exhibit?

20 EXAMINER PARROT: You may.

21 MR. SETTINERI: This is will be P3/EP
22 Exhibit 10.

23 (EXHIBIT MARKED FOR IDENTIFICATION.)

24 Q. And, Mr. Allen, can you identify for the
25 record what's been marked as P3/EPSA Exhibit 10?

1 A. P3/EPISA Exhibit 10 is a draft of the power
2 purchase and sale agreement between AEP Generation
3 Resources and the Ohio Power Company, and it's
4 provided in redline format as compared to the Sierra
5 Club Exhibit 2 that had been provided to the parties
6 as part of the earlier phase of this proceeding.

7 Q. Okay. Am I correct this document could be
8 modified in the future? Before, prior to execution?

9 A. I think the company's intent is to execute
10 the agreement in this form.

11 Q. Okay. So as of today, you believe this is
12 the final language for the PPA between AEPGR and Ohio
13 Power related to the PPA units, correct?

14 A. My expectation is if the Commission
15 approves the stipulation and the prudence of AEP Ohio
16 entering into this agreement, that this would be the
17 form of the agreement that would be signed without
18 the redline.

19 Q. Thank you. Now, going back to Attachment
20 A of the stipulation, are you there?

21 A. I am there.

22 Q. Thanks. Point 1 states that "The Delivery
23 Period will begin when AEP Ohio voluntarily signs
24 Revised Affiliate PPA (anticipate immediately upon
25 Stipulation approval) and extend through May 31,

1 2024." Do you see that sentence?

2 A. I see that.

3 Q. The revised affiliate PPA, would that be
4 the document we just marked as P3/EPSA Exhibit 10?

5 A. It would be subject to incorporating the
6 redlines, yes.

7 Q. Thank you. Now, am I correct that nothing
8 in the stipulation precludes AEP Ohio from seeking
9 extension of the AEP rider beyond May 31, 2024?

10 A. That's correct.

11 Q. Okay. And if you could turn to Section
12 2.2 of the P3/EPSA Exhibit 10 which I'll simply refer
13 to as the draft PPA going forward.

14 A. Section 2.2?

15 Q. Yes, sir. And --

16 A. I'm there.

17 Q. That starts at the bottom of page 9. Am I
18 correct that 2.2 sets forth the delivery period for
19 the PPA?

20 A. Yes, it does.

21 Q. Okay. And am I also correct that 2.2, as
22 written, allows AEP Ohio and AEPGR, the parties to
23 the agreement, to extend the end date of the delivery
24 period if mutually agreed upon in writing?

25 A. Yes, it would. And my expectation would

1 be that in order to continue the PPA rider, that as
2 recovery of this, the company would come before the
3 Commission to seek their approval of that extension,
4 not approval of extension of the contract but
5 approval of extension of the PPA rider.

6 Q. Okay. So to be clear then, nothing in the
7 stipulation prohibits AEP Ohio from seeking an
8 extension of both the PPA and the PPA rider past
9 May 31, 2024, correct?

10 A. The stipulation does not restrict the
11 company from seeking approval from the Commission of
12 an extension of the PPA rider or limits the company
13 from requesting a determination of prudence of AEP
14 Ohio extending the contract with AEPGR.

15 Q. Okay. But going back to my question, I
16 don't think you answered it on one point, nothing in
17 the stipulation prohibits AEP Ohio from agreeing with
18 AEPGR to mutually extend this draft -- or the PPA,
19 correct?

20 A. Nothing in the stipulation restricts AEP
21 Ohio from agreeing to extend the PPA with AEPGR,
22 that's correct.

23 Q. Thank you. Now, it also notes that the
24 delivery period, and this is back to the stipulation,
25 will begin when AEP Ohio voluntarily signs the PPA.

1 And the note there implies it would be immediately
2 upon stipulation approval. So just for the record,
3 if you assume the stipulation is approved May 31st of
4 2016, would April 1 be the date that AEP Ohio would
5 execute the PPA with AEPGR?

6 A. It could be March 31 or April 1. It would
7 be very near to the time that the order was issued by
8 the Commission.

9 Q. Okay. Thank you. So that's -- let's
10 assume that's the case, April 1 or March 31. As soon
11 as the order comes out the contract is signed. When
12 would -- when would customers see a charge for the
13 PPA rider or credit on their bills?

14 A. Subject to the Commission order, the
15 expectation is that the rider would be implemented at
16 the same time that delivery under the PPA begins. So
17 let's just assume it's April 1, that the rider would
18 begin on April 1 and it would be a credit of \$4
19 million on an annualized basis as described in my
20 testimony.

21 Q. When are they going to -- when -- if I
22 open my bill at home, when am I going to see a charge
23 on the PPA rider show up in my bill?

24 A. The next bill that includes that April 1
25 date.

1 Q. Okay. So if I am on a monthly billing
2 cycle and the PPA is signed March 31, I would see in
3 my May -- when I open the mail in May and look at my
4 Columbus Southern Power rate zone bill, I would see a
5 charge for the PPA rider then or credit, correct?

6 A. It would be included in the next bill the
7 customer receives, that's correct. It may occur in
8 the April bill that the customer receives to the
9 extent that it includes billings for the first
10 portion of the month.

11 MR. SETTINERI: Could I have that answer
12 repeated, please.

13 (Record read.)

14 Q. Now, do you believe that Ohio Power can
15 charge customers for riders -- let me ask you this
16 question, you are assuming that -- am I correct that
17 Ohio Power cannot charge customers a rider charge
18 unless the tariff sheet has been updated?

19 A. That's correct.

20 Q. So your scenario in terms of when the
21 customer would see the rate change would be after a
22 tariff sheet has been filed, correct?

23 A. My expectation the company would be able
24 to file a tariff update the day subsequent to a
25 Commission order. It is a pretty simple process.

1 Q. Okay. And would the delivery period --
2 let's just assume it takes a couple of days to file
3 that tariff sheet. Would the delivery period under
4 the PPA commence prior to the filing of those tariff
5 sheets?

6 A. The delivery period under the PPA would
7 begin, in the scenario we described, April 1,
8 independent of whether or not the rider itself has an
9 effective date a couple of days after that.

10 Q. Okay. And so that rider charge that shows
11 up in the next customer's invoice will be picking up
12 credits or charges that would be coming through the
13 PPA program, correct? Let's strike that. Let me ask
14 it different.

15 That the customer's next invoice in that
16 scenario would be picking up the netting of charges
17 or credits for a delivery -- for the beginning of the
18 delivery period that could have occurred prior to the
19 tariff sheets being filed, correct?

20 A. No. I think you are confusing how the
21 process will work. The initial tariff is based on
22 the forecast of 2016 which would be a \$4 million
23 credit to customers. That's the rate that customers
24 would see on their bill until the next quarterly
25 true-up proceeding.

1 Q. Okay. And then the next quarterly true-up
2 proceeding would go back and look at the actuals from
3 the beginning of the delivery period, correct?

4 A. That's correct.

5 Q. What I am getting at is if there is a gap
6 between the filing of the tariff sheet and the
7 beginning of the delivery period, the tariff sheets
8 are filed later, will that gap be recovered or --
9 under the PPA rider? Set?

10 MR. SATTERWHITE: At this point, your
11 Honor, I will object to the extent it calls for a
12 conclusion when something is effective. He can
13 answer from a regulatory point of view. If it's of a
14 legal significance of when something starts, I would
15 object.

16 EXAMINER PARROT: Mr. Allen, I am going to
17 direct you to answer the question with the
18 clarification on the record we are not asking for you
19 to offer us a legal -- the opinion of a legal expert
20 on this matter.

21 A. Generally my understanding of the
22 regulatory environment in Ohio is that upon a
23 Commission order approving a rate mechanism, that
24 that's a legal mechanism and the company would be
25 entitled to begin to do the over/underrecovery

1 accounting treatment of the PPA at that point in
2 time.

3 Q. I want to jump back to page 7 of the
4 stipulation. And at page 7 you will see in section
5 5.a. the title "Rigorous Review of PPA Rider." Do
6 you see that paragraph?

7 A. I see that.

8 Q. You are familiar with that paragraph,
9 right?

10 A. Yes, I am.

11 Q. Okay. Now, that paragraph provides for a
12 Commission compliance review, and I am paraphrasing,
13 but is that the general essence of that paragraph,
14 Mr. Allen?

15 A. It describes what that annual review by
16 the Commission would be, yes.

17 Q. And under the stipulation, the
18 Commission's compliance review would only pertain to
19 the actions of AEP Ohio, correct?

20 A. It would pertain to the actions of AEP
21 Ohio as they manage the contract with AEPGR and any
22 actions regarding direction of AEP Ohio and how the
23 units are dispatched or bid into the PJM markets,
24 that's correct.

25 Q. And I appreciate that last part, but in

1 terms of bidding, the Commission would have, as part
2 of its compliance review, oversight over the bidding
3 and bidding strategies of the PPA units in the
4 markets including capacity, ancillary, and energy,
5 correct?

6 A. The Commission would be able to review how
7 AEP Ohio directed those units to be bid into PJM,
8 that's correct.

9 Q. But you believe that it's only the
10 Commission's -- the facts that the Commission would
11 consider in that review would only -- would only be
12 the facts that were known to AEP Ohio at the time the
13 units were bid into the markets, correct?

14 A. Consistent with traditional regulatory
15 principles, that would be my expectation, yes.

16 Q. Now, and just to be clear, it's your
17 understanding that AEPGR will act -- will do the
18 actual bidding of the units in the capacity,
19 ancillary, and energy markets, but do so at the
20 direction of AEP Ohio, correct?

21 A. That's correct.

22 Q. Okay. And you would agree with me that
23 AEPGR will also be bidding its remaining units,
24 meaning units other than the PPA units, into the PJM
25 capacity trans -- ancillary service and energy

1 markets as well, correct?

2 A. AEPGR will be bidding its units into PJM
3 consistent with code of conduct rules that AEP has,
4 to ensure that market information from regulated
5 utilities is not shared with individuals within our
6 competitive businesses that are making bidding-type
7 strategies on behalf of the committing units.

8 Q. To keep it simple though, we have AEP Ohio
9 directing AEPGR to bid PPA units into the market. We
10 have AEPGR, at the same time, bidding the
11 remaining -- the remaining fleet into the market,
12 correct?

13 A. You want to keep it simple, but I think
14 it's important to recognize that it's not as simple
15 as saying that AEPGR is going to take actions for
16 both sets of units. There will be separation of that
17 information so that AEPGR doesn't have access to that
18 competitive information related to the PPA units when
19 it's making its bidding decisions for its remaining
20 unregulated assets.

21 MR. SATTERWHITE: Could you reread that
22 answer, please?

23 (Record read.)

24 MR. SATTERWHITE: Thank you.

25 Q. Are you aware of any discussions within

1 AEPGR separating those functions?

2 A. We've had discussions that one scenario
3 that may be affected is you would have separate sets
4 of individuals making those decisions so that
5 information did not cross.

6 Q. And these individuals would most likely
7 work in the same building, correct?

8 A. They could work in the same building, yes.

9 Q. And most likely report to the same chain
10 of command, correct?

11 A. They could. That's why we have a code of
12 conduct to ensure that that type of information
13 that's inappropriate to share with individuals making
14 decisions for our competitive fleet, they don't have
15 information from our regulated assets and we
16 wholeheartedly apply -- or wholeheartedly follow
17 those code of conduct rules.

18 Q. But in this case you will have
19 quasi-regulated assets directed by Ohio Power, and
20 AEPGR conducting the bidding, correct?

21 A. AEPGR will do the bidding, but the
22 information will not be shared with individuals that
23 are making the bidding decisions for the unregulated
24 assets of AEPGR. We will ensure there is no market
25 information that flows to those individuals. We do

1 that today.

2 Q. Is that -- is there a provision in the
3 draft PPA that addresses this issue?

4 A. Subject to legal interpretation by
5 counsel, one place that I think may cover that
6 provision is 10.1 where it says that the "Seller
7 shall, at its expense, comply with all applicable
8 laws and obtain and maintain all Governmental
9 Approvals applicable to Seller and/or the Facilities
10 or necessary for Seller's performance of its
11 obligations hereunder."

12 The law that requires the company not to
13 share competitive information from regulated entities
14 with its individuals managing its unregulated fleet
15 or those actually making the bidding decisions would
16 be covered by something like this, would be one place
17 I would see that. But also the company, as a whole,
18 has obligations, it's my understanding, under FERC,
19 to maintain code of conduct regulations.

20 Q. Okay. And when you say "company," that's
21 AEP Ohio, correct?

22 A. When I say -- when I am speaking of
23 "company" there, it's AEP Ohio as well as AEP as a
24 whole.

25 Q. Okay. Well, paragraph 10.1 states the

1 "seller," correct?

2 A. In 10.1 I was describing what AEPGR's
3 requirements are, but within my answer I was also
4 describing the overall corporate AEP's restrictions
5 on sharing information between regulated entities and
6 unregulated entities.

7 Q. So is it your testimony you believe that
8 the code of conduct requirements in Ohio apply not
9 only to the regulated utility but any affiliates?

10 A. I think that would require a legal
11 conclusion. What I can describe is what AEP Ohio, in
12 working with AEPGR, intends to do from a business
13 perspective and that is to ensure that the
14 individuals making market-based decisions for the
15 unregulated units will not have information related
16 to the regulated units when they are making those
17 decisions or in this case the PPA units.

18 Q. You agree with me that's not expressly
19 written in the stipulation or in the draft PPA,
20 correct?

21 A. I don't know that it's necessary to be
22 described in this document because that restriction,
23 in my understanding, already exists.

24 Q. Do you think the Commission can haul AEPGR
25 into the Commission's offices if there is a breach of

1 information regarding bidding strategies for Ohio
2 Power and the PPA units versus AEPGR's remaining
3 fleet?

4 MR. SATTERWHITE: Could you reread the
5 question, please? I am not sure I understood the
6 terms.

7 (Record read.)

8 MR. SATTERWHITE: I guess I will just
9 object to I don't know what a breach of bidding
10 strategies.

11 MR. SETTINERI: I'll ask it again. I
12 don't mind.

13 EXAMINER PARROT: Okay.

14 Q. Just going back, you agree that the
15 Commission's compliance review, under the
16 stipulation, the Commission -- that compliance review
17 will have nothing to do with AEPGR's actions,
18 correct?

19 A. That compliance review will be able to
20 look at the actual bids of the units into PJM, both
21 in the energy, capacity, and ancillary markets, and
22 so to that extent the Commission will have access to
23 that information. And also recognize that the
24 Commission has access to information about other bids
25 within PJM that it's able to receive from PJM as its

1 normal oversight process.

2 MR. SETTINERI: You know, I would move to
3 strike the last part of that answer regarding other
4 bids that the Commission reviews. The question was
5 simply related to whether the Commission would have
6 oversight over AEPGR.

7 MR. SATTERWHITE: I believe the question
8 was the compliance review will have nothing to do
9 with AEPGR's action and he was saying what the
10 compliance review would cover and what the Commission
11 would have access to it, so it's highly appropriate.

12 EXAMINER PARROT: The objection is
13 overruled. I'm sorry, Mr. Settineri, the motion to
14 strike is denied. Sorry.

15 Q. And just to clear that last answer up, the
16 bidding that AEPGR will do will be at the direction
17 of Ohio Power, correct?

18 A. That's correct.

19 Q. Okay. And the Commission compliance
20 review in regards to that bidding will be as to Ohio
21 Power's actions because it's directing that bidding,
22 correct?

23 A. Under the stipulation, the Commission
24 would be reviewing the bidding of the units, just the
25 PPA units into PJM. Issues around code of conduct

1 aren't addressed within the stipulation itself, but I
2 think the Commission has the authority to -- I won't
3 speak for our lawyers, but I think the Commission
4 has -- does look at code of conduct across the
5 company. They have done it in the past to ensure
6 that AEP Ohio is not sharing market-type information
7 with its competitive affiliates and I think there is
8 an audit schedule to occur this year on that matter.

9 Q. Isn't that exactly what's happening under
10 the PPA bidding with AEPGR?

11 A. It is occurring that there is bidding
12 happening by AEPGR, but the important fact is that
13 the individuals that are making bidding decisions for
14 the noncompetitive units, the market-based units, the
15 non-PPA units, that those individuals don't have
16 access to the information about the bidding strategy
17 that is being employed for the PPA units.

18 Q. As of today, that whole firewall
19 separation hasn't been set up, correct?

20 A. That separation can't exist because the
21 PPA doesn't yet exist.

22 Q. It could have been discussed during their
23 negotiations of the PPA, couldn't it?

24 A. As the company's been discussing potential
25 implementation strategies around the PPA, those are

1 exactly the type of structures that we're
2 envisioning, so we are clearly thinking about the
3 importance of code of conduct in ensuring that none
4 of that market-moving-type information that's related
5 to actions of AEP Ohio related to the PPA units is
6 shared with the individuals that are making decisions
7 for the non-PPA units of AEPGR.

8 Q. Now, the operating committee that's under
9 the PPA will consist of three members, correct?

10 A. That's correct.

11 Q. That's AEP Ohio, AEPGR, and AEP Service
12 Corporation, correct?

13 A. That's correct.

14 Q. And that operating committee will delve
15 into a great deal of information about the PPA units
16 through the course of its duties, correct?

17 A. We will discuss significant issues with
18 the separation of those units, yes. And we'll abide
19 by the code of conduct rules as we go through that as
20 well.

21 Q. Now, in the stipulation, and AEP Ohio is
22 not waiving any right to challenge any Commission
23 disallowance under page 7, paragraph 5.a., whether
24 that be through an application of rehearing or a
25 Supreme Court appeal, correct?

1 A. That's correct. Consistent with most, if
2 not all, of the settlements or filings that the
3 company makes before the Commission, the company
4 typically doesn't waive its right to future
5 challenges of Commission rulings --

6 Q. Okay.

7 A. -- before the -- through rehearing or
8 before Ohio Supreme Court as provided for under law.

9 Q. So let's go back to Attachment A, again
10 Part 1.

11 A. I'm there.

12 Q. And let's go back, I think I mentioned
13 this, let's assume the stipulation is approved
14 March 31, 2016. The PPA is immediately signed by
15 both parties, and the tariff sheets are filed before
16 5:30. Under that assumption would you agree with me
17 that the delivery period going forward, assuming it
18 goes an eight-year term, would you agree with me the
19 delivery period would pick up part of the PJM
20 planning year 2015-2016?

21 A. Yes.

22 Q. Okay. And then all of planning years
23 2017-'18 and planning year 2018-'19, correct?

24 A. I think you missed '16-'17 in the middle
25 there but, yes.

1 Q. I did. Thank you.

2 Now, the capacity for the PPA units has
3 already cleared in the PJM capacity auctions,
4 correct, at least in the base residual auctions?

5 A. The base residual auctions have occurred
6 through planning year '18-'19 at this point, that's
7 correct.

8 Q. And at least some of -- of the capacity
9 for the PPA units has cleared in those auctions,
10 correct?

11 A. Yes, that's correct.

12 Q. Okay. Let me ask you this, as part of
13 that Commission compliance review, and just for the
14 record is the intent for that to occur at the end of
15 the year during the term of the PPA?

16 A. That compliance review would occur, for
17 example, for the calendar year 2016 would occur
18 sometime in 2017 would be my expectation. That's
19 when the proceeding would begin.

20 Q. And under the stipulation can that
21 compliance review occur at a greater frequency than
22 just annually?

23 A. No. Under the stipulation that compliance
24 review would happen on an annual basis there. Is a
25 quarterly true-up to actuals, but the compliance

1 review which looks at the prudence of AEP's actions
2 would occur on an annual basis similar to how we have
3 historically proceeded through the FAC cases.

4 Q. Okay.

5 A. Fuel adjustment clause cases.

6 Q. And if the Commission wanted -- felt --
7 let's assume the Commission assumes the
8 stipulation -- let me ask this, if the Commission
9 approves the stipulation, is it your belief that the
10 Commission then would be accepting that annual
11 frequency for compliance review?

12 A. If the Commission approves the
13 stipulation, it would be accepting that annual
14 compliance review; that's correct.

15 Q. And would -- do you believe the Commission
16 would be able to change that to a greater frequency
17 at a later date if it so desires?

18 A. My expectation would be if the
19 Commission's approving the stipulation, that they are
20 accepting these provisions throughout the term of the
21 PPA, but clearly the company would be, you know,
22 happy to work with the Commission and its staff if
23 a -- if they determine that a more frequent review
24 process made sense, we would be open to having
25 discussion about, you know, whether that aids in

1 efficiency and the like, as well as talking with some
2 of the other parties, because the point of an annual
3 review process is to ensure that there's sufficient
4 data to review and that we're not engaging in
5 unnecessary work. I think an annual review is a very
6 reasonable review period.

7 Q. Okay. Going back to the current PJM
8 planning years for capacity where the PPA units are
9 cleared, am I correct the Commission will not be able
10 to review the bidding strategies used for those bids
11 into the capacity auctions because AEPGR already
12 has -- has already bid the capacity for the units
13 into the markets?

14 A. Those bids would be similar to fuel
15 contracts that the company previously entered into,
16 and when the Commission's evaluating the prudence of
17 AEP Ohio entering into the PPA agreement, that the
18 Commission would be accepting all prior actions,
19 contracts, bids, and the like.

20 Q. Okay. So in regards to capacity bidding,
21 the first -- if -- assuming the stipulation was
22 approved March 31 of this year, the Commission's
23 annual compliance review, the next Commission's
24 annual compliance review would only apply -- would
25 only apply to the next capacity bid into the auctions

1 of the PPA units, correct?

2 A. I think you are going to have to rephrase
3 the question. Which years' compliance review are you
4 referring to?

5 Q. Sure. Let me start over. If we assume
6 the stipulation is approved March 31, and you stated
7 previously that the Commission, through its
8 compliance review, would not be looking backward at
9 any bids or bidding strategies related to capacity
10 that's already cleared in the auctions, so it's a
11 going-forward basis, that, for instance, the next BRA
12 auction that would occur this year, 2016, that and
13 assuming the stipulation is approved, when the
14 Commission has its next compliance review in 2017, it
15 would be able to look at the strategy for bidding the
16 PPA units into the next BRA, correct?

17 A. I don't think you are describing what the
18 process would be. So let me explain. When the
19 Commission is doing a review of the events that
20 occurred in 2016, the actual costs and revenues in
21 2016, what the Commission would be looking at are the
22 actions of AEP Ohio and how they managed the
23 decisions under the agreement.

24 Some of those decisions could include, and
25 I am not sure of the exact timing as we sit here

1 today, but AEP Ohio would have the ability, under the
2 supplemental auctions in the BRA, in some years to
3 not only bid units into the supplemental auction but
4 also to essentially buy back the commitment, so that
5 if they think there is too much risk in that
6 commitment they could buy back a portion of that
7 commitment.

8 So the Commission would be able to review
9 those actions of AEP Ohio as it's managing its
10 ongoing approval rights under the contract and how
11 it's managing those assets in total. So in 2017, the
12 Commission could review whether AEP Ohio bought back
13 some of those rights. I am not sure if they can
14 still do that in 2016 yet or if those are finalized,
15 but that would be the ongoing process.

16 It wouldn't be reviewing the bids that AEP
17 makes in 2017 related to -- I'm sorry, the bids that
18 AEP Ohio makes in 2016 relating to the 1920 auctions
19 until after those costs were incurred by AEP Ohio and
20 went through the PPA rider. So the Commission would
21 be looking at all of the costs that flowed through
22 the rider and the totality of the decisions that were
23 made related to that.

24 So it's the initial bid that would happen
25 in the auction as well as how AEP Ohio manages buying

1 back or selling additional and supplemental auctions.
2 It would be that entire set of decisions related to
3 the costs and revenues that occurred in the calendar
4 year the Commission is reviewing.

5 Q. Okay. I appreciate that clarification.
6 That's very helpful. And so the Commission
7 compliance review that would take place for the 2017
8 bidding strategy -- or 2016 BRA bidding would not
9 take place until the 2019-2020 PJM planning year and
10 actually after that planning year, correct?

11 A. The BRA bids that AEP Ohio would direct in
12 2016 related to the '19-'20 planning year would be
13 first reviewed by the Commission in 2020 in
14 combination with all the other decisions around
15 supplemental auctions related to those units.

16 Q. Okay. And you agree with me that's
17 approximately four years after the BRA would take
18 place, correct?

19 A. Yes, that's correct.

20 Q. Okay. So what about on the back-end then?
21 It's 2023. Let's see, you are -- your bidding
22 strategy only -- strike that.

23 Let's go back to Attachment A, No. 2,
24 return on equity. Do you see that? This is in
25 regards to the stipulation.

1 A. I'm there.

2 Q. Attachment A notes that the return on
3 equity "will be fixed for the Delivery Period at
4 10.38 percent." Do you see that?

5 A. I see that.

6 Q. Now, am I correct that under the
7 stipulation, AEP Ohio can seek to adjust the
8 depreciation rate for the PPA units subject to
9 Commission approval?

10 A. The company can seek approval to flow
11 through changes in the depreciation rate through the
12 PPA rider from the Commission.

13 Q. And when you say "flow through changes"
14 though, am I correct that if AEP Ohio obtains
15 Commission approval to adjust its depreciation rate
16 for the PPA units, that change in depreciation rate
17 will change the return on equity of 10.38 percent; is
18 that correct?

19 A. Let me step back and start with one
20 premise. The depreciation rate would be -- the
21 change would be made by AEPGR with agreement by AEP
22 Ohio. What AEP Ohio would be seeking approval from
23 the Commission for is the passthrough of that change
24 in depreciation rate to customers through the PPA
25 rider. A change in depreciation rate does not impact

1 the return on equity rate of 10.38 percent.

2 Q. I guess I am confused from our deposition
3 last week, but so you're saying that the -- let me
4 ask you this, depreciation affects book value,
5 correct?

6 A. Depreciation -- accumulated depreciation
7 impacts the net book value and asset, yes.

8 Q. Okay. And the return on equity for the
9 PPA units that's in the stipulation, in part, is
10 based on book value, am I correct?

11 A. Just to be clear, the rate of 10.38
12 percent is fixed and is not impacted by changes in
13 depreciation. Changes in depreciation change the net
14 book value, which when the 10.38 percent is applied
15 to that value, has an impact on the net income when
16 you do the full calculation.

17 Q. Right. So, for instance, if the
18 depreciation rate is lowered, that could increase the
19 payment to AEPGR under the PPA, correct?

20 A. No. Reduction in depreciation would
21 result in a savings to customers through a PPA rider,
22 and so let me give you an example. If we reduce
23 depreciation expense by \$1 million in a year,
24 customers would see a benefit of \$1 million through
25 the change in the depreciation rate.

1 Customers would see an offset to that --
2 of that increasing the net book value as compared to
3 not changing the depreciation rate of \$1 million.
4 You would then apply the carrying costs which is the
5 combination of -- the weighted average carrying costs
6 which is a combination of the return on equity and a
7 debt rate, which, just going to use rough numbers, is
8 approximately typically 15 percent.

9 So you would apply that 15 percent to the
10 net book value change which would be that \$1 million
11 we described which would be an increase of 150,000.
12 So in your scenario, customers would see a \$1 million
13 reduction in the depreciation expense, offset by a
14 \$150,000 increase in the carrying costs on the
15 increased net book value for a net savings of
16 \$850,000.

17 Q. I don't know if you understood my question
18 though. I said if the depreciation rate decreases.

19 A. And that's exactly the scenario I
20 described. You change depreciation rates, if you
21 lower depreciation rates it has the effect of
22 lowering depreciation expense. And in that case, as
23 a hypothetical I gave you what the impact would be if
24 you changed the depreciation rate in a manner that
25 reduced depreciation expense by \$1 million, the end

1 result would be customers seeing a net savings of
2 approximately \$850,000.

3 Q. And flip it around, an increase in
4 depreciation rate then would be the exact opposite to
5 your answer, correct?

6 A. That's correct. And the important point
7 to mention is that as described in the stipulation,
8 for that change to impact customers through the PPA
9 rider, it would have to be approved by the Commission
10 based on a filing by AEP Ohio.

11 Q. Okay. Thank you. Now, Attachment A
12 provides an early termination fee as well, right,
13 under the PPA?

14 A. It provides an update to the early
15 termination fee, correct.

16 Q. So Attachment A, note 3 presents a new
17 termination fee, correct?

18 A. That's correct.

19 Q. And if we turn to page 16 of the draft
20 PPA, if you look at paragraph (B) at page 16, do you
21 see that paragraph?

22 A. I see that.

23 Q. Is that the early termination fee
24 calculation paragraph under the draft PPA?

25 A. Yes, it is.

1 Q. Okay. So worst-case scenario, if the
2 termination fee is applied, it would be any amounts
3 unpaid or owing as of the termination, early
4 termination date, plus an amount of the remaining
5 monthly payments, except for the fuel payment,
6 multiplied by three years, correct?

7 A. There is actually some additional language
8 that says for the shorter of three years or the
9 remainder of the delivery period.

10 Q. What I am getting at here, I am actually
11 glad you clarified or corrected me because there is
12 some additional language. What I am looking at is a
13 worst-case payment. So whatever you have shorter of,
14 we can say that it's shorter of three years or the
15 remainder of the delivery period. So the largest
16 period that that termination fee would be calculated
17 over would be three years, correct?

18 A. The longest period under Section 5.7(B) is
19 three years, but you have to recognize that that's
20 subject to the buyer exercising its right under
21 Section 2.3, and 2.3 only comes into play if retail
22 cost recovery of the PPA is discontinued. And so
23 it's important to recognize when Section 5.7 comes
24 into play.

25 Q. Okay. I'm glad you referred me back to

1 2.3 because I have a question for you on that. So
2 let's look at 2.3. So retail cost recovery -- let's
3 just assume retail cost recovery for buyer's cost is
4 discontinued. Now, is that to mean that the PPA
5 rider would have been discontinued or somehow the PPA
6 disapproved?

7 A. If, at some point in the future, the
8 Commission discontinues retail cost recovery of the
9 PPA, then that early termination rate would apply.

10 Q. Okay. So let's assume that happens. So
11 let's walk through this then.

12 A. Let's hope it doesn't.

13 Q. I note there in the first sentence,
14 "Subject to Buyer complying with its obligations
15 under Article V and provided Buyer is not a
16 Defaulting Party, Buyer will have on or after the
17 first anniversary of the Start Date, the right, but
18 not the obligation, upon no less than 365 days notice
19 to Seller to terminate, in whole, this Agreement
20 prior to the End Date if retail cost recovery for
21 Buyer's costs hereunder is discontinued by the
22 Commission." That's the language in 2.3, correct,
23 Mr. Allen?

24 A. That's correct.

25 Q. Okay. So the first step then if retail

1 cost recovery is discontinued, the buyer has the
2 right but not the obligation to terminate the
3 agreement, in whole, but must give 365 day notice to
4 the seller, in this case AEPGR, correct?

5 A. I think you've paraphrased, but the -- so
6 the article, I think, speaks for itself, Section 2.3.
7 But the notice provision is 365 days.

8 Q. Okay. So the PPA would continue to
9 operate over the next 365 days, correct?

10 A. The PPA would continue, that's correct.

11 Q. And is it your expectation that during
12 that 365-day period, that Ohio Power would solely
13 bear the costs of paying AEPGR for any monies owed
14 under this PPA during this 365-day period?

15 A. During that 365-day period, AEP Ohio would
16 be required to continue to make payments to AEPGR and
17 would have the rights to all of the revenues accruing
18 from the sale of that energy, capacity, and
19 ancillaries into the PJM market.

20 Q. Okay. But there would be no rate
21 recovery -- let me ask you this question, would -- is
22 it your expectation that Ohio Power would seek a
23 filing with the Commission for rate recovery for
24 those costs that -- any costs that were incurred over
25 the 365-day period?

1 A. I don't think I can make a determination
2 about what type of filing the Commission -- the
3 company may make before the Commission at that point
4 in time. It would depend on the facts and
5 circumstances that existed.

6 Q. All right. Nothing in the stipulation
7 prohibits Ohio Power from making such a filing,
8 correct?

9 A. That's correct.

10 Q. And in regards to the early termination
11 fee, is it your expectation that Ohio Power would
12 bear the cost of that termination fee?

13 A. AEP Ohio would pay that early termination
14 fee to AEPGR.

15 Q. Okay. And is it your expectation that
16 Ohio Power would make a filing with the Commission
17 seeking approval for cost recovery of that
18 termination fee from ratepayers?

19 A. As I stated previously, the company would
20 have to evaluate the facts and circumstances that
21 existed at that point in time.

22 Q. Okay. And nothing in the stipulation
23 prohibits any such filing by AEP Ohio, correct?

24 A. That's correct. And nothing in the
25 stipulation limits the Commission's role in reviewing

1 any filing that the company may make seeking such
2 recovery.

3 Q. Going back to 2.3 at -- sorry. Going back
4 to the early termination paragraph on page 16.

5 A. I'm there.

6 Q. There's a phrase three lines from the
7 bottom of that paragraph (B) that "the amount of
8 Seller's forecasted net revenues for Capacity...."
9 Do you see that?

10 A. I do.

11 Q. And what would be -- what is the
12 difference between forecasted net revenues versus net
13 revenues, if you can?

14 A. So forecasted net revenues in this section
15 is related to the fact that we're estimating what the
16 costs will be for the next three years. And in the
17 sense we're taking the -- the costs which are
18 described above which states that it's the amounts
19 unpaid or owing as of the early termination, plus
20 (y), which is the important one, amount of the
21 remaining monthly payments, except for the fuel
22 payments, and then it gives the terms, but then it
23 says "(such amount to be determined based on the most
24 recent 12 months of Monthly Payments excluding Fuel
25 Payments.)"

1 So we're estimating the future costs based
2 upon the last 12 months of costs, and then we are
3 comparing it to the revenues that are currently
4 expected based on the cleared BRA prices, but not
5 waiting to evaluate whether or not AEPGR decides to
6 bid the units in differently into a supplemental
7 auction now that this contract has been terminated.
8 So it's providing some certainty about what those
9 costs are at the time the contract is terminated.

10 Q. Okay. And going back to the language.
11 You had referenced earlier this paragraph refers back
12 to 2.3 which would be a termination of -- resulting
13 from a discontinuance of retail rate recovery. But
14 this paragraph also notes that this termination fee
15 applies if there is an early termination date that is
16 declared to a buyer event of default; is that
17 correct?

18 A. It does say there is an order that
19 provides a second provision that if it's buyer
20 default that's correct.

21 Q. So that's in addition to 2.3, correct?

22 A. It is.

23 Q. And that takes you back to page 18,
24 Section 8.1, correct?

25 A. Just clarifying, I'm not testifying as an

1 attorney here, but I can read the document as a
2 regulatory expert.

3 Q. And Section 8.1 lists a number of events
4 that constitute an event of default, correct?

5 A. It does list a number of items as events
6 of default, that's correct.

7 Q. Okay. So, for example, let's look at 8.1
8 Roman (i), it says the failure to make, when due, any
9 payment required pursuant to this Agreement if such
10 failure is not remedied within 10 days after written
11 notice. I paraphrased there, but that's the general
12 essence of that default, correct?

13 A. Yes.

14 Q. Okay. So let's just assume AEP Ohio fails
15 to make payment within 10 days after written -- 10
16 business days after written notice, and AEPGR elects
17 to terminate the agreement. All right? In that
18 event, AEPGR would assess an early termination -- or,
19 a termination fee against AEP Ohio, correct?

20 A. I think you have to refer to Sections 8.2
21 and 8.3 as you look at those. Because I think in the
22 event of a default, there are certain rights of the
23 parties.

24 Q. Are you still reading, sir?

25 A. I am just pointing you to those sections

1 that describe what rights a non-defaulting party has,
2 and it doesn't require a termination. It allows a
3 number of actions to occur. And clearly, my
4 expectation would not be that AEP Ohio would fail to
5 make a payment under the contract within 10 days if
6 it was notified of such a default.

7 Q. That's not what I am trying to get to
8 though, so I'll follow you up, though, at 8.2 (iv),
9 in the event of default, it gives the -- I am
10 paraphrasing, the defaulting party -- I should say
11 the non-defaulting party to cancel this agreement by
12 declaring a date for its early termination, an early
13 termination date.

14 Go back to 5.7(B) at page 16 and it says
15 the -- that the seller, and I will paraphrase, may
16 terminate this agreement or an early termination date
17 is declared, and in that event the seller will
18 invoice buyer, and buyer shall pay a termination fee.

19 So what I am trying to get at though if
20 that occurs, regardless of your expectation of what
21 Ohio Power will or will not do, if that occurs and
22 the PPA rider is still in effect, is it your
23 expectation that termination fee will be recovered
24 from ratepayers through the PPA rider?

25 MR. SATTERWHITE: Your Honor, at this

1 point I'll object. I think we are getting into what
2 was the substance of the previous hearing. Nothing
3 on page 18 or 19, dealing with what makes a default,
4 has been updated in -- as a result of this
5 stipulation. The redline that we are talking about
6 on page 16 under (B) deals with how to figure out
7 what the sum is. Even the language there deals with
8 issues that were at issue in the prior case, not
9 something that was updated as a result of the
10 stipulation.

11 So, you know, I have been trying to let
12 him ask the questions, but I don't want this hearing
13 to take another month because we go back and
14 relitigate all the issues that were available and
15 witnesses testified to in the initial phase.

16 MR. SETTINERI: Your Honor, if I may? A,
17 this is a redlined section and it presents brand new
18 termination fee. And what I am trying to understand
19 in regards to the stipulation, as well, where that
20 termination fee -- or, how that termination if it --
21 if it will be recovered from the ratepayers, and the
22 stipulation doesn't address it.

23 So I think it's fair to ask that and drill
24 down and get an answer for the record as to what the
25 company's expectation is on recovery of that

1 termination fee in the scenario that AEP terminates
2 this agreement but the PPA is still in effect. Who
3 pays the termination fee? I think that's good to
4 have in the record.

5 MR. SATTERWHITE: If I may, your Honor,
6 and that was an issue for the previous session that
7 we were in. The evidentiary hearing. He is asking
8 questions on parts that were not redlined dealing
9 with what makes a default and what happens with the
10 default. The redline here deals with the sum. The
11 sum has changed and that's really not what he is
12 asking about at all. He is going back and -- I don't
13 know if he is trying to rehabilitate what he did not
14 do in the initial phase, but that's not related to
15 why we are here today. That's related to why we were
16 here before.

17 MR. SETTINERI: Your Honor, I'll just say
18 there is a stipulation that's been presented so.

19 MR. SATTERWHITE: And we would like to
20 stick to that.

21 EXAMINER PARROT: Mr. Settineri, I am
22 going to sustain the objection. If you wish to ask
23 further questions based on the new language and in
24 paragraph (B) that we have been looking at, that's
25 fine, but with respect to the particular question

1 that's on the table, I am going to sustain the
2 objection.

3 Q. (By Mr. Settineri) Let me ask this
4 question, is there anything in the stipulation that
5 prohibits the company from seeking recovery of the
6 termination fee in paragraph (B) on page 16 of the
7 draft PPA from ratepayers?

8 MR. SATTERWHITE: Objection. It's the
9 same question.

10 EXAMINER PARROT: I'll allow this one
11 given that you have asked based on the stipulation in
12 its entirety.

13 A. So nothing in the stipulation would limit
14 the company from requesting recovery of early
15 termination fees. But as noted in the stipulation,
16 the company, and it's also in the initial testimony
17 that I filed in this case in our application, that
18 the Commission can review the actions of AEP Ohio to
19 determine the reasonableness or prudence of those
20 actions.

21 So if the Commission determined that the
22 actions of AEP Ohio which led to that early
23 termination fee were imprudent, then the Commission
24 could make a decision about whether or not those
25 costs could be recovered through the PPA rider.

1 Q. Thank you.

2 Sticking with Attachment A of the
3 stipulation.

4 A. I'm there.

5 Q. Okay. There was a reference to the PPA
6 Article, I should say, XIII, correct?

7 A. That's correct.

8 Q. If you could turn to page 24 of the draft
9 PPA, please.

10 A. I'm there.

11 Q. Now, the only edit in Article XIII is to
12 Section 13.5, correct?

13 A. That's correct.

14 Q. Okay. And does this redline -- or
15 blueline, however you want to call it, 13.5, is that
16 the update that's referenced in your Attachment A?

17 A. It is.

18 MR. SETTINERI: Okay. And you will excuse
19 me, your Honors, I have to jump back and forth
20 between documents so if you can bear with me.

21 Q. And does that language that's been added
22 reflect -- relate to page 8 of the stipulation, part
23 c. titled "Commission Option to Terminate Upon Unit
24 Sale"?

25 A. That's where the stipulation -- that's one

1 of the places where the stipulation describes
2 consolidating ownership structure of jointly-owned
3 units and that's what Section 13.5 of the PPA, what
4 the redline includes as a discussion of consolidating
5 ownership of the jointly-owned units.

6 Q. Okay. And there is a phrase in the
7 redline that says "at a comparable level." Do you
8 see that?

9 A. Yes.

10 Q. What is meant -- do you have an
11 understanding of what is meant by "comparable level"?

12 A. Yes, such that the megawatts of generating
13 capacity are comparable to what they were prior to
14 the consolidation of ownership.

15 Q. Comparable is not the same as equal,
16 though, right?

17 A. That's correct.

18 Q. Okay. And what -- do you have a feel for
19 what comparable means to you in regards to equal? Is
20 it 50 percent of 100 percent? 80 percent of
21 100 percent?

22 A. So an example would be if you look to the
23 draft PPA, EPSA Exhibit 10, Schedule A, which is the
24 second-to-last page of that document and you see the
25 Stewart units, there is four Stewart units, each of

1 577 megawatts. AEP Ohio's -- or AEPGR's share of
2 those is 26 percent or 150 megawatts. So the total
3 ownership that AEPGR has of the Stewart facility is
4 600 megawatts from those four facilities.

5 If we were to consolidate ownership such
6 that AEPGR owned all of Stewart 1 and none of Stewart
7 2, 3, and 4, AEPGR would then have a total ownership
8 of 577 megawatts as compared to 600 megawatts, and so
9 that's the comparable percentages that I have been
10 discussing or that's discussed in the document that
11 would be one good example.

12 Q. Okay. Thank you for that clarification.

13 Let's turn to page 5 of the stipulation,
14 Roman III, part A., part 3.

15 A. Can you give me that section again on
16 page 5?

17 Q. It's section 3 on page 5.

18 A. Okay. I'm there.

19 Q. So that section addresses, in part,
20 additional credits that Ohio Power is willing to
21 provide to customers under the PPA, correct?

22 A. That's correct. It describes that
23 mechanism.

24 Q. Okay. Now, I didn't see this in
25 Attachment A, but another change that's being made to

1 the PPA rider is that the company would do quarterly
2 true-ups, correct?

3 A. Attachment A doesn't describe the retail
4 rate treatment. Attachment A is solely focused on
5 the PPA itself and the quarterly true-up is dealt
6 with as part of the retail ratemaking.

7 Q. Right. I am just trying to establish
8 though that, first of all, the company's amended
9 application initially proposed an annual true-up,
10 correct?

11 A. I'm trying to remember the different
12 pieces of testimony. We described an annual true-up,
13 but either in our testimony or on the stand we
14 discussed the company's willingness to do a quarterly
15 true-up based upon feedback from various parties.

16 Q. All right. And so as part -- at this
17 phase of this proceeding, through the stipulation the
18 company would be doing a quarterly true-up if this
19 stipulation is approved and the PPA rider is
20 populated, correct?

21 A. The stipulation does provide for a
22 quarterly true-up, that's correct.

23 Q. Thank you. So going back to my example
24 again, assume the Commission approves the stipulation
25 March 31 of this year, when would Ohio Power set the

1 PPA rider rate?

2 A. The PPA rider rate would be set based upon
3 the \$4 million estimated credit that I just
4 referenced in my testimony so that would be the
5 initial rate that would be set and that would be set
6 when the Commission approves this stipulation.

7 Q. And that's based on the weather normalized
8 figure in your Exhibit WAA-2, correct?

9 A. That's correct.

10 Q. All right. And just for the record, going
11 forward, the PPA rider would be set again the end of
12 2016 for 2017, correct?

13 A. The annual forecasted rider rate would be
14 set in late 2016 for 2017, that's correct.

15 Q. All right. And that will be done every
16 year throughout the term of the PPA at the end of the
17 year to apply at the end of next year, correct?

18 A. That's right. Sometime during the prior
19 year for the subsequent year, yes.

20 Q. And Ohio Power, in setting that rate, will
21 use a weather normalized forecast when doing so,
22 correct?

23 A. That's the company's proposal yes.

24 Q. Right. So in regards to WAA-2, you had a
25 weather normalized chart predicting revenues --

1 charges or credits under the PPA rider for the eight
2 years. But going forward for every year, you are not
3 going to use that weather normalized figure from
4 WAA-2 to set the PPA rider.

5 A. That's correct. The company will provide
6 a new forecast on an annual basis of its weather
7 normalized expected net PPA rider charges or credits.

8 Q. Okay. And then at the end of each
9 quarter, now that we have a quarterly true-up
10 established, AEP Ohio will do a true-up based on the
11 netting of any credits or charges under the PPA
12 rider, correct?

13 A. Yes, that true-up will be done on a
14 quarterly basis.

15 Q. Okay. But because the true-up has to be
16 done at the end of a quarter, that true-up doesn't
17 take effect immediately. You have to wait until the
18 following quarter to apply it, correct?

19 A. Generally, a true-up in the -- for the
20 actuals for the first quarter would impact the rates
21 applied to customers beginning in the third quarter
22 of that year. That's the typical process.

23 Q. Okay. Now, going back to the credits at
24 page 5 of the stipulation, do you have that in front
25 of you?

1 A. I do.

2 Q. Am I correct that those credits are
3 designed to apply on a planning year basis, rather
4 than a calendar year basis, because they are designed
5 to apply in the last four years of the stipulation?

6 A. They apply to the last four years of the
7 stipulation which aligns with the planning years.

8 Q. Okay. And just to be clear for the
9 record, there are no proposed credits from Ohio Power
10 that would apply until the beginning of the planning
11 year 2020-2021, correct, under the stipulation?

12 A. There are no additional credits provided
13 under the stipulation until 2020-21 planning year,
14 that's correct.

15 Q. Now, in understanding how these credits
16 are going to work, it's going -- am I correct, for
17 example, prior to calendar year 2020, Ohio Power will
18 include in its forecasted PPA rider a potential for
19 any additional Ohio Power paid credits in the second
20 half of 2020, which would be the first six months of
21 the 2020-2021 planning year, do I have that right?

22 A. Close to correct. It would apply to the
23 last seven months of 2020 and the first seven months
24 of the 2020-'21 planning year.

25 Q. Thank you for that clarification.

1 Now, the fact that Ohio Power is -- I will
2 just say baking in to the PPA rider, the potential
3 for an Ohio Power credit in the last four planning
4 years, am I correct that Ohio Power will not be
5 seeking to recover any carrying charges for any Ohio
6 Power paid credit as forecasted into the rider PPA?

7 A. That's correct. And to be clear, the
8 company won't be seeking any carrying costs on the
9 over/underrecovery balance that's created by
10 inclusion of forecasted credits under this provision
11 of the PPA -- or, I'm sorry, under this provision of
12 the stipulation.

13 Q. Thank you. So when we finish the last
14 seven months of 2020, will the company then again
15 update its rider PPA using the weather normalized
16 forecast as well as considering the potential for
17 credits that Ohio Power may have to pay for the
18 2020-'21 planning year, as well as the '21-'22
19 planning year, correct?

20 A. So I make sure, you are talking about the
21 rate that will apply for calender year 2021?

22 Q. Yes.

23 A. So let me, I guess, describe how that
24 would work. The company would estimate the costs and
25 revenues associated with the PPA units for the

1 remainder of 2020 as well as 2021 and the first half
2 of -- the first five months of 2022. And we would
3 look at the expectation of where the net charges or
4 credits would occur for both the planning year 2020
5 and 2021 and planning year 2021 and 2022.

6 To the extent that in either one of those
7 years it required an additional credit of up to
8 \$10 million for planning year 2020 and 2021 or up to
9 \$20 million for planning year 2021 and 2022, the
10 company would include those estimates in its forecast
11 of the rate to be set for calendar year 2021.

12 Subsequent to the end of 2021, the company
13 then would look at the actual results for planning
14 year 2020 and 2021 to determine if it was necessary
15 to include the amount of forecasted additional
16 credits that were included in that initial filing.
17 To the extent that those credits weren't necessary,
18 the company would adjust the over/underrecovery
19 balance appropriately at that point in time.

20 Q. Okay. Thank you. The credits that are
21 listed at page 5, those credits, they are not
22 intended to provide an incentive to AEPGR, correct?

23 A. That's correct.

24 Q. Now, the reference -- I want to go through
25 the sentences there. The first sentence states "To

1 encourage AEP Ohio to exercise its contractual rights
2 under the revised affiliated PPA to ensure that the
3 PPA units are managed efficiently, cost effectively,
4 and with maximum profit market" -- sorry, "maximum
5 market profitability, AEP Ohio would make the
6 following commitment." Do you see that?

7 A. I do.

8 Q. Okay. Am I correct that the phrases
9 "managed efficiently" and "cost effectively" would
10 primarily relate to the cost of coal to be consumed
11 at the PPA units, other O&M-related costs at the PPA
12 units, capital costs, the whole suite of costs that
13 exist at these PPA units and the decision making AEP
14 Ohio has under its contract with AEPGR, correct?

15 A. That sounds familiar, yes.

16 Q. It is. And the phrase "maximum market
17 profitability" refers to maximizing profits in the
18 wholesale markets, correct?

19 A. Yes, that's correct.

20 Q. Now, just so I am clear, as of today, am I
21 correct that AEP Ohio has no involvement with the PPA
22 units?

23 A. Since the units were transferred at the
24 end of 2013, AEP Ohio has not had involvement in
25 those units, that's correct.

1 Q. Now, but -- now, under the draft PPA,
2 there is going to be an operating committee set up
3 for the co-owned -- or for the units, correct? We
4 can turn to that section, if it helps. I believe
5 it's Section 10.4 of the draft PPA.

6 A. There will be an operating committee that
7 addresses the operation of the units, that's correct.

8 Q. Okay. And under that provision, am I
9 right that AEP Ohio will have one vote, AEPGR will
10 have one vote, and AEP Service Corp. will have a
11 tiebreaking vote?

12 A. The way it works is that to the extent
13 that AEP Ohio and AEPGR don't agree, then AEP Service
14 Corp. would be the final vote in that matter. But,
15 remember, they are affiliates, so my expectation is
16 the -- that they will come to agreement on the
17 appropriate way to manage the units.

18 Q. Okay. And I realize you have an
19 expectation there, but in the event of a disagreement
20 over operations, even though AEP Ohio has contractual
21 rights under the PPA, it could lose a vote at the
22 operating committee, correct?

23 A. It wouldn't be my expectation that a vote
24 would occur that would result in expected
25 disallowance by the Commission. Remember that AEP

1 Service Corp. and AEP Ohio are both part of the AEP
2 corporate family as is AEPGR, so a decision that
3 negatively impacts AEP Ohio also negatively would
4 impact the corporation as a whole.

5 Q. So you believe that AEP Service Corp., AEP
6 Ohio, and AEPGR, you believe that their interests are
7 aligned; is that correct?

8 A. With regard to decision making for these
9 units, I believe their interests are aligned.

10 Q. Okay. If you could turn to page 6 of the
11 stipulation, please.

12 A. I'm there.

13 Q. And there's a reference there that the --
14 under Part 4 -- make sure I can find it here first.
15 Yes, there is going to be an allocation of the
16 revenues and costs under the rider PPA based on the
17 various classes of customers' PJM five-month
18 coincident peak demand in the prior year. Do you see
19 that?

20 A. I do.

21 Q. And you gave a very good explanation last
22 week in your deposition, but if you could, could you
23 just simply explain how that allocation would work
24 including explaining what the five PJM peaks are?

25 A. This would be based upon the PJM 5 CP

1 which are the five peak hours on five separate days
2 in the PJM region and those set the days. And then
3 for each one of those, the peak hours, we would look
4 at the peak of each one of the rate classes/voltage
5 levels that are listed in Section 4 and identify the
6 peaks for each one of those groups on each one of
7 those hours and average those peaks and then look at
8 the percent that each one of those groups had as
9 compared to the total for AEP Ohio. And that would
10 identify the percentage allocation to each class of
11 the PPA rider credits or costs. And that's also
12 shown on a workpaper that was provided to all the
13 parties in the case.

14 Q. And then the actual application of the
15 recovery would be on a volumetric kilowatt-hour
16 basis, correct?

17 A. Once the costs are allocated to each one
18 of those rate classes/voltage levels, then a rate
19 would be determined on a volumetric basis and applied
20 uniformly to customers within that class, that's
21 correct.

22 Q. Okay. And you would agree with me by
23 using the 5 CP allocation, that changes the
24 allocation of -- between the classes versus what was
25 initially proposed which was a straight volumetric

1 charge, correct?

2 A. It does change that allocation among the
3 classes.

4 Q. Okay. And under your workpapers you would
5 agree with me that for a thousand kilowatt-hour
6 customer -- actually all residential, that you would
7 see an allocation of -- if there was a credit, more
8 of the credit would be allocated to the residential
9 class, or if the rider was a charge, more of that
10 charge would be allocated to the residential
11 charge -- sorry, to the residential classes?

12 A. In general residential customers are going
13 to have usage volatility that aligns with the market
14 volatility such that in years where there's extreme
15 weather, residential customers are going to use more,
16 and the price is going to be higher.

17 So in aligning with that this allocation
18 provides more credits in years where weather is
19 extreme, and the PPA is providing a credit. And then
20 when residential customers have lower usage in mild
21 weather years, they would see a higher charge, so
22 based on their higher volatility the costs are
23 allocated in that fashion.

24 Q. I don't know if you answered my question
25 though. I just want to know am I correct under this

1 new allocation that there is a credit, more of the
2 charge would be allocated towards the residential
3 customers, for example, versus a GS-3 or 4?

4 A. Yeah. And I think you misstated your
5 question, but if there is a credit, more of the
6 credit would be allocated to the residential class
7 than was included in the initial allocation approach.

8 Q. Okay.

9 A. In the company's amended application in
10 this case.

11 Q. All right. Thank you. And, likewise, if
12 it was a charge, more of the charge would be
13 allocated to the residentials, correct?

14 A. That's correct.

15 Q. Okay. And, in fact, entities that are
16 able to control their coincident peaks could benefit
17 through this new allocation method, correct?

18 A. No. I think you are confused with the
19 class allocation and the allocation within the class.

20 Q. I am only talking allocation among the
21 classes so using the 5 CP to allocate among the
22 classes, a customer that is able to control its 5 CPs
23 will benefit versus a customer who will not be able
24 to control their 5 CPs, for instance, like me?

25 A. To the extent that a customer class is

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1 able to reduce its 5 CP, then that customer class
2 will be assigned a lower cost or credit under this
3 allocation approach.

4 Q. Okay. Thank you.

5 MR. SETTINERI: Your Honor, if we may go
6 off the record for a second?

7 EXAMINER PARROT: You may.

8 (Discussion off the record.)

9 EXAMINER PARROT: Let's go back on the
10 record. Let's take a break for lunch. We will
11 reconvene at 1:30.

12 (Thereupon, at 12:44 p.m., a lunch recess
13 was taken until 1:30 p.m.)

14 - - -

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Monday Afternoon Session,
January 4, 2016.

- - -

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

It's my understanding the parties have
some issues before we pick up with Mr. Allen's
testimony. Let's go through those. Mr. Nourse,
we'll start with you.

MR. NOURSE: Yeah. Actually, Mr. Olikier
may want to go first. I think what he was asking
makes sense to go first.

MR. OLIKER: Your Honor, just to clarify,
IGS and I believe Sierra Club filed motions for
protective order related to the depositions on
Friday, and am I to infer those motions were denied?

EXAMINER PARROT: That's correct,
Mr. Olikier.

MR. OLIKER: Thank you.

MR. NOURSE: So, thank you, your Honor.
In light of that and in light of my understanding of
your ruling this morning, we were deferring ruling on
the motion to quash, meaning that the issue of
whether any of these unnamed witnesses that have been
subpoenaed by OCC actually end up being required to

1 appear at the hearing has not been addressed and is
2 being reserved.

3 So, in that understanding, I wanted to ask
4 that the Bench direct the parties, I guess, OCC and
5 anyone else that may obtain a transcript from
6 depositions that would occur under your ruling, to
7 refrain from filing those transcripts in the docket
8 until such time, if any, that the deponent is ordered
9 to be a witness at the hearing, to preserve the issue
10 and preserve your ruling.

11 MR. MICHAEL: Your Honor, from OCC's
12 perspective, OCC believes that the deposition
13 transcript can and will be informative to your
14 Honors' rulings on the pending pleadings regarding
15 requiring the subpoenaed witness to attend at the
16 hearing. It will enable your Honors to confirm that
17 there is relevant, important evidence that the
18 witnesses subpoenaed have, and a deposition
19 transcript will enlighten and facilitate your Honors'
20 decision as it relates to requiring them to appear at
21 the hearing.

22 So I think that the deposition transcript
23 and the pending motions on getting the witnesses to
24 testify at the hearing are related and, therefore, we
25 would request the ability to file the deposition

1 transcripts. Thank you.

2 MR. NOURSE: And, your Honor, just briefly
3 responding, I think it's premature to say that
4 anything in the deposition would be informative of
5 anything. And I would say that if, in fact, is what
6 OCC believes they find after they do the deposition,
7 we can cross that bridge when we come to it.

8 My request simply to avoid -- avoid
9 getting around your fact that you haven't decided
10 whether any witness will be appearing, and so that
11 should go hand in hand with presenting any evidence,
12 whether it's through a deposition or through
13 testimony at the hearing from those witnesses.

14 EXAMINER PARROT: Anyone else?

15 All right. I think we are going to
16 request that you provide copies of the deposition
17 transcripts to the examiners, Mr. Michael, and wait
18 for a ruling before you would take that next step of
19 filing them in the docket. We will cross -- cross
20 that bridge down the road pending the ruling, but go
21 ahead and provide copies when they are available to
22 both of the examiners.

23 MR. MICHAEL: Certainly, your Honor.
24 Thank you.

25 MR. NOURSE: Thank you, your Honor. And

1 if I could briefly, on a second procedural matter, we
2 did distribute the schedule of witnesses and I think
3 based on the feedback received so far, we are going
4 to shift Mr. Bowring or Dr. Bowring back to Thursday,
5 the 7th, and with that change we were wanting the
6 Bench to adopt that schedule.

7 MR. SETTINERI: Your Honors, if I may
8 briefly, we -- Dynegy Witness Ellis may be coming in
9 the morning of the 7th, depending, he is flying in
10 from Houston. To the extent possible we would like
11 him to go to the back end of the order on Thursday,
12 the 7th. Witness Cavicchi would be available all day
13 Wednesday.

14 MR. NOURSE: Company doesn't object to
15 that. I guess the only thing I would point out is
16 depending on the other moving parts in the schedule
17 and depending on, you know, if last, for the day, is
18 11 a.m., if he is available, you know, obviously
19 otherwise there could be a gap or something where we
20 were done at 11 and have to come back at 4, so I
21 don't think anybody wants that.

22 MS. BOJKO: And, your Honor, while at
23 lunch I also just confirmed with my witnesses, from
24 the dates that appeared on the schedule, and
25 Mr. Seryak is not available until 1 o'clock. He

1 thinks he can get here around 12:30. I am hoping
2 that day we can coordinate lunch in order to
3 accommodate that schedule.

4 MR. NOURSE: He was listed as p.m. so --

5 MS. BOJKO: Right. That's --

6 MR. NOURSE: Unless it's 12:01 p.m.

7 MS. BOJKO: I just wanted to make sure
8 that was the understanding. I didn't have a time
9 certain for him and I did receive that over the lunch
10 break.

11 MS. FLEISHER: And ELPC Witness,
12 Mr. Rabago, is scheduled that afternoon as well, and
13 I think he would be available earlier in the
14 afternoon to hopefully accommodate that.

15 MS. BOJKO: Perfect. Thank you.

16 MR. MICHAEL: Your Honor, I have a
17 question about that proposed schedule. OCC Witnesses
18 Fortney and Haugh are five and six. Did your Honor
19 anticipate essentially they will be on standby to
20 testify? Is that the idea?

21 EXAMINER PARROT: That's what my comment
22 meant. Local witnesses being available, flexible,
23 and able to fill those holes.

24 MR. MICHAEL: Yes. Certainly. And
25 Mr. Haugh, I know, is available. I was simply

1 raising that question in light of the conversation I
2 had with the company that our guy was going the 6th,
3 but I know for a fact Mr. Haugh would be available on
4 either of those days. I know for a fact Mr. Fortney
5 will be available on the 6th and we are now checking
6 to confirm he would be open to the 5th and I will let
7 you know as soon as I can.

8 MR. NOURSE: Okay. With that, your Honor,
9 are we clear on the schedule?

10 EXAMINER PARROT: I think so. Clear as
11 mud. Thank you again for the company for
12 coordinating it.

13 Anything else before we proceed?

14 MR. MENDOZA: One more issue, your Honor,
15 in light of OCC's motion to compel. Sierra Club
16 offered witness -- excuse me, a person for deposition
17 this afternoon. As of yet, OCC has declined that
18 offer. We are willing to offer the same person
19 tomorrow at his principal place of business which is
20 in Cincinnati, Ohio. We think it would be
21 unreasonable and oppressive to require us to bring
22 our person back to Columbus again when we are ready
23 to go today.

24 You know, I think it hasn't been the
25 practice in these cases for deponent to travel to the

1 party that noticed the deposition. It's been the
2 reverse, and we would ask for that courtesy to be
3 granted to us.

4 MR. MICHAEL: Your Honor, when OCC noticed
5 the deposition of this Sierra Club witness, an
6 attorney was ready, willing, and able and prepared to
7 depose the witness on the noticed day. That attorney
8 is not available to take that deposition today, as I
9 informed counsel for Sierra Club.

10 However, OCC is willing to make the
11 accommodation of having another lawyer take the
12 deposition and, therefore, we request that it take
13 place tomorrow. We had preliminary -- preliminarily
14 agreed on a time of 4 o'clock and, your Honor, we
15 requested that the deposition take place in person.
16 When originally noticed, the request was to take the
17 deposition in person. There is a reason why
18 witnesses appear at a hearing in person and why
19 parties request depositions occur in person.

20 I let counsel for Sierra Club know that if
21 he chose to participate by telephone, he can listen
22 to the question and make the objections. But if the
23 witness doesn't appear in person, then OCC has no
24 ability to evaluate the witness and the witness's
25 testimony and how it comes across.

1 So in light of the fact that we are in
2 this position because Sierra Club didn't appear in
3 response to a properly-noticed deposition, we would
4 request that the witness appear in Columbus where
5 this matter is pending at the offices of OCC.

6 EXAMINER PARROT: Mr. Mendoza, I believe
7 you maybe mentioned off the record you weren't sure
8 but you may have the capability to do a video
9 deposition. If you can do that, that's fine, do
10 that. Otherwise, you need to make your witness
11 available tomorrow in Columbus.

12 MR. MENDOZA: Okay. We will prepare for a
13 video deposition tomorrow at 4.

14 EXAMINER PARROT: All right. Anything
15 else?

16 MR. MENDOZA: Your Honor, just a point of
17 clarify. The understanding isn't we are getting a --
18 we don't intend to provide a court reporter who is
19 going to record the deposition, but we can provide,
20 you know, an audiovisual connection between us and
21 OCC.

22 EXAMINER PARROT: Mr. Allen, thank you for
23 your patience. Everybody ready?

24 Mr. Settineri, back to you.

25 - - -

1 WILLIAM A. ALLEN

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

4 CROSS-EXAMINATION (Continued)

5 By Mr. Settineri:

6 Q. All right. Good afternoon, Mr. Allen.

7 A. Good afternoon.

8 Q. I want to turn to the stipulation,
9 page 13.

10 A. I'm there.

11 Q. Part D.1. of the stipulation notes that
12 "AEP Ohio will make a shareholder-funded donation of
13 \$500,000 to a research and development program for
14 clean energy technology at an Ohio public higher
15 education institution," correct?

16 A. Yes, it does.

17 Q. Now, as of today, AEP Ohio has not
18 identified the recipient of the donation, correct?

19 A. That's my understanding, correct.

20 Q. And it's your understanding that AEP Ohio
21 will not seek recovery of that donation from
22 ratepayers in this proceeding or any future
23 proceeding, correct?

24 A. That's correct.

25 Q. And that donation is not being recovered

1 through the PPA rider, correct?

2 A. That's correct.

3 Q. And it's simply an element of the overall
4 stipulation, correct?

5 A. That's correct.

6 Q. Continuing on the same page, there's some
7 funding there in regards to EE/PDR funding that will
8 be allocated to the Ohio Hospital Association,
9 correct?

10 A. In paragraph D.2., that's correct.

11 Q. And that funding is referenced in subpart
12 D.2.a; as well as D.2.c., correct?

13 A. There are contributions distributed -- not
14 contributions, but funding levels described in D.2.a.
15 with regard to funding to OHA and then D.2.c. with
16 regard to funding to OHA members.

17 Q. Thank you for that clarification.

18 With regards to the \$400,000 in EE/PDR
19 funding for OHA, it's fair to say that those funds
20 are earmarked for OHA under the AEP's portfolio plan,
21 correct?

22 A. As proposed in this stipulation, that's
23 correct.

24 Q. And when I say AEP's Ohio portfolio plan,
25 what does that mean to you?

1 A. The portfolio plan is the EE/PDR plan that
2 the company typically files with a three-year
3 duration, and with regard to this provision the
4 company will be seeking to include that \$400,000 in
5 each subsequent EE/PDR portfolio plan that's filed
6 throughout the term of the -- that covers the years
7 of the affiliate PPA.

8 Q. So in regards to the 400,000, is it so
9 long as that portfolio plan remains in place and that
10 it has an adequate budget in place, that funding
11 would be in place for OHA for the duration of the PPA
12 term, correct?

13 A. Subject to the Commission's approval of
14 that funding and cost recovery of that funding
15 through each one of those portfolio plans, that's
16 correct.

17 Q. Is it your expectation that the future
18 application for the next portfolio plan would include
19 express language regarding \$100,000 in EE/PDR funding
20 to OHA?

21 A. We haven't developed that plan at this
22 point in time is my understanding. But all parties
23 would be aware that that would be included in the
24 plan. We may include it within the documentation of
25 the plan. I am just not certain at this point in

1 time.

2 Q. But the actual approval of this funding
3 would flow through the stipulation approval, correct?

4 A. The stipulation provides that AEP Ohio
5 will propose the \$400,000 in each one of the
6 portfolio plans and each one of those portfolio plans
7 then would need to be approved, and subject to that
8 approval the company would designate those funds as
9 described in the stipulation.

10 Q. Okay. And if you could just help me so I
11 understand, I look at 2.a. and it says provide
12 \$400,000 in EE/PDR funding. Could you point to me
13 the language in the stipulation that states that --
14 that reflects back to here, to the answer you just
15 gave?

16 A. Sure. If you turn to page 15, right after
17 item f., the first sentence there states "OHA's
18 partnership and rights to administer the programs and
19 receive funding under this clause will be contingent
20 upon continued approval and existence of an AEP Ohio
21 EE/PDR Plan, approved funding and any other necessary
22 mechanism to ensure continued recovery of net loss
23 distribution revenues."

24 Q. Thank you. In regards to approved
25 funding, does that relate directly back to the OHA

1 earmark of \$400,000?

2 A. It would relate back to item D.2.a.,
3 that's correct. That would be one of those elements.

4 Q. So -- okay. So does the current portfolio
5 plan contain express language that would earmark
6 \$400,000 to OHA?

7 A. It does not. Under the current plan this
8 funding would occur under the budget that currently
9 exists, and so approval of this stipulation would
10 accept that allocation within the current budget.
11 But in future plans we would include this funding
12 level within the proposed budget.

13 Q. Okay. And when does the current portfolio
14 plan expire?

15 A. My recollection is the end of 2016.

16 Q. And if for some reason -- so just to make
17 sure I'm clear here then, the stipulation earmarks
18 400,000, but that would only apply through 2016 for
19 the term of the portfolio plan, correct?

20 A. It designates \$400,000 through the end of
21 2016 and then the continued funding throughout the
22 term of the affiliate PPA would be contingent upon
23 continued approval of portfolio plans that include
24 that funding.

25 Q. All right. But that -- you wouldn't

1 need -- if, for instance, if your portfolio plan
2 funding just included a lump sum amount, 400 million,
3 let's say, in your mind the OHA funding would be
4 allowed under that future portfolio plan because the
5 Commission has approved the stipulation, correct?

6 A. I think that would be dependent upon how
7 the Commission worded the orders in future EE/PDR
8 program cases in those orders. So if the Commission
9 was silent on funding for OHA, we would, I think,
10 assume that there is continued funding based on the
11 budget that was provided and the information we
12 provided to all the parties in the case that we plan
13 to continue to fund this for OHA. But if the
14 Commission's order explicitly denied continued
15 funding of those programs, then that would change the
16 funding. It would say that OHA would no longer
17 receive this funding.

18 Q. Okay. And to your example, if the
19 Commission is silent, do you believe that OHA would
20 be able to enforce that earmarked funding under the
21 stipulation in the event AEP Ohio refuses to provide
22 it?

23 MR. SATTERWHITE: Your Honor, at this
24 point, I would object to the extent I think he is
25 giving his regulatory point of view. Now the

1 question is asking for enforcement rights, which I
2 believe is a legal matter.

3 MR. SETTINERI: Your Honor, he is a
4 regulatory expert, and I would think he is more than
5 able to opine on the terms of the stipulation what it
6 means, especially since he is the only one supporting
7 it.

8 MR. SATTERWHITE: Well, I don't think that
9 last statement is really proper. I think the point
10 is the witness already stated the two sides where the
11 Commission speaks or doesn't speak, what would happen
12 and that's to the extent of the regulatory review.
13 We appear to be entering into something else with
14 enforcement rights and that's not something this
15 witness can testify to since he is not an attorney.

16 EXAMINER PARROT: Mr. Allen, I am going to
17 ask you the question again with the caveat we are not
18 asking for the opinion of a legal expert here, but to
19 the extent that you can answer the question as a
20 regulatory expert, please do so. If you are not able
21 to, you may say that.

22 THE WITNESS: Okay.

23 A. Under the stipulation, AEP Ohio is
24 committing to provide, under Section D.2.a., \$400,000
25 of EE/PDR funding on an annual basis to OHA subject

1 to continued approval and existence of AEP Ohio's
2 EE/PDR plan and approved funding. That's the
3 commitment that AEP Ohio is making in this
4 proceeding.

5 Q. Okay.

6 A. Or in the stipulation.

7 Q. In regards to the \$600,000 funding, part
8 c. on page 14, am I correct that that 600,000 would
9 be earmarked to OHA members in the form of additional
10 incentives that would be available to them?

11 A. It's up to \$600,000 annually to OHA
12 members and they need to be qualifying EE/PDR
13 programs, that's correct.

14 Q. So fair to say then that over the
15 eight-year term of the PPA, assuming that all the
16 conditions that you stated that would be necessary to
17 continue this funding to occur, that OHA could
18 potentially benefit from \$8 million in funding and
19 incentives from the EE/PDR portfolio plan?

20 A. Just to parse that, OHA would receive
21 funding of \$400,000 annually for eight and a half
22 years, so approximately 3.2 million, and OHA members
23 would receive funding of up to \$600,000 annually for
24 eight years which would be approximately \$4.8
25 million, up to 4.8 million.

1 Q. Thank you. Now, that funding incentives
2 would be collected through the EE/PDR rider, correct?

3 A. Yes, subject to Commission approval,
4 that's correct.

5 Q. And if the term of the PPA is extended,
6 you recall earlier we mentioned there is no
7 prohibition in the stipulation or PPA that prevents
8 the term from being extended beyond the eight and a
9 half years, if that term is extended, would you
10 expect then that this funding incentive -- the
11 incentive payments to OHA would be allowed to
12 continue in the extended term of the PPA?

13 A. My expectation would be that if the
14 company planned for an extended term of the PPA, that
15 would be a separate proceeding and a separate
16 negotiation about what elements were appropriate and
17 would provide a balanced outcome to extending that
18 PPA.

19 Q. Okay.

20 A. Or the PPA rider.

21 Q. So when we look at the bottom of page 13,
22 second line from the bottom, there is a phrase "the
23 term of the affiliate PPA." Do you see that?

24 A. I do.

25 Q. That phrase, the "term of the affiliate

1 PPA," am I correct that only relates to the eight and
2 a half years that's proposed in the stipulation?

3 A. As proposed, that's the only affiliate PPA
4 that exists, the eight and a half year term PPA.

5 Q. And that would be the term that's stated
6 here at the second line about -- second line from the
7 bottom of page 13, correct?

8 A. Yes, that's correct.

9 Q. Now, as of today, is it your understanding
10 the OHA members can avail themselves of AEP Ohio's
11 portfolio plan?

12 A. Yes, they can.

13 Q. And are there any limits, to the extent
14 you are aware of, of the amount of benefits that OHA
15 members can receive from AEP Ohio's current portfolio
16 plan?

17 A. I am not aware of any specific limitations
18 on total dollars.

19 Q. And unlike the shareholder donation we
20 discussed previously, the OHA funding under the
21 portfolio plan aren't incentives that are paid, we
22 just discussed, they are not being recovered through
23 the PPA rider, correct?

24 A. That's correct.

25 Q. And that -- the OHA funding incentive

1 payments that we discussed, those are simply elements
2 of the overall stipulation, correct?

3 A. That's correct.

4 Q. Now, OHA members are also receiving a rate
5 adjustment for I believe it's called alternative feed
6 service, correct?

7 A. Certain OHA members, yes.

8 Q. Okay. And I am going to walk through some
9 questions just to make sure we get it on the record
10 as to what that is because I did not understand it in
11 our deposition. So first of all, the alternative
12 feed service relates to capacity reserved by certain
13 OHA members for dual distribution feed service,
14 correct?

15 A. Yes, that's correct.

16 Q. Okay. And the current rates paid by those
17 participating OHA members, those rates are \$2.54 per
18 kilowatt month for Columbus Southern Power rate zone
19 members, and \$3 per kilowatt month for Ohio Power
20 rate zone OHA members, correct?

21 A. The -- I don't know the -- which one of
22 the two rate zones it applies to, but one of the rate
23 zones has a rate of \$2.54 cents per kW month and the
24 other rate zone has a rate of approximately \$3 per kW
25 month.

1 Q. Okay. And under the stipulation, that
2 rate would drop to a uniform \$2.50 per kilowatt month
3 for all OHA members, correct?

4 A. Yes. Consistent with some of the other
5 actions that AEP Ohio has been taking over the years
6 to make the rates more uniform across the two
7 historic rate zones, CSP and Ohio Power, this would
8 make the two rates consistent at \$2.50 per kW month
9 for all customers -- all OHA members within AEP Ohio.

10 Q. Okay. And you are aware that Ohio Power
11 prepared an estimate of what that rate change would
12 result in as to revenues received by Ohio Power,
13 correct?

14 A. Yes. It would result in a revenue
15 reduction for AEP Ohio of somewhere in the
16 neighborhood of \$100,000 on an annual basis.

17 Q. Is it your expectation sitting here today
18 that that uniform rate of \$2.50 would apply for the
19 term of the PPA rider?

20 A. No. That \$2.50 per kW month would apply
21 until the company's next base distribution rate case.

22 Q. Let me ask you this, is the alternative
23 feed service rate a tariff rate?

24 A. No. It's a contract rate currently.

25 Q. All right. And so if I am a new hospital

1 and I want to have dual distribution service, I would
2 enter into a contract with Ohio Power to reserve
3 capacity on that second distribution line, correct?

4 A. You would, yes.

5 Q. Okay. And under that contract, I would
6 pay, depending on the rate zone I am in, either the
7 \$2.54 per kilowatt month or \$3 per kilowatt month?

8 A. Under the current approach, yes.

9 Q. And going forward, I would pay the uniform
10 \$2.50 per kilowatt month, liability?

11 A. That's correct.

12 Q. And likewise you said, I believe, \$100,000
13 in revenue decrease to AEP Ohio, correct?

14 A. That's correct.

15 Q. And, conversely, that would be a \$100,000
16 savings per year to those OHA members who participate
17 in the alternate feed service rate?

18 A. Yes, that's correct.

19 Q. And over the course of the PPA term, eight
20 and a half years, assuming no additional OHA members
21 elect the service and none drop, that would equate to
22 approximately \$850,000 in savings to OHA members,
23 correct?

24 A. Not necessarily. As I described
25 previously, this would only apply in the company's

1 next base distribution rate case which may likely
2 occur well before 2024.

3 Q. And if it's left in the distribution base
4 rate case, you would agree that it could be
5 potentially \$850,000 in savings to OHA members over
6 the course of the eight-and-a-half-year PPA term,
7 correct?

8 A. I wouldn't agree that that would be the
9 savings based upon this stipulation. It would be
10 based on the stipulation up until the time new base
11 distribution rates are set. And after those rates
12 are set, any savings or cost increases that the OHA
13 members would receive related to alternate feed
14 service would be a result of that distribution base
15 case and not as a result of this stipulation.

16 Q. Is it your expectation, in the next
17 distribution rate case, that AEP Ohio will propose a
18 uniform rate of \$2.50 per kW month for the
19 alternative feed service?

20 A. My expectation is that the company will
21 propose a uniform rate for both rate zones. The rate
22 to be proposed is yet to be determined and would be
23 determined as part of that -- the development of that
24 rate proceeding.

25 Q. Okay. Does OHA know that?

1 A. I think they do, yes.

2 Q. Now, you would agree, like we did with
3 some of the other funding, the alternative feed
4 service rate change relates to the PPA rider as being
5 part of the overall settlement package, correct?

6 A. Could you repeat that, please?

7 Q. Sure, sure. You would agree with me that
8 the alternative feed service rate is simply an
9 element of the overall stipulation?

10 A. That rate -- that change in rate is an
11 element of the stipulation, that's correct.

12 Q. And that rate is not recovered through the
13 PPA rider, correct?

14 A. That's correct.

15 Q. Now, in regards to that lost revenue we
16 discussed, the \$100,000 a year to AEP Ohio, am I
17 correct that Ohio Power is not seeking rate recovery
18 of that lost revenue in this proceeding?

19 A. That's correct.

20 Q. But am I also correct that Ohio Power is
21 not precluding recovering that lost revenue in a
22 subsequent distribution rate proceeding, correct?

23 A. In the context of the company's next
24 distribution rate proceeding, I wouldn't consider it
25 lost revenue. We would be setting rates for all

1 customers based upon the overall revenue requirement
2 of the system at that point in time.

3 Q. I am talking specifically, though, about
4 the lost revenue that's going to occur if the
5 stipulation is approved, and immediately, I assume,
6 OHA members participating in this program would pay
7 less, correct?

8 A. That's correct.

9 Q. Okay. And so the first month Ohio Power
10 is going to receive less revenue, correct?

11 A. That's correct.

12 Q. Ohio Power is going to receive less
13 revenue until its next distribution rate case as a
14 result of an order that has been issued from the
15 Commission, correct?

16 A. That's correct. And the company is not
17 proposing to defer that reduction in revenue for
18 future recovery.

19 Q. Okay. And so, in other words, in my own
20 words then, for the loss of revenue that would occur
21 up until the time the distribution rate case is
22 resolved, AEP Ohio will not be -- will not seek
23 recovery of that lost revenue in any future
24 proceeding, correct?

25 A. That's correct.

1 Q. Okay. All right. If you turn to 15,
2 part 3., the OPAGE funding. Do you see that?

3 A. Yes.

4 Q. And there in the stipulation on page 15,
5 part 3, it states that "In a manner that is
6 consistent with the Company's existing EE/PDR plan
7 and while staying in the currently-approved funding
8 levels, OPAGE will receive \$200,000 in 2016 to provide
9 direct assistance with the approved Community
10 Assistance Program ("CAP") program within the
11 Company's EE/PDR program as follows...." Do you see
12 that language?

13 A. I do.

14 Q. And am I correct that that -- those monies
15 would be earmarked from the current portfolio plan to
16 OPAGE?

17 A. Yes, to provide the assistance described
18 in this section, yes.

19 Q. Okay. And is there anything precluding
20 OPAGE today from seeking that funding through the
21 portfolio plan?

22 A. I don't think there is anything that
23 precludes OPAGE from requesting that.

24 Q. And that funding would be recovered
25 through the companies' EE/PDR rider, correct?

1 A. That's correct, because it's already
2 within the current approved budget.

3 Q. And it would not be recovered through the
4 PPA rider, correct?

5 A. That's correct.

6 Q. And that provision can be considered
7 simply an element of the overall stipulation,
8 correct?

9 A. That provision is an element of the
10 overall stipulation.

11 Q. And that funding only relates to 2016,
12 correct? When I say "that funding," the funding
13 that's referenced at part 3 at page 15 of the
14 stipulation.

15 A. Just to be clear, the elements that
16 relates to 2016 is the \$200,000 in paragraph 3.
17 There's also, within paragraph 3, some additional
18 funding that's described on page 16.

19 Q. And that would be the "For 2017," is that
20 what you are referring to?

21 A. Yes. That's still within subparagraph 3.

22 Q. Thank you.

23 So let's turn to that on page 16, where
24 you see the sentence that starts "For 2017 OP&AE will
25 manage and administer...." Do you see that?

1 A. I do.

2 Q. Okay. So am I correct for 2017 that OP&E
3 will have earmarked to it, by Ohio Power, in -- in
4 Ohio Power's portfolio plan, \$8 million in funds; is
5 that correct?

6 A. OP&E will administer funding for \$8
7 million of programs. It will have a budget of up to
8 \$8 million.

9 Q. What's the current funding level -- let me
10 ask you this, are there any funds today earmarked in
11 the portfolio plan for the CAP program?

12 A. Yes, there are.

13 Q. And how much? Can you tell me?

14 A. I don't recall that amount today.

15 Q. Less than 8 million?

16 A. I don't know the totality of the CAP
17 program number.

18 Q. Turning back to the language, so I'm
19 correct that OP&E will have \$8 million budgeted to it
20 from the portfolio plan in 2017, correct?

21 A. Subject to the approval that's described
22 in the next paragraph, there will be \$8 million for
23 OP&E to administer, yes.

24 Q. Okay. And then OP&E will also receive a
25 5 percent management fee which you would agree would

1 correlate to \$400,000; is that correct?

2 A. Yes, that's correct. And that's
3 consistent with the management fee that OP&E received
4 when it most recently managed that program in 2012
5 through 2014.

6 Q. That could vary depending on the amount of
7 the budget amount, correct?

8 A. What I was referring to was the 5 percent
9 management fee. Their previous management fee was
10 5 percent, so it's consistent with that.

11 Q. So let's say if the budget was \$100,000,
12 OP&E would receive \$5,000 as a management fee,
13 correct?

14 A. That's correct. But it would still be the
15 5 percent that we describe in the stipulation.

16 Q. And here the budget is up to \$8 million,
17 the management fee, for one year, of \$400,000,
18 correct?

19 A. Yes. The same 5 percent, that's correct.

20 Q. Okay. Now, one thing I didn't understand
21 from our deposition and I would like to explore with
22 you to try to understand forward, how this management
23 fee and the \$8 million will continue.

24 Am I correct that so long as the EE/PDR
25 portfolio plan is approved by the Commission going

1 forward, and so long as there is appropriate funding
2 in that portfolio plan, regardless of where that
3 funding is designated towards, that OPAE would
4 continue to receive an annual budget earmarked to it
5 of \$8 million under the portfolio plan?

6 A. Contingent upon continued approval and the
7 existence of AEP Ohio's EE/PDR plan, and approved
8 cost recovery, OPAE would continue to administer the
9 program with an annual budget of up to \$8 million
10 annually.

11 Q. Okay. As long as that continues, OPAE
12 would continue to receive the \$400,000 administration
13 fee, correct?

14 A. Yes, subject to the Commission's continued
15 approval of that funding.

16 Q. And when you say "that funding," we are
17 talking funding for the portfolio plan, correct?

18 A. It would be the portfolio plan and
19 approved cost recovery which would cover the
20 Commission's continued approval or disapproval of
21 OPAE managing those programs.

22 Q. Well, when you talk "cost recovery,"
23 aren't you simply talking cost recovery to the EE/PDR
24 for the portfolio costs?

25 A. Yes, and the approval of cost recovery

1 also includes the underlying funding of those
2 programs, deeming that those were prudent and
3 appropriate funding.

4 Q. Okay. So that's also going to apply to
5 the 2016 funding for OP&E, correct?

6 A. Under the stipulation the Commission would
7 be making a determination that a \$200,000 funding
8 level within 2016 for OP&E, as described on page 15,
9 paragraph 3, would be appropriate.

10 Q. You think that's a sufficient level of
11 detail for the Commission to make that determination
12 set forth on page 15 to the top of page 16?

13 A. Yes.

14 Q. Okay. You would expect a similar level of
15 detail to be then in your future portfolio filings,
16 correct?

17 A. Our future portfolio plans would include
18 an explanation of the different programs that were
19 being undertaken within the CAP program, yes.

20 Q. So as of today then, if the Commission
21 approves a stipulation without modification, OP&E
22 would immediately receive or at least in the short
23 amount of time \$200,000 in funding for the EE/PDR
24 programs or the CAP programs, excuse me, correct?

25 A. OP&E would receive funding to provide

1 assistance with approved community action programs.

2 Q. Okay. And none of the costs for those
3 programs, as they flow through the EE/PDR portfolio
4 plan, would be recovered through the PPA rider,
5 correct?

6 A. That's correct.

7 Q. All right. And this funding for OPAE is
8 simply an element of the overall stipulation,
9 correct?

10 A. The funding for OPAE is an element of the
11 overall stipulation, yes.

12 Q. Okay. OPAE is not managing that CAP
13 program today, correct?

14 A. That's correct. They historically managed
15 it but they are not managing it today.

16 Q. Who manages it today?

17 A. It's being managed by AEP Ohio.

18 Q. Okay. Now, in regards to the OPAE
19 funding, am I correct that Ohio Power did not include
20 that funding in its amended application because when
21 Ohio Power made that filing, the filing in May of
22 2015, it was focused on extending the PPA rider that
23 was proposed in Ohio Power's previous ESP, correct?

24 A. Yes.

25 Q. And that answer would apply equally to the

1 shareholder donation in the OHA EE/PDR funding,
2 correct?

3 A. Yes, both of those elements were not
4 included in the company's amended application filed
5 in May of 2015.

6 Q. And likewise there's a -- you are
7 familiar, there is a transfer of costs from certain
8 riders to other riders under the stipulation,
9 correct?

10 A. In paragraph 4 on page 16, we describe
11 transferring 50 percent of EE/PDR costs for
12 transmission and subtransmission voltage customers to
13 the EDR rider through May 31, 2024, which in that
14 case results in even customers that opt out of the
15 EE/PDR program continuing to make payments for these
16 costs through the EDR rider.

17 And then there is another in paragraph 5
18 that has 50 percent of the IRP credits from the
19 EE/PDR rider being transferred to the EE rider to
20 reflect that the IRP credits produce both economic
21 development benefits as well as energy efficiency
22 benefits.

23 Q. Now, is it correct -- you said "EE rider"
24 in your answer. Am I correct what's under the
25 stipulation, if it's approved, 50 percent of the IRP

1 credits will go from where they would be recovered
2 under the EE/PDR rider, would be recovered through
3 the EDR rider, correct?

4 A. Yes. If I misstated it, that was my
5 intent.

6 Q. And then just so I say in my own words,
7 likewise, then if the stipulation is approved,
8 50 percent of the EE/PDR rider costs for transmission
9 and subtransmission voltage customers will be
10 transferred to the EDR rider, versus today where they
11 are recovered under the EE/PDR rider, correct?

12 A. Yes, that's correct, that's what
13 paragraphs 4 and 5 state.

14 Q. And those, like the previous items we just
15 covered, Ohio Power did not include those rider
16 transfers in its amended application because when
17 Ohio Power made that amended application filing, it
18 was focused on extending the PPA rider that was
19 proposed in Ohio Power's previous ESP, correct?

20 A. These two provisions were not included in
21 the amended application filed in May of 2015.

22 Q. Right. You would agree with me these --
23 none of these transferred costs are going to end up
24 in the PPA rider, correct?

25 A. That's correct.

1 Q. Okay. You agree with me as well that
2 other than being an overall element in the
3 stipulation these two transfers are not related to
4 the PPA rider.

5 A. No, I wouldn't agree with that. The
6 EE/PDR costs relate to energy efficiency programs,
7 the IRP relates to peak demand reduction. Both of
8 those actions have the effect of reducing the total
9 peak within the AEP zone which ultimately results in
10 moving down in the production curve in PJM which
11 results in more stable rates for customers. So it
12 has the same end result as what we have been talking
13 about with the PPA rider, is looking at ways to
14 produce more stable rates for customers in the near
15 term and in the long term.

16 Q. And so, essentially, you believe they
17 share a similar goal, correct?

18 A. Yes, they do.

19 Q. Okay. And that answer would apply equally
20 to the other funding incentives provided in the
21 stipulation, correct, in your opinion?

22 A. The other energy efficiency programs that
23 we just discussed for OPAE and OHA would have those
24 same kind of benefits of stabilizing rates over the
25 long term, that's correct.

1 Q. Okay. That's what you believe, correct?

2 A. That's what I believe, yes.

3 Q. Now, you would agree with me that the
4 Commission did not approve either transfer of costs
5 under these two riders, we discussed, the IRP credits
6 moving to the EDR rider, and 50 percent of the EE/PDR
7 going to the EDR rider, you would agree that the
8 Commission did not approve either transfer in the
9 last ESP proceeding, correct?

10 A. That's correct. The Commission's approval
11 of those transfers would be occurring through this --
12 through approval of this stipulation.

13 Q. And are you aware of any provision in the
14 Commission's entry in the last ESP proceeding, in any
15 Commission entry from the last ESP proceeding, that
16 directed Ohio Power to make such a proposal to the
17 Commission?

18 A. I am not aware of the Commission
19 requesting the company make such a proposal.

20 Q. Okay. Let's turn to your testimony WAA-2.

21 A. Okay.

22 Q. Please. WAA-2 was prepared at your
23 direction, correct?

24 A. Yes, it was.

25 Q. Okay. And am I correct that this

1 represents a modification to a prior exhibit in this
2 proceeding and that prior exhibit was KDP, as in
3 Paul, -2, that was attached to Kelly Pearce's
4 testimony? Am I correct?

5 A. Yes, that's correct.

6 Q. For KPD-2, Karl Bletzacker prepared the
7 fundamentals forecast that was utilized in the PLEXOS
8 runs that were developed by Dr. Pearce and used in
9 developing Exhibit KDP-2, correct?

10 A. The forecast prepared by Company Witness
11 Bletzacker was utilized in the PLEXOS runs that were
12 ultimately utilized by Company Witness Pearce, yes.

13 Q. And the fundamentals forecast that
14 Mr. Bletzacker used to assist -- that was used in the
15 development of KDP-2 was the 2013 fundamentals
16 forecast, correct?

17 A. Yes, it was, that's correct.

18 Q. And you also relied upon the 2013
19 fundamentals forecast in the development of your
20 Exhibit WAA-2, correct?

21 A. The 2013 fundamentals forecast is the
22 basis of Exhibit KDP-2 which I then had modified to
23 reflect the limited modifications that were included
24 in the stipulation and as are described at the top of
25 that exhibit which is my Exhibit WAA-2.

1 Q. Right. And thank you for that because
2 that's the next question, so I will just go through
3 it though. So the only changes to WAA-2 from KDP-2
4 were the use of a 10.38 percent return on equity,
5 dropping 2015, terminating the data as of May 31,
6 2014, and including the results of the PJM capacity
7 auctions for planning years through 2018 -- for the
8 years up to -- through the planning year 2018 to
9 2019, correct?

10 A. Yes, that's correct.

11 Q. Okay. And on that point --

12 MR. SATTERWHITE: I apologize, your Honor,
13 could I have that question and answer reread?

14 (Record read.)

15 A. And I think what I read here, the
16 question, the termination date was May 31, 2024, not
17 2014.

18 MR. SETTINERI: Okay. Mr. Satterwhite,
19 does that answer your question?

20 MR. SATTERWHITE: Yes. Thank you.

21 Q. One thing I want to confirm is that you
22 included the PJM -- results from the PJM capacity
23 auctions in your WAA-2, correct?

24 A. Yes, I did.

25 Q. Okay. And let's go to weather normalized,

1 all right? Can you tell me on that chart where
2 the -- at what point would the capacity auction
3 results not be included or accounted for?

4 A. I think I understand your question so I'll
5 answer what I think you are asking for. So the known
6 capacity performance auction results are included in
7 the years 2016, 2017, 2018, and the first five months
8 of 2019 in this schedule, and that would show up in
9 the line within any one of the four scenarios shown
10 on the page and the line entitled "PJM revenues
11 including PJM capacity performance."

12 Q. Okay. Now, am I correct for those years
13 up to the middle of I believe you said 2019, correct,
14 that those revenues would not include any penalties
15 for PJM capacity performance?

16 A. What they would reflect are the results of
17 the bidding strategies that were utilized related to
18 these units with an attempt of mitigating performance
19 penalties. An example of that, without going into
20 the specific strategies that were employed, you could
21 bid portions of units as capacity performance and
22 some portions as base, and to the extent that certain
23 units overperformed you could utilize that to offset
24 underperformance of other units.

25 So there are bidding strategies that can

1 be undertaken to mitigate penalties and that's what's
2 reflected in these results are the bidding strategies
3 that were utilized and the results of those.

4 Q. So it relates to the amount and the unit
5 that's bid into the auction in terms of capacity as a
6 capacity performance product, correct?

7 A. That's correct. So what's reflected here
8 are the net impacts that the company expects from the
9 capacity performance auctions. There could be bonus
10 payments that make these numbers go higher as well.

11 Q. But now, so your numbers here, though, in
12 '16-'17 and '18 and half of '19, obviously don't
13 include any potential penalty payments, correct?

14 A. They don't reflect any additional
15 penalties after factoring in that the companies have
16 developed bidding strategies to mitigate the
17 likelihood of those penalties, so it reflects our
18 expected results.

19 Q. Okay. But, for instance, a valve failure,
20 unforeseen outage, that could result in a --
21 depending on the hour, that could result in a penalty
22 under the PJM capacity performance program, correct?

23 A. It could result in a penalty subject to
24 being able to mitigate that penalty by
25 overperformance of another unit within the fleet.

1 Q. Okay. But so, again, the revenues you
2 project here are based on your bidding strategy,
3 correct?

4 A. They are.

5 Q. Okay. You would agree with me that it is
6 possible for a unit, and not specific, just in
7 general, a unit to pay more in PJM penalties as a
8 capacity performance product than what it would earn
9 through the capacity revenues?

10 A. I think from a technical PJM rule
11 perspective, that's a mathematical possibility.

12 Q. Let me try this a different way. You
13 agree that in some instances PJM capacity performance
14 penalties could exceed PJM capacity revenues,
15 correct?

16 A. I think under the rules that's a
17 possibility.

18 Q. Okay.

19 A. It depends upon how the units are bid, on
20 whether or not that's a real possibility under a
21 real-world scenario, but it's a possibility under the
22 PJM tariff is my understanding.

23 Q. So it could depend on what the capacity
24 clearing price is, correct?

25 A. It would be dependent upon the clearing

1 price as well as the amount of megawatts that were
2 bid in for a specific unit, yes.

3 Q. I want to go back to one other payment.
4 You are aware of the global settlement with the
5 Industrial Energy Users of Ohio, correct?

6 A. Generally, yes.

7 Q. Okay. And you are aware that settlement
8 included an \$8 million irrevocable payment from AEP
9 Ohio to IEU-Ohio?

10 A. Do you have a copy of that document I can
11 refer to?

12 Q. No. Just see if you can answer the
13 question first.

14 A. I know that it has an \$8 million payment
15 in it. I don't know if it's irrevocable without
16 looking at the document itself.

17 Q. Okay.

18 MR. SETTINERI: If I may, your Honors?

19 EXAMINER PARROT: You may.

20 MR. SETTINERI: I would like to mark
21 PJM/EPSCA Exhibit 11 -- or P3/EPSCA Exhibit 11.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 Q. Are you familiar with what's been marked
24 as P3/EPSCA Exhibit 11, Mr. Allen?

25 A. Yes, I am.

1 Q. In looking at that document, specifically
2 Section 6, would you agree with me as part of this
3 settlement with IEU-Ohio, AEP will pay a one-time
4 nonrevocable payment of \$8 million to IEU?

5 A. That's what's stated in paragraph 6 of the
6 document the related to the -- it would occur after
7 the withdrawal described in paragraph 1 above.

8 Q. And you would also agree with me, if you
9 look at page 1 to the top of page 2, that this
10 settlement agreement provides certain provisions
11 regarding IEU's agreement to not oppose the joint
12 stipulation and recommendation in this proceeding
13 today, as well as a requirement that IEU would file a
14 letter in this proceeding noting that IEU does not
15 oppose the stipulation; is that correct?

16 A. Can you repeat that question, please, or
17 reread the question, please?

18 MR. SETTINERI: Thanks.

19 (Record read.)

20 A. That's correct.

21 Q. And also you would agree with me that this
22 document was produced by the Ohio Power Company
23 through discovery in this proceeding, correct?

24 A. Yes, that's correct.

25 Q. Okay. Thank you. Now, let's go back to

1 WAA-2 again, please.

2 A. I'm there.

3 Q. All right. Now, it took me a bit to try
4 to figure out how to read this chart but starting
5 with the weather normalized case, do you see that?

6 A. I do.

7 Q. Am I correct that the weather normalized
8 case describes what the revenues would be in a year
9 that has normal weather in every month of the year?

10 A. Yes, that's correct. Which, as we all
11 know, isn't what occurs in the real world, but, yes.

12 Q. And then continuing on, staying in that
13 weather normalized case, am I correct then that
14 the -- well, strike that.

15 Looking then at the 5 percent lower load
16 forecast and above we have a 5 percent higher load
17 forecast. Do you see that?

18 A. I do.

19 Q. And am I right that the 5 percent higher
20 and lower load forecast boxes reflect taking the
21 annual load for each of the years, reducing it by 5
22 percent either way, and looking at the impact on
23 market prices from that reduction and then running
24 that through the PLEXOS model?

25 A. And first, to be clear that 5 percent

1 higher load or lower load is related to load in the
2 PJM footprint not just within the AEP zone, but, yes,
3 that's what those two reflect.

4 Q. All right.

5 A. And so what that's attempting to reflect
6 are the range of outcomes that one would expect to
7 occur over a number of years within PJM where, in
8 some years, the load is going to be higher than
9 weather normal and some years it's going to be lower
10 than weather normal, but trying to show the effect
11 that an increase in load above normal has an
12 asymmetric effect on market prices as compared to
13 lower load in the market.

14 And so that's why we've shown the average
15 of the high and low load forecast, even though they
16 both reflect a 5-percent deviation from weather
17 normal, the average, over that eight-year period,
18 produces a little over \$500 million of additional
19 revenue under the average of the high and low load
20 forecast case, and that's what demonstrates the
21 asymmetric pricing that exists within PJM as load
22 changes.

23 MR. SETTINERI: I got confused in that
24 answer, but your Honors, at this time, I have to
25 strike that answer as nonresponsive to the question

1 and went into detail that I hadn't asked for at this
2 point.

3 MR. SATTERWHITE: Your Honor, he asked
4 what this represents and the witness was showing him
5 exactly what this represents and how to read it. So
6 it was a broad question and got all the context
7 needed, so the record is clear for the Commission of
8 what it means.

9 EXAMINER PARROT: I am going to deny the
10 motion to strike, Mr. Settineri.

11 MR. SETTINERI: Thank you, your Honors.

12 Q. Now, let's go to your testimony and keep
13 WAA-2 handy. Go back to your testimony to page 3,
14 Mr. Allen.

15 A. I'm there.

16 Q. All right. There, at line 19, it notes
17 the initial PPA rider rate will be based upon a
18 \$4 million credit for 2016 annualized. Do you see
19 that?

20 A. I do.

21 Q. All right. So turning back to WAA-2, the
22 \$4 million, would that box that you selected be the
23 row that states "Net PPA Rider Credit/(Charge)
24 including PJM CP including CO-2 tax"?

25 A. For the weather normalized case, yes.

1 Q. And so that, for the record, that's the
2 second row up from the bottom in the weather
3 normalized cases box, correct?

4 A. That's correct. For 2016.

5 Q. Okay. But again for 2017, when you set
6 that initial PPA rider, you will no longer use this
7 forecast, correct?

8 A. That's correct. We would update it for
9 changes in expected forecasts and the like.

10 Q. So you would use an updated forecast to
11 set the rider rate for 2017, correct?

12 A. And all subsequent years, that's correct.

13 Q. Now, am I right that the reason you
14 selected the row that you did in the weather
15 normalized case box is that AEP Ohio expects to incur
16 some costs associated with carbon regulation?

17 A. The current status of regulations
18 indicates that there will be constraints imposed on
19 CO-2 emissions starting in 2020 -- I'm sorry, 2022,
20 and there may be a cost associated with those
21 constraints, and so what we've reflected is a \$15 per
22 ton CO-2 tax equivalently.

23 But there is also a potential that the
24 constraints may not result in a tax on CO-2 emissions
25 and in that case you could see the same reduced

1 production that we show in our forecast but without
2 the tax, and in that case you may see a result more
3 in line with the bottom line on that table which is
4 the net impact including the CO-2 tax. But what was
5 reflected for conservatism is that there would be
6 some form of a tax on CO-2 emissions.

7 Q. Okay. And likewise, if you go to the
8 average high and low load forecast box, you've relied
9 on that same row to take you all the way to get to
10 your \$720 million credit over the term of the rider
11 PPA, correct?

12 A. Yes, that's correct.

13 Q. Correct my question, over the term of the
14 PPA, not the rider PPA, correct?

15 A. The terms are the same.

16 Q. Okay. Let me ask you this question, do
17 you believe that if the Commission approves the
18 stipulation, that it would be approving the rider PPA
19 to go through May 31, 2024?

20 MR. SATTERWHITE: I will object to the
21 extent it calls for a legal conclusion.

22 THE WITNESS: Can I answer?

23 EXAMINER PARROT: Hang on. I will
24 overrule the objection.

25 Mr. Allen, you may answer, again

1 understanding you are not testifying as a legal
2 expert.

3 A. So the stipulation would be accepting that
4 the net costs and revenues associated with the output
5 of the OVEC units and the affiliate PPA would be
6 included in the PPA rider through that term.

7 MR. SETTINERI: All right. If I could
8 have that answer read again, please, I would
9 appreciate it.

10 (Record read.)

11 Q. Mr. Allen, do you recall being deposed
12 last Wednesday?

13 A. I do.

14 Q. Okay. Do you recall us discussing that
15 similar question in regards to what would happen,
16 whether the stipulation would allow the PPA rider to
17 continue through May, 2024?

18 A. It's a 300-page deposition. I don't
19 recall every one of the questions therein.

20 MR. SETTINERI: If I may, your Honor?

21 EXAMINER PARROT: You may.

22 Q. If you could look at page 133 -- let me
23 start first. You recall being deposed, correct?

24 A. I do.

25 Q. And do you have before you which is a copy

1 of your deposition transcript from that proceeding?

2 A. Yes.

3 Q. And you've reviewed that deposition
4 transcript and provided an errata sheet, correct?

5 A. That's correct.

6 Q. If you could turn to page 133.

7 A. I'm there.

8 Q. Do you see the question that starts --
9 let's go up just above and see the question that
10 starts "Okay. But at the end of the day if the
11 Commission doesn't approve an ESP that the AEP Ohio
12 is planning to file in 2016, is it the -- AEP Ohio's
13 expectation that the PPA rider would continue through
14 2024?"

15 "Answer: It would be the company's
16 expectation that we would make filings for other
17 avenues to continue the PPA rider."

18 "Question: So you are not aware of any
19 provision in the stipulation that would allow the PPA
20 rider to continue through May of 2024 without an
21 approved ESP application -- application, correct?"

22 And there is an objection from
23 Mr. Satterwhite. He objects stating "Same objection
24 to the extent it calls for a legal analysis to get
25 there."

1 "Answer: I don't know."

2 Did I read that correctly?

3 A. Yes.

4 Q. Okay. So on that day you didn't know
5 whether the PPA rider could continue through May of
6 2024 under the stipulation, correct?

7 A. The PPA rider could continue through May
8 of 2024 under the stipulation, subject to the
9 Commission's approval of the ESP extension that the
10 company would be filing in April of 2016.

11 Q. All right. Thank you.

12 Now, one question I had asked you
13 previously the other day but I want to go through it
14 again is when I look at the -- so the \$721 million
15 number, that's the number that you're forecasting
16 that will be a credit to customers under rider PPA
17 throughout the term, correct?

18 A. That's what we are forecasting is the
19 expected result of the implementation of the
20 affiliated PPA and including the OVEC entitlement in
21 the PPA rider through May of 2024.

22 Q. Okay. But -- now, for 2016, the
23 5 percent -- the average of high load low load
24 forecast predicts a credit of \$92 million. However,
25 I believe in your testimony maybe in the stipulation,

1 it states that the credit will be set at \$4 million,
2 correct?

3 A. That's correct. And it is stated in my
4 testimony and the stipulation.

5 Q. Thank you. And am I correct that the
6 reason you did not set it at the \$92 million average
7 is because you believe that typically when rates are
8 set in the regulatory world, the weather normalized
9 forecast is used and any variations will show up in
10 over- and under-calculations; is that correct?

11 A. Yes, that's correct. And that's what it's
12 been historically for FAC proceedings in Ohio in the
13 past.

14 Q. And you don't have an expectation that the
15 true-up at the end of 2016 will result in a
16 \$92 million credit to customers, correct?

17 A. That's correct. I expect it to result in
18 a true-up somewhere within the range of values
19 described on this page.

20 Q. Okay. And that range would be a range
21 using the 5 percent lower load forecast up to the
22 5 percent higher load forecast, correct?

23 A. That's the -- when we go to a 5 percent
24 higher load forecast and 5 percent lower load
25 forecast, that encompasses approximately 95 percent,

1 90 to 95 percent of the expected outcomes in a given
2 year, and so I would expect the result to be
3 somewhere in that continuum but it could be outside
4 of that continuum depending on how load moved within
5 that range.

6 Q. Okay. And that would --

7 A. And other elements that change market
8 price.

9 Q. And would apply, year to year, going
10 forward when you take a snapshot of a year, correct?

11 A. Well, what would occur, year to year, is
12 we would set the rate based a weather normalized
13 price and the actual results would vary from that due
14 to actual performance during that year of both
15 weather and costs of the units.

16 Q. All right. But in terms of -- so at the
17 end of the year, if I was to take a snapshot of what
18 the actual credit or charge was, it's going to vary
19 year to year within that range as we go through the
20 eight and a half year term, correct?

21 A. There's a confidence level around whether
22 it will occur within that range. It could occur
23 outside that range, but this is a reasonable
24 confidence level and it's actually more data than
25 what we typically present in cases that we thought

1 this was important to show a range of outcomes.

2 Typically, a company would produce just a
3 weather normalized case and what we thought was
4 helpful here is to show a range of outcomes so people
5 could understand that the rider isn't expected to
6 produce a single set of forecasted net revenues over
7 time but that it's going to be a range and that range
8 will vary and it will be counter to the market.

9 Q. And so one thing you feel very confident
10 about, though, am I correct, the \$721 million figure,
11 because that represents an average of the eight
12 and -- represents a sum of the averages of the eight
13 and a half year term, correct?

14 A. Based on our analysis that would be the
15 expected outcome over this eight and a half year
16 period would be that credit of approximately \$721
17 million within some confidence interval.

18 Q. And Ohio Power stands by the projections
19 under that average of high and low load forecast of
20 \$721 million credits in the aggregate, correct?

21 A. The company believes it was a reasonable
22 forecast to present to this Commission, yes.

23 Q. So your answer to that question would be
24 "yes"?

25 MR. SATTERWHITE: Objection. He gave his

1 answer.

2 EXAMINER PARROT: I agree. Sustained.

3 Q. If you could turn to your deposition
4 again, sir.

5 A. Okay.

6 Q. Page 84, you see that last question on
7 that page? I should say just -- let me switch to the
8 version you are using. Okay. Actually the -- yeah,
9 it would be the last question on 84. Do you see
10 that? I will read it to you.

11 "Okay. All right. And would you agree
12 with me that if -- let me ask this, does Ohio Power
13 stand by the projections under the average of high
14 and low load forecast of \$721 million in the
15 aggregate?"

16 "Answer: Yes. This is the forecast that
17 the company is sponsoring in this case."

18 Did I read that correctly?

19 A. Yes, you did.

20 Q. Okay. And under the stipulation am I
21 correct that there are no caps on the charges that
22 could occur under the PPA rider?

23 A. If there's no cap on the charges or
24 credits, that's correct.

25 Q. Okay. And likewise, there is no minimum

1 credit amount that Ohio Power customers could receive
2 under the PPA, correct? And let me rephrase that.

3 Under the stipulation there is no minimum
4 credit amount set forth that Ohio customers -- Ohio
5 Power's customers would receive under the PPA rider,
6 correct?

7 A. There are additional credits that could be
8 provided under the PPA rider as described in Roman
9 III, subparagraph 3. But other than the commitment
10 for those additional PPA rider credits, there are no
11 other minimum credits proposed or committed to under
12 the stipulation.

13 Q. And the stipulation doesn't require Ohio
14 Power to provide at least \$721 million in credits to
15 the ratepayers under -- through rider PPA over the
16 eight-year term, correct?

17 A. That's correct.

18 Q. Isn't it true that the Commission could
19 lock in these credits for ratepayers by making Ohio
20 Power stand by its \$721 million forecasted credits if
21 the PPA rider is populated?

22 MR. SATTERWHITE: Objection to the extent
23 it calls for a legal conclusion of what the
24 Commission can bind.

25 EXAMINER PARROT: Let's see if you can

1 rephrase that one, Mr. Settineri.

2 Q. Let me ask you this way. If the
3 Commission modified the stipulation and imposed a
4 minimum credit that ratepayers would receive over the
5 eight and a half million -- or eight and a half year
6 term of the PPA, is that something that you believe
7 Ohio Power would be agreeable to?

8 A. I think that would be a material
9 modification to the stipulation that would change
10 the, in a very material way, the balance of costs and
11 benefits that are included within the stipulation.

12 Q. So I'm correct that Ohio Power stands by
13 its \$721 million forecast of credits, correct?

14 A. That's the forecast the company is
15 sponsoring in this case, that's correct.

16 Q. And you are sponsoring that and you
17 believe in it, correct?

18 MR. SATTERWHITE: Objection. I believe we
19 have asked this question about four times now. He's
20 answered it.

21 MR. SETTINERI: Your Honors, I am trying
22 to get to a point here and I am having a little
23 difficulty getting there.

24 MR. SATTERWHITE: Well, I can appreciate
25 he is having difficulty, your Honor, because he is

1 not trying to go over what's in the stipulation, he
2 is trying to get the witness to negotiate, on the
3 stand, away from the settlement that's signed by
4 multiple signatory parties.

5 He has asked this particular question; the
6 witness has responded. He tried to impeach him and
7 witness's same answer was in the deposition. Now he
8 is going back to the same point again.

9 MR. SETTINERI: That's certainly not
10 negotiating. That's a simple question regarding the
11 terms of the stipulation and what could be in the
12 stipulation and I'm just exploring whether Ohio Power
13 would be agreeable to that. I asked a question. I
14 did not get an answer on whether Ohio Power would be
15 agreeable. I am willing to ask the agreeable
16 question again.

17 EXAMINER PARROT: Let's take it from
18 there. Let's do that.

19 Q. If the Commission modified the stipulation
20 and imposed a minimum credit that ratepayers would
21 receive at the end of the eight and a half year term,
22 whether it's \$721 million, which is what you
23 forecasted, or \$350 million or \$100 million, would
24 Ohio Power be agreeable to that modification?

25 MR. SATTERWHITE: Objection, your Honor.

1 This witness is here representing all the signatory
2 parties and the question is asking if AEP Ohio would
3 be amenable to changing the agreement that this
4 witness is here to sponsor. This witness is here to
5 sponsor the agreement that's in writing, not
6 negotiate with this party that didn't sign the
7 agreement.

8 MR. SETTINERI: I'm sorry, your Honor. I
9 didn't realize this witness was representing all the
10 other parties here. I thought he was an AEP Ohio
11 witness.

12 MR. SATTERWHITE: This witness is the one
13 representing what the stipulation means. This
14 question is asking to reopen negotiations with P3
15 here in the hearing room to say would you now
16 consider a change in the stipulation. The purpose of
17 this proceeding is to review the stipulation under
18 the three-part test, not for P3 to try to negotiate
19 in public.

20 MR. SETTINERI: I disagree on that
21 characterization of the three-part test. We have an
22 amended application that's been modified by the
23 stipulation. There is a standard here that applies
24 to this application if the Commission decides to
25 put -- set forth in the order that carries the

1 standard under this stipulation, is if the Commission
2 modifies the proposed cap, would AEP be agreeable to
3 that.

4 To the extent he can answer, he can
5 answer. And if the answer is no, that's fine, we
6 know the answer then. And I will say if the answer
7 is no, it goes to the validity of their \$721 million
8 promise.

9 MR. SATTERWHITE: That's where he is
10 misrepresenting the record. This witness has stated
11 multiple times what these forecasts are for and we
12 provided more forecasts than you typically would in a
13 case, what the 721 million means, what the other
14 areas mean. And he is trying to make it some kind of
15 guarantee of what exactly is going to happen. That's
16 not what this witness represented. That is not what
17 this record represented. It's a forecast for the
18 Commission to rely upon. So he is trying to misapply
19 what the facts of the record are and there is some
20 kind of guarantee that they are to be given and
21 that's inappropriate.

22 MR. MENDOZA: Your Honor, if I may
23 briefly. The question does not call for relevant
24 information. The question before the Commission now
25 is whether it should approve the stipulation or not,

1 not whether it should rule on some other issues.

2 And so the -- whether Mr. Allen can answer
3 the question or not really isn't relevant because the
4 answer to it doesn't bear on whether the Commission
5 should approve the stipulation.

6 MR. SETTINERI: Well, your Honor, if I can
7 take myself from under the pylon. The last sentence
8 of the testimony, as shown in settlement exhibit
9 WAA-2, over the term of the agreement, customers are
10 forecasted to receive \$721 million in benefits
11 related to the PPA. That sounds more than like a
12 forecast to me.

13 This is a representation to this
14 Commission of what it could rely on as to what
15 customers are receiving, and my question goes
16 directly to the validity of that \$721 million. And
17 if AEP Ohio is not willing to stand behind it, any
18 form of credit, that goes to the credibility of that
19 statement.

20 MR. SATTERWHITE: And the witness has
21 already provided an extensive explanation of how
22 forecasts are used. Just because Mr. Settineri may
23 not be used to proceedings before the PUCO and how
24 they rely on forecasts, doesn't mean you can misread
25 what's been presented by this witness, what was

1 presented in the prior portion of this hearing.

2 MS. BOJKO: Your Honor, is it possible to
3 have the question reread while it's being
4 contemplated?

5 EXAMINER PARROT: Yes.

6 MS. BOJKO: Thank you.

7 (Record read.)

8 MS. BOJKO: Thank you.

9 EXAMINER PARROT: I am going to overrule
10 the objection. Have you had enough time to ponder
11 it? I am guessing you have, but if you need a few
12 more moments, we can do that.

13 A. So I think to answer that question, we are
14 going to have to get into a couple of issues. The
15 first issue that I tried to describe a few minutes
16 ago when you asked a similar question was that the
17 company has to evaluate, as do all the other parties
18 that sign the stipulation, this stipulation as a
19 package.

20 The package that was presented in this
21 case includes that the rider will be based on
22 forecasted data, trued up for actuals, with a
23 commitment of AEP Ohio that to the extent that the
24 rider results in a charge or a credit less than the
25 10, 20, 30, 40 million dollars provided in paragraph

1 Roman II.A.3., that the company would provide an
2 additional credit not to exceed the 10, 20, 30, 40
3 million dollars in the planning years 2020 through
4 2024. That's the commitment that the company's
5 willing to make as part of this stipulation as a
6 package.

7 And as to standing behind forecasted
8 values and making a commitment, those are two very
9 different things. I've testified in a number of
10 proceedings dealing with forecasted fuel cases that
11 deal with issues very much like what we're presenting
12 in this case, and looking at net revenues received
13 from the market, so very similar forecast to this,
14 for periods of six months to up to five years.

15 And in none of those cases in a regulatory
16 proceeding is the company committing that that's the
17 actual level of expenses that are going to occur.
18 What the company's committing is that those are the
19 best estimates of costs that existed and net revenues
20 that existed at the time the company prepared the
21 case.

22 So the willingness of the company to make
23 a commitment to a specific set of forecasted credits
24 has no bearing on whether or not the company stands
25 behind those forecasts, and that's been something

1 I've experienced for a number of years and that's the
2 way most Commissions view, if not all, forecasts of
3 things like fuel costs and market power projections
4 that may be outside of the company's control.

5 Q. Thank you.

6 Turn to page 14 of your testimony, please.

7 A. I'm there.

8 Q. So at line 18 to 19, you note that AEP
9 Ohio's estimated that this stipulation will result in
10 an increase in residential customer rates of
11 approximately 62 cents per month, correct? And
12 that's for a typical 1,000 kilowatt-hour residential
13 customer, correct?

14 A. That's correct.

15 Q. And that 62-cent increase relates to the
16 \$4 million forecasted rider PPA credit, and the
17 reallocation of IRP costs and EE/PDR costs that we
18 discussed earlier that were in the stipulation with
19 those costs going to the EDR rider, correct?

20 A. Yes, as well as the impact of the \$10
21 megawatt-hour automaker credit and the additional
22 subscription to the IRP.

23 Q. Thanks for those additions.

24 In regards to that automaker credit, it's
25 a \$500,000 cap on that credit, correct?

1 A. That's correct.

2 Q. Is that per customer?

3 A. No. That's a total cap of \$500,000.

4 Q. For the entire program just to be clear.

5 A. That's correct, and that's indicated on
6 page 11 of the stipulation where it states "Total
7 credits under this provision shall not exceed
8 \$500,000 annually."

9 Q. Okay. And on page 15 -- well, I guess
10 there is a sentence that carries over from the bottom
11 of 14 to 15, but what I am trying to understand is
12 you did a bill comparison, correct, to come up with
13 your answer to that question that's at the bottom of
14 page 14?

15 A. That's right. It's based on a bill
16 comparison, that's correct.

17 Q. It was a bill comparison from March of
18 2015 to March of 2016, correct?

19 A. That's correct.

20 Q. Okay. So the 62 cents represents March of
21 2016.

22 A. The 62 cents is what we would expect to
23 occur in March of '16, that's correct.

24 Q. Thank you. Now, if I told you that in
25 comparing that 62 cent increase, that example you

1 give at page 14, that the PPA rider credit in that
2 example equals 12.2 cents. Would you agree with me?

3 A. Can you reread the question, please?

4 (Record read.)

5 A. And just to be clear, it would be a
6 savings of 12 cents per customers, yes.

7 Q. Thanks. Now, going back to page 14,
8 line 23, you reference -- there is a sentence there
9 starting at line 21 "When coupled with AEP's Ohio
10 recently implemented ESP, a residential customer
11 using 1,000 kilowatt-hours per month will see a
12 decrease on average of approximately \$9 per month for
13 the same period," correct?

14 A. Yes. That's what it states, from the same
15 period a year ago.

16 Q. Okay. You would agree with me that that
17 decrease was in large part due to adjustments
18 resulting from the SSO auctions and the fixed cost
19 recovery credit?

20 A. It's due to the expiration of some of the
21 terms under the prior ESP which would have included
22 the fixed costs rider as well as the capacity rate
23 that existed under the prior ESP as well as the
24 results of the auctions for SSO service that
25 occurred.

1 MR. SETTINERI: Okay. Thank you.

2 Your Honor, I have a couple more areas to
3 go through. If you would like to take a break now,
4 that is up to you.

5 EXAMINER PARROT: Let's go off the record.

6 (Recess taken.)

7 EXAMINER PARROT: Let's go back on the
8 record.

9 Q. (By Mr. Settineri) Mr. Allen, if you could
10 turn to page 10 of your testimony briefly, lines 6
11 through 9.

12 A. I'm there.

13 Q. There is a question that states "Please
14 summarize the 'MRO test results'" section of the
15 stipulation, and you provide an answer that "This
16 section of the stipulation states that the Signatory
17 Parties agree that the stipulation preserves and
18 advances the results of the MRO versus ESP test as
19 found in the ESP III Order," correct?

20 A. That's correct.

21 Q. When does the current ESP III expire, to
22 your knowledge?

23 A. It expires in May of 2018.

24 Q. And going back to the stipulation then,
25 let's go find that section, page 34 of the

1 stipulation.

2 A. I am there.

3 Q. And you see at the top of the page, "MRO
4 Test Results," Section L?

5 A. I see that.

6 Q. Okay. And there is a sentence under that
7 one sentence, "The signatory parties agree that the
8 Stipulation preserves and advances the positive
9 results of the MRO versus ESP test under Revised Code
10 4928.143(C) as found in the ESP III Order"; is that
11 correct?

12 A. Yes, that's correct.

13 Q. And you, yourself, performed an analysis
14 of whether the stipulation enhanced the benefits of
15 the ESP over the MRO, correct?

16 A. I evaluated that, yes.

17 Q. Okay. And am I correct that the only
18 documents that you considered when doing so were your
19 Exhibit WAA-2 and the stipulation?

20 A. Those would have been the documents I
21 would have evaluated, yes.

22 Q. Okay. And your analysis took into account
23 both a quantitative analysis as well as a qualitative
24 analysis, correct?

25 A. Primarily, it would be a qualitative

1 analysis, and that qualitative analysis would be the
2 fact that the PPA rider, that was an empty rider as
3 approved in the ESP, if the stipulation is approved,
4 would then be a rider that was now populated and the
5 price stabilizing effects that were envisioned in the
6 ESP order would now exist as a result of populating
7 that rider.

8 Q. And turning back to the quantitative side,
9 when performing a quantitative analysis, you
10 considered the forecasted PPA rider credit, correct?

11 A. One of the items that I would look at was
12 the expected cost of revenues under the PPA rider,
13 but I want to emphasize I don't think a new MRO test
14 is required as part of this proceeding. But that's
15 one of the things that I would consider as I think
16 about whether or not the stipulation supports the
17 prior results of the ESP-MRO test.

18 MR. SETTINERI: Could I have that answer
19 reread again, please -- or, reread, please.

20 (Record read.)

21 MR. SETTINERI: Thank you.

22 Q. Now, you believe this stipulation does not
23 change the terms of the current ESP, correct?

24 A. That's correct.

25 Q. Now, just to be clear, am I correct that

1 you don't believe that the Commission needs to
2 perform an ESP versus MRO analysis during the
3 Commission's review of the stipulation?

4 A. That's correct.

5 Q. Would that be the position of AEP Ohio as
6 well?

7 A. Yes.

8 Q. Now, when you did the quantitative
9 analysis, you said you looked at the forecast which I
10 assume you would have used WAA-2, correct?

11 A. That's the quantitative analysis that
12 exists, yes.

13 Q. Okay.

14 A. It's a quantification of the PPA rider,
15 let me be clear.

16 Q. Okay. And when you did that, you looked
17 at the weather normalized case, correct?

18 A. That would be one of the elements I would
19 look at, yes.

20 Q. Now, when you did your quantitative
21 analysis, did you consider credits or charges up to a
22 certain year of the term?

23 A. What I think about as I look at whether or
24 not this supports the ESP versus MRO test is the
25 price-stabilizing effects that result from operation

1 of the rider which are described in Exhibit WAA-2 and
2 you can understand that from looking at the scenarios
3 that are provided there. One of those scenarios
4 being the weather normalized case.

5 Q. I guess I am looking for a quantitative
6 analysis which means we are dealing with numbers,
7 right?

8 A. Quantitative analysis looks at numbers,
9 that's correct.

10 Q. So what I am trying to understand here
11 when you did a quantitative analysis, and let's just
12 say the Commission found in the last ESP III that
13 quantitatively there was a \$43 million benefit to an
14 ESP versus an MRO, let's just assume that, all right,
15 so then you have to -- you view -- do you view the
16 stipulation as enhancing the ESP versus MRO on a
17 quantitative basis?

18 A. On a quantitative basis, I don't believe
19 that the addition of the affiliated PPA and OVEC
20 entitlement in the PPA rider makes the quantitative
21 results worse than they were in the analysis that the
22 Commission performed in determining that the ESP that
23 they approved was more favorable than an MRO.

24 There's no requirement, though, that the
25 quantitative analysis has any more weight than the

1 qualitative analysis. So my view is that the
2 qualitative benefits of the price stabilizing effect
3 are the real benefits of what this stipulation
4 provides.

5 Q. So on the qualitative side is where you
6 are hanging your hat, correct?

7 A. I think that's the most significant aspect
8 of what the PPA rider was intended to do when we
9 proposed it in the ESP and as we're implementing it
10 here.

11 Q. Okay. Going back -- so you did a
12 quantitative analysis though, correct? I believe you
13 said that.

14 A. There's quantitative information that can
15 be used to inform one on the benefits of the -- of
16 implementing the PPA and within the PPA rider.

17 Q. Now, in regards to your "from the
18 quantitative perspective," did you -- in that
19 analysis did you -- did you consider any credits
20 beyond the expiration of the ESP III period?

21 A. No. I think to the extent that you would
22 evaluate those potential credits, and this is a
23 question whether or not whether you need to or how
24 you would include those in an analysis, but those
25 would be a portion of the analysis that would be

1 addressed in the ESP III extension that the company
2 is proposing to file at the end of April of 2016.

3 Q. All right. So in terms of your
4 quantitative and really qualitative analysis, you
5 would have -- your analysis would have ended at the
6 end of the current ESP, correct? That's the time
7 period you would have looked at to perform your
8 analysis, correct?

9 A. When I evaluated the benefits of
10 populating the PPA, I don't think that my -- the way
11 I think about it is so narrowly constructed. I look
12 at the price-stabilizing benefits that this is going
13 to have. It's going to have them in the short term
14 and it's going to have them in the long term. And
15 both of those elements can be considered in
16 evaluation -- or, the longer-term benefits should be
17 considered as we evaluate the extended ESP.

18 Q. All right. So your analysis both
19 quantitatively and qualitatively looked at the entire
20 PPA term when you determined that the stipulation
21 enhances the ESP versus MRO as reviewed by the
22 Commission, correct?

23 A. When we are talking about how the
24 stipulation enhances the current ESP, that's focused
25 on the period of the current ESP.

1 Q. Okay.

2 A. But also when we file the next ESP, one of
3 the factors that will be looked at is the
4 price-stabilizing effects of the extension of the PPA
5 rider mechanism that will be included in that filing.

6 Q. I understand. Thank you. And that is
7 because that application requests an extension --
8 would have an ESP term through the -- through May 31,
9 2024, correct?

10 A. That's correct.

11 Q. Okay. Now, when you did your analysis as
12 to looking at whether the stipulation enhances the
13 current ESP, did you consider the fact that -- strike
14 that question.

15 When you did your analysis as to the
16 current -- as to the stipulation enhances the current
17 ESP, isn't it true that over the next -- in 2016, for
18 instance, there could be a charge of \$84 million
19 based on your forecast?

20 A. What I looked at is that the initial
21 credit would be \$4 million. The other elements, the
22 5 percent lower load case or the 5 percent higher
23 load case, would be the impact of the
24 price-stabilization aspect of the PPA rider.

25 So there's two things you have to look at.

1 One is the initial rate impact which is the \$4
2 million credit, and the second element is the PPA
3 rider mechanism producing a price-stabilizing benefit
4 for customers, and that's what's shown in the
5 5 percent higher load case and 5 percent lower load
6 case.

7 Q. Well, doesn't that 5 percent lower load
8 case for 2016, show the 5 percent lower load, the
9 forecast for net PPA rider credit/charge including
10 PJM capacity performance, including CO-2 tax, would
11 be a charge of \$84 million? That's what that --
12 that's exactly what that number represents, correct,
13 under that scenario?

14 A. That's what that number represents, and
15 what it's intended to show is to the extent that
16 market prices drop and customers receive benefits
17 from lower market prices. Those lower market prices
18 would be partially offset by a charge in the true-up
19 proceeding of the PPA rider. And to the extent that
20 market prices rise in 2016, that customers would have
21 a partial offset of those increased costs through a
22 larger credit on their bills which is shown in the
23 5 percent higher load forecast case.

24 So those two cases, the 5 percent higher
25 load forecast case and the 5 percent lower load

1 forecast case, so the higher and lower load forecast
2 case, those show the price-stabilizing effects of the
3 PPA rider. That's that mechanism working.

4 Q. That's what you believe, correct?

5 A. That's the design of the PPA rider.

6 Q. That's correct. But this sheet has
7 nothing to do with what you just said. What it shows
8 me is forecasted charges and credits under the rider
9 PPA under different scenarios, correct? That's what
10 this sheet shows.

11 A. I disagree. What this sheet shows is how
12 the operation of the PPA rider produces price
13 stabilizing benefits for customers. It's very clear.

14 Q. It's clear to you because you're
15 interpreting and applying the numbers in the way you
16 believe there is a price stabilizing --

17 MR. SATTERWHITE: At this point I will
18 just object. He is arguing with the witness. The
19 witness has explained what the numbers mean on here
20 and statements like "that's what you believe" isn't a
21 question for this proceeding.

22 MR. SETTINERI: You know, your Honor, I am
23 just trying to understand. It's very confusing. To
24 me this sheet gives me forecasts of revenues and
25 charges under the rider PPA under different scenarios

1 and that's all I am trying to understand here. And
2 when I start hearing things about this shows price
3 stability, things of that nature, I get very
4 confused. So I am just trying to make clear for the
5 record that this sheet shows forecasts of charges and
6 credits under rider PPA based on different scenarios.
7 That's what I am trying to determine.

8 MR. SATTERWHITE: Your Honor, I think the
9 record is very clear Mr. Allen applied what this
10 number is and what that means for the overall price
11 stabilizing that this PPA gives. So looking at a
12 single number in a vacuum is one thing. Mr. Allen is
13 applying that to the real-world scenario of what we
14 have with this PPA. He is giving that more context.
15 So Mr. Settineri is confused, he might want to reread
16 the answer.

17 MR. SETTINERI: I'll ignore the insult,
18 but I stand by what I said. This, to me, is a
19 forecast sheet. That's all I am trying to establish.
20 This shows forecasts.

21 MR. SATTERWHITE: My objection is he is
22 arguing with the witness, that's all, your Honor.

23 EXAMINER PARROT: And with that, let's
24 rephrase the question. And I am not even sure we
25 have a question pending at this point. I think it

1 was interrupted. So, Mr. Settineri, if you want to
2 try again.

3 MR. SETTINERI: Your Honors, I will just
4 move on at this point.

5 EXAMINER PARROT: Okay.

6 Q. (By Mr. Settineri) All right. As a
7 general principle, do you believe that when the
8 Commission approves the stipulation, that it would be
9 accepting the language that's within this
10 stipulation?

11 A. Yes.

12 Q. Okay. If you could turn to page 9 of the
13 stipulation, please.

14 A. I'm there.

15 Q. B.3. you'll see a statement that "the
16 Commission will solicit comments from interested
17 parties no later than October 30, 2017, addressing
18 the State's long term resource adequacy needs." Do
19 you see that?

20 A. I do.

21 Q. This relates to the federal advocacy
22 commitments that Ohio Power is making in this
23 stipulation, correct?

24 A. It's related to those same topics, yes.

25 Q. Okay. And this would be an example of

1 language that the Commission would be accepting if
2 the stipulation was approved, correct?

3 A. Yes.

4 Q. Okay. And likewise, let's turn to the top
5 of page 19.

6 A. I'm there.

7 Q. All right. There is part k. at the very
8 top of the page which states "Any participating CRES
9 supplier competitively sensitive information acquired
10 by AEP and Staff under the Pilot Supplier
11 Consolidated Billing Program shall be afforded the
12 appropriate confidential treatment." Do you see
13 that?

14 A. I do.

15 Q. Now, this pilot has not been established
16 yet, correct?

17 A. That's correct.

18 Q. Okay. But, again, that sentence would be
19 an example of language that you would expect that the
20 Commission would be accepting if the stipulation was
21 approved as presented, correct?

22 A. The Commission would be accepting how the
23 CRES supplier information described in Section k.,
24 how that -- the confidential treatment that that
25 information would be afforded, that's correct.

1 Q. Okay. And the CRES pilot program, would
2 that be something that would be included in the 2016
3 ESP filing by Ohio Power?

4 A. No, it's not. Section -- if you go back
5 to page 13 which is the beginning of Section D.,
6 Section D. are the additional AEP Ohio commitments.
7 Those are the commitments AEP Ohio is making outside
8 of the next ESP proceeding.

9 Q. Okay. Thank you. And you are familiar
10 with there is a provision in the stipulation
11 regarding a -- strike that for a second.

12 If you could turn to page 30 of the
13 stipulation, please.

14 A. Okay. I'm there.

15 Q. In regards -- you see that section,
16 Section I., "Environmental and Renewable Energy
17 Projects." Do you see that?

18 A. I do.

19 Q. Okay. You don't know how much -- what the
20 capital costs would be for a 500-megawatt nameplate
21 capacity of wind turbines, correct?

22 A. Based upon a \$1,800 dollar per kW
23 installed cost of wind, which is a reasonable
24 estimate, it would be about \$900 million.

25 Q. Okay. And it's contemplated under the

1 stipulation that any recovery related to the
2 renewable projects would be through rider PPA,
3 correct?

4 A. Yes, that's correct.

5 Q. Okay. And would the Commission be
6 accepting that recovery -- would the Commission be
7 accepting, using the rider PPA, if it approves the
8 stipulation? Let me strike that.

9 Would -- would the Commission be accepting
10 using rider PPA to recover costs from the renewable
11 projects if it approves the stipulation?

12 A. What the Commission would be -- what the
13 stipulation is committing to is that AEP Ohio and its
14 affiliates will develop 500 megawatts of wind
15 capacity, that we'll propose that. The company will
16 then file ELR-DR applications under the PPA rider to
17 initiate approval of retail cost recovery associated
18 with each project.

19 Subject to the Commission's approval of
20 recovery of those in that manner on an individual
21 project basis, then the company would go forward with
22 those projects and they would be included in rider
23 PPA.

24 So the Commission, in approving the
25 stipulation, isn't approving the inclusion of any

1 specific wind projects in the PPA rider. What the
2 Commission is approving is that the company will come
3 forward with projects and will propose recovery of
4 those projects through the PPA rider, to the extent
5 they are approved, that will be the recovery
6 mechanism.

7 Q. All right. And there's also a rate design
8 for the recovery at page 32, part 3. Do you see
9 that?

10 A. Yes.

11 Q. Okay. And it's your opinion that if the
12 Commission approves the stipulation, that the
13 Commission would also be approving the rate design
14 that's set forth at page 32, part 3, for the cost of
15 the recovery of the renewables, correct?

16 A. The Commission would be accepting this
17 language in the stipulation.

18 Q. Turn to, I guess, right at the top --
19 bottom of page 32, top of page 33. Now, there is
20 going to be another -- the company is planning to do
21 an ESP filing in 2016, correct?

22 A. If the stipulation is approved, the
23 company is committed to making an ESP filing -- ESP
24 extension filing in 2016.

25 Q. And that, if approved, as the stipulation

1 maybe indicates, that ESP could go to May 31, 2024,
2 correct?

3 A. That's correct.

4 Q. Okay. And in that case, if it goes beyond
5 four years, there is a statutory requirement to
6 conduct a MRO versus ESP test; is that correct?

7 A. As described, there are two tests. There
8 is a finding that the ESP is no longer more favorable
9 than an MRO, and a finding that the remaining term of
10 the ESP is substantially likely to result in
11 significantly excessive earnings for the company.

12 Q. Okay. Let me ask you a question, in
13 regards to parts a., b., and c. there, is it your
14 expectation the Commission will be agreeing and will
15 be accepting those provisions if it approves the
16 stipulation unmodified?

17 A. The Commission would be accepting these
18 terms.

19 Q. Okay. And you're familiar with Section
20 4928.143 of the Revised Code, correct?

21 A. As a nonlawyer, I am generally familiar
22 with that, yes.

23 Q. We just reviewed it last week, last
24 Wednesday together, correct?

25 A. We did.

1 Q. Okay. And do you recall referring me to a
2 Section 4928.143(B)(1) which states that "In
3 addition, if the proposed electric security plan has
4 a term longer than three years, it may include
5 provisions in the plan to permit the Commission to
6 test the plan pursuant to division (E) of this
7 section and any transitional conditions that should
8 be" accepted -- "adopted by the commission if the
9 Commission terminates the plan as authorized under
10 that division."

11 MR. SATTERWHITE: Your Honor, I'll object.
12 If he is going to refer to the statute, the witness
13 isn't an attorney, I would request he be given a copy
14 of that.

15 MR. SETTINERI: I would be glad to.

16 MR. SATTERWHITE: Thank you.

17 MR. SETTINERI: If I may, your Honors?

18 EXAMINER PARROT: You may.

19 Q. And I'll refer you to Section (B)(1) of
20 that document. That's the paragraph I just read,
21 Mr. Allen.

22 A. Yeah. I generally recall pointing out
23 that section to you in the deposition circumstances,
24 yes.

25 Q. And you believe that -- if I turn back to

1 the top of page 33, a., b., and c., at the top of
2 page 33, are transitional elements that fall under
3 Section 4928.143(B)(1), correct?

4 A. (B)(1) references back to division (E)
5 which is the section that's referenced in -- on
6 page 32 of the stipulation.

7 Q. Okay. I don't think you answered my
8 question though. What I am curious, a., b., and c.,
9 top of page 33, provide conditions related to a
10 termination of the ESP which would be the 2016 ESP,
11 correct? For the record, I will note you are not an
12 attorney.

13 MR. SATTERWHITE: I guess just for
14 clarity, when you say "2016 ESP," can you define what
15 you mean?

16 MR. SETTINERI: 2016 ESP filing.

17 MR. SATTERWHITE: ESP filing. Okay. I
18 didn't know if you meant the current ESP in 2016 or
19 the -- thank you.

20 MR. SETTINERI: Thank you.

21 A. So paragraph a. describes the conditions
22 under which termination of the extended ESP could be
23 terminated. Paragraph b. describes the termination
24 provisions and the continuation of the PPA rider and
25 the DIR. And then paragraph c. addresses the

1 treatments of credits under section III.A.3. of the
2 stipulation in an ESP -- I'm sorry, in SEET test and
3 the MRO test. So it addresses how we will conduct
4 future SEET and MRO tests.

5 Q. Well, going to b. and c., would you agree
6 with me those represent transitional conditions under
7 part (B)(1) of the statute?

8 MR. SATTERWHITE: Again, I am assuming
9 these are all of a nonlegal basis?

10 MR. SETTINERI: Again, his position as a
11 regulatory manager.

12 A. Clearly paragraph b. is a transitional
13 condition, paragraph c. addresses how certain costs
14 would be included in the tests used to determine if
15 the Commission were to terminate the ESP or if the --
16 in determining the SEET earnings of the company in a
17 future year.

18 Q. Okay. Thank you.

19 Now, you have no current knowledge of any
20 attempt by Ohio Power to divest the OVEC assets since
21 June 30 of 2015, correct?

22 A. I'm not aware of any subsequent actions to
23 divest the assets.

24 Q. Now, you agree with me, nothing in the
25 stipulation prohibits AEP Ohio from selling output

1 from the PPA units under or through bilateral
2 contracts, correct?

3 A. The stipulation envisions the company
4 selling the output of the PPA units into the PJM
5 capacity energy and ancillary service markets. To
6 the extent that a unit doesn't clear a specific
7 capacity auction, then the company would endeavor to
8 offer that unit into a supplemental capacity auction.
9 And to the extent that a unit didn't clear in a
10 supplemental auction, then the company may consider
11 entering into a bilateral contract with another party
12 to sell the capacity attributes of that unit.

13 Q. Okay. And any revenues or charges coming
14 from the bilateral -- these bilateral contracts would
15 net under rider PPA, correct?

16 A. Yes, they would.

17 Q. Ohio Power, though, has no plans today to
18 explore entering into any bilateral contracts,
19 correct?

20 A. That's correct.

21 Q. You would agree with me there could be
22 circumstances during the term of the PPA where AEPGR
23 could incur a capacity performance penalty that would
24 be reasonable and would be able to be recovered
25 through the PPA rider?

1 A. There are circumstances where the PPA
2 units could incur capacity performance penalties that
3 would be based upon reasonable actions, yes.

4 Q. Okay. So an example would be a valve
5 failure, right?

6 A. That would be one example, yes.

7 Q. And that could be something as simple as
8 an actuator failing on a valve?

9 A. That's a possibility. And, likewise, the
10 units could over perform and receive bonus payments
11 due to prudent and reasonable actions of the operator
12 and AEP Ohio.

13 Q. If AEP -- AEPGR sells any of the PPA units
14 through the term of the rider PPA, the sale price or
15 value that AEPGR receives will not impact the PPA
16 rider at all, correct?

17 A. If you refer to page 8 of the stipulation,
18 subparagraph c., it discusses the Commission's option
19 to terminate upon unit sale. It clearly outlines
20 that the Commission has the right that even if AEPGR
21 sells a unit, that that unit could be maintained
22 within the PPA rider.

23 So the sale of the asset doesn't have to
24 result in any consequence to AEP Ohio or to the
25 customers under the PPA rider as compared to AEPGR

1 not selling the unit, but the Commission has the
2 right, if the company sells the asset, to exclude
3 that PPA unit from the PPA rider in the future and
4 based upon that provision, there's no obligation or
5 discussion of proceeds from the sale of one of the
6 PPA units impacting the rates of customers under the
7 PPA rider.

8 Q. I may have not asked my question well at
9 all. I appreciate your answer.

10 Let's just say AEPGR is able to sell a
11 unit at four times what it's worth to AEPGR. Would
12 any of the dollars from that sale in your -- or, be
13 credited under rider PPA?

14 A. The proceeds of that sale would not be
15 included in rider PPA no matter whether the sale
16 resulted in a gain or loss to AEPGR. But the
17 important part is that the Commission would retain
18 the right to determine whether or not to exclude that
19 rider -- that unit from the PPA rider in the future
20 or to continue to include that unit in the PPA rider
21 in the future. So the option is the Commission's
22 option on how to treat retail rate recovery in the
23 future.

24 MR. SETTINERI: Just a moment, your
25 Honors. I appreciate your patience and the Bench's

1 patience, and I have no further questions at this
2 time.

3 THE WITNESS: Thank you.

4 EXAMINER PARROT: Let's go off the record
5 for just a second.

6 (Discussion off the record.)

7 EXAMINER PARROT: Let's go back on the
8 record.

9 Mr. Michael.

10 MR. MICHAEL: Thank you, your Honor.

11 - - -

12 CROSS-EXAMINATION

13 By Mr. Michael:

14 Q. Mr. Allen, how are you?

15 A. Good.

16 Q. Good. I would like to begin, if I could,
17 by drawing your attention to page 14 of your
18 testimony and specifically lines 18 and 19.

19 A. I'm there.

20 Q. Is the 62 cents referenced on line 19 what
21 AEP Ohio's estimate is for the first year were the
22 PPA rider put into play, or is that what your
23 estimate over the term of the PPA rider is?

24 A. It's the impact that the company expects
25 as of March 1 when the -- if the PPA rider is

1 implemented on a forecasted basis at that point in
2 time as well as the other elements of the stipulation
3 that would occur commensurate with the Commission
4 approving the stipulation.

5 Q. Do you have any -- have you done any
6 analysis on what the approximate costs would be for
7 the second year of the PPA rider?

8 A. The company hasn't presented a new
9 forecast of 2017, which is what we would do when we
10 would set the rate for 2017. But based upon the
11 previous forecasts that the company presented, if you
12 go to Exhibit WAA-2, it shows that the PPA rider
13 credit would be \$29 million on a weather normalized
14 basis. So if we were using the forecast presented
15 here, which, as I have indicated before, will provide
16 an updated forecast, but that would be the impact for
17 that rider and that year. But that's still to be
18 determined as we make future filings.

19 Q. Okay. I would like to focus, if I could,
20 Mr. Allen, on the impact of the stipulation as a
21 whole. And you assert in -- on page 14, lines 18 and
22 19 of your direct testimony, that you estimate there
23 will be a net cost of 62 cents as a result of this
24 stipulation, correct?

25 A. That's correct. Based upon those items

1 that will occur when the Commission approves it, and
2 I identified what those elements were that we
3 included in that estimate when I was having my
4 discussion with Mr. Settineri.

5 Q. And the company hasn't done a similar
6 analysis and offered a similar estimate for the
7 second year of the implementation of the stipulation,
8 correct?

9 A. The second year of the implementation will
10 be based upon some of the elements that we've
11 described here that we know what the cost effects are
12 as well as the impact of future filings that the
13 Commission -- the company will make before the
14 Commission and the ultimate decision by the
15 Commission on how to implement those provisions.

16 MR. MICHAEL: Okay. Your Honor, I would
17 move to strike that response. I asked him a "yes" or
18 "no" question as to whether they have done an
19 analysis of the rate impact of the stipulation
20 second-year implementation.

21 MR. SATTERWHITE: And, your Honor, he
22 answered that question earlier and this time he was
23 saying what it would take to look into to determine
24 what that second-year implementation was.

25 MR. MICHAEL: I don't recall him answering

1 that question earlier, your Honor, but we are now in
2 our pretty near seventh hour of hearing, and if he
3 did answer, I apologize, but I would request that
4 your Honor have the witness answer the question asked
5 of him.

6 EXAMINER PARROT: Motion to strike is
7 denied, Mr. Michael.

8 MR. MICHAEL: Thank you, your Honor.

9 Q. Mr. Allen, as a result if the stipulation
10 were to be adopted, would each year of the ESP result
11 in a cost to residential customers approximating the
12 62-cent figure you estimate for year one?

13 A. That value could go up or down depending
14 upon the outcome of future Commission proceedings.

15 Q. And have you done any analysis as to the
16 likelihood that number will go up?

17 A. I think what you have to recognize when
18 you think about that, and so let's think about some
19 of the energy efficiency provisions that are included
20 in the stipulation, what you have to think about is
21 that in approving increases in costs for energy
22 efficiency programs, the Commission and the company,
23 as well, we're evaluating the benefits to customers
24 that result from those programs.

25 So while a program may result in a net

1 rate increase for customers relating to enhanced
2 energy efficiency programs, the net benefit, over the
3 long term, may exceed those and likely will exceed
4 those initial costs.

5 So you can't just look at the rate impact
6 in isolation. What you have to look at are the
7 benefits that go along with that and that's what the
8 Commission is going to be able to do as the company
9 presents a number of filings that are listed and
10 provided for in this stipulation.

11 Q. Okay. So were I to ask you to focus only
12 on the rate impact for the purpose of my question,
13 has AEP Ohio done any analysis on the degree to which
14 the rate impact will approximate the 62 cents that
15 you have estimated for the first year of the
16 stipulation's implementation?

17 A. It's not an appropriate calculation to do.
18 One of the reasons it's not appropriate, when you
19 look at -- we will go back to energy efficiency
20 programs. If I implement a program that reduces a
21 customer's usage by 2 percent, and I look at the rate
22 impact of that program, the customer's usage is now
23 2 percent lower, but the rates are higher. So I
24 would have to look at the net customer impact. I
25 can't simply look at the rate impact. I would have

1 to look at changes in customers' usage that would
2 result from those programs.

3 Q. And you haven't done that yet, correct?

4 A. We haven't done that. We will be
5 presenting those in the future proceedings where the
6 Commission can weigh the net benefits of implementing
7 those programs.

8 Q. Okay. But in this proceeding what you
9 have provided the Commission with is a PPA rider
10 proposal that is estimated to be a net positive for
11 the first year, correct?

12 A. We've presented the results of the PPA
13 rider for the first year, as well as an estimate of a
14 range of outcomes for the PPA rider over the term of
15 the PPA rider, as well as the immediate impacts of
16 the items that I discussed previously which are the
17 transfer of certain costs from the EE/PDR rider to
18 the EDR rider, the establishment of the automaker
19 credit, and the expansion of the IRP eligibility.
20 That's what the Commission is approving in this
21 stipulation and that's the data that we've provided.

22 And so all of the elements that I am
23 thinking of as we sit here today that the Commission
24 is approving today are reflected in data that's
25 included in my testimony or the workpapers that we've

1 provided to the various parties in the case.

2 The data for future proceedings that the
3 Commission is going to rule on the net benefits of
4 each one of those proposals, weighing the totality of
5 the cost and benefits of each of those proposals,
6 those are not included in this data at this point in
7 time and they will be presented in each proceeding
8 separately in the future.

9 Q. Okay. Now, back to my question if we
10 could, please, Mr. Allen. In the first year AEP Ohio
11 estimates that the PPA rider will be a net credit to
12 customers, correct?

13 A. What the company is projecting is that the
14 initial rate under the PPA rider will be a net credit
15 of \$4 million and that's the rate that we are
16 proposing under the stipulation to set that rate at.
17 But we recognize that weather won't be normal and
18 that the true-up values will produce a rate somewhat
19 different than that.

20 Q. Okay.

21 A. Either more beneficial to customers or
22 with an increased cost to customers.

23 Q. Okay. Notwithstanding that \$4 million
24 credit, according to your testimony, the stipulation,
25 as a whole, will still cost customers, according to

1 your estimate, approximately \$62 -- 62 cents per
2 month though, correct?

3 A. In the first year the stipulation will
4 have an effect on residential customers of a rate
5 increase of \$62 -- 62 cents per month, about .5
6 percent.

7 Q. And that 62-cent cost is a function of the
8 three items you mentioned earlier, the switch in the
9 rider costs and then the automaker credit, correct?

10 A. There were four items. The transfer of
11 the -- some of the EE/PDR costs into the economic
12 development rider, a transfer of a portion of the IRP
13 costs into the economic development rider, the
14 implementation of the automaker credit, and the
15 expansion of the IRP credit, the eligibility.

16 Q. Okay. So in point of fact it's those four
17 elements that are driving the 62-cent charge to
18 residential customers, correct?

19 A. An offset for the effect of the initial
20 rate under the PPA rider, that's correct.

21 Q. But you already factored in that offset in
22 reaching your 62-cent cost, correct?

23 A. That's correct. There's five elements in
24 that 62 cents. I want to make that clear.

25 Q. Okay. So it's actually those provisions

1 in the stipulation, those four provisions, that are
2 going to cost, in the first year, residential utility
3 consumers 62 cents a month, correct?

4 A. Yes.

5 Q. Mr. Allen, if I could please get you to
6 turn to page 12 of the stipulation. And I will draw
7 your attending to specifically to paragraph 12.

8 A. Okay. I'm there.

9 Q. I would like to ask you some questions
10 about the CIR rider if I might, please.

11 A. Okay.

12 Q. Assume for the purpose of my question and
13 you tell me if I'm wrong at any point in time, the
14 way this would work is there would be an SSO auction,
15 and let's say for the purpose of my question it
16 clears at -- there's a dollar rate associated with
17 that SSO auction, okay? Assume next that the price
18 that you all reach for the CIR rider is 50 cents,
19 okay?

20 A. Fifty cents per?

21 Q. Same -- however -- well, let me ask it
22 this way, how would the 50 cents -- would it be added
23 to the SSO price of a dollar? Let me ask it this
24 way.

25 A. Well, I think if we talk in numbers that

1 are more realistic, it's a little easier to
2 understand. If we talk about an SSO auction clearing
3 at \$45 a megawatt-hour, that would be a reasonable
4 number as we talk about --

5 Q. Okay. Thank you. What would be a
6 reasonable number for purpose of my question of what
7 the competition incentive rider addition would be?

8 A. As indicated in the stipulation, item 12
9 on page 12 falls under sub item c. which is the
10 extension of the ESP III term through May 31, 2024.
11 And if you go to the first paragraph of that on
12 page 10, it states, in the last sentence that "Among
13 other appropriate proposals to be developed as part
14 of the application, AEP Ohio will include the
15 following provisions and features in its
16 Application."

17 Paragraph 12 then states that "AEP Ohio
18 will file and advocate for a pilot program that
19 establishes a bypassable Competition Incentive Rider
20 as an addition to the SSO non-shopping rate above the
21 auction price."

22 Q. Okay. Thank you. And Mr. --

23 A. And that rate will be determined based
24 upon the Commission order in that proceeding. The
25 companies will -- the company, AEP Ohio, will work

1 with the staff and the signatory parties, the staff
2 being one of the signatory parties, to identify an
3 appropriate charge to include in that filing as a
4 starting point.

5 To the extent that the signatory parties
6 can't agree on an appropriate charge, the Commission
7 staff will choose the level to be included in the
8 company's filing, that starting point. And that's
9 laid out in subparagraph a. under 12.

10 The Commission will ultimately be the
11 party that determines what the appropriate level is
12 for that competition incentive -- or, competitive
13 incentive rider.

14 Q. And I understand that, Mr. Allen, and
15 thank you. But when I had given you some
16 hypothetical numbers, you said you would prefer
17 working with ones that were more realistic, so I am
18 simply trying to understand the operation of the CIR,
19 and I want to accommodate your request that we use
20 numbers resembling realistic numbers.

21 So I understand the procedure you just
22 laid out, but for the purposes of my questions about
23 how the CIR is going to work operationally, tell me a
24 number that that CIR could be so I could ask you
25 questions about operationally how it's going to work,

1 if you would, or I would pick a number.

2 A. Ultimately, the Commission will make a
3 decision.

4 Q. Yes.

5 A. But let's say it's 50 cents a
6 megawatt-hour and the SSO auction clearing price was
7 \$45 a megawatt-hour.

8 Q. Okay. So then SSO customers, when making
9 a decision, would compare, under your scenario, you
10 just described a \$45.50 charge per megawatt under an
11 SSO versus whatever CRES providers were offering; is
12 that correct?

13 A. Yes, that's correct.

14 Q. Okay.

15 A. That would be the price to compare.

16 Q. Okay. And assume for the purpose of my
17 question that a CRES provider came in and offered
18 \$45.49 per megawatt, okay?

19 A. Okay.

20 Q. Under the CIR, the refund would be 1 cent
21 under that scenario, correct?

22 A. No.

23 Q. Okay. Tell me operationally how that
24 works.

25 A. You are going to have to -- the 1 cent

1 that you are talking about would be the savings on a
2 per megawatt basis that a customer would receive if
3 they chose to shop as compared to the SSO rate.
4 That's not a refund. That's a savings a customer
5 would see if they chose to shop.

6 Q. Okay. I will draw -- thank you for that.
7 I will draw your attention to paragraph 12,
8 Mr. Allen, and I will draw your attention to the
9 following sentence: "The total collected from the
10 CIR will then be refunded to all distribution
11 customers through a new rider established in the 2016
12 ESP amendment case." Do you see that provision?

13 A. Yes.

14 Q. And going back to our hypothetical numbers
15 we were discussing, the SSO being \$45.50, and a CRES
16 provider offering \$49 -- pardon me, \$45.49. Given
17 that scenario, how much would the refund to all
18 distribution customers through the new rider be on a
19 per megawatt basis?

20 MR. OLKER: Objection. Incomplete
21 hypothetical and incapable of being answered.

22 EXAMINER PARROT: Overruled.

23 Mr. Allen, if you can answer the
24 question --

25 A. I think --

1 EXAMINER PARROT: -- as posed, please do
2 so.

3 A. -- there's a misstatement in the question.
4 The price that a CRES offers has no bearing on the
5 refund that would be provided. So let me just go
6 through and explain how the refund would be provided
7 and go through the math assuming a 50 cents CIR and
8 some real-world-type numbers.

9 Q. Wonderful. Thank you.

10 A. So approximately 30 percent of AEP's
11 Ohio's load is currently receiving service under the
12 SSO. To make the math a little easy, we will assume
13 that the -- that the load is 40,000 kWh a year for
14 AEP Ohio in total which is a pretty reasonable
15 assumption for AEP Ohio.

16 If you've got 30 percent of the load
17 that's not shopping, the 50 cents CIR would be
18 applied to 30 percent of 40,000 or 12,000 GWh. You
19 would then take the 50 cents times the 12,000 GWh and
20 that would result in a total charge to nonshopping
21 customers, SSO customers, of \$6 million.

22 The company then would take that
23 \$6 million and refund it to all customers. And those
24 customers that were -- all those customers, so you
25 have got \$6 million that you are refunding. The

1 residential class represents approximately 43 percent
2 of the 5 CP demand of AEP Ohio. And as we discuss in
3 the stipulation, that refund would be provided to
4 customers in the same manner that the PPA rider is
5 allocated.

6 So 43 percent of the \$6 million would be
7 allocated to the residential class. 43 percent of
8 the \$6 million would be \$2,580,000. That \$2,580,000
9 would then be split amongst the roughly 14,000 GWh of
10 load in the residential class. I'm sorry, I need a
11 calculator for this one.

12 Q. Yeah, go ahead.

13 A. So the allocation back to the residential
14 class would be approximately 18.4 cents per
15 kilowatt-hour.

16 Q. Okay. So -- so the refund would go to
17 both the shoppers and nonshoppers based on the same
18 allocation as the PPA rider?

19 A. Yes, that's described in the stipulation.

20 Q. Okay. So for those customers that chose
21 to shop, they would be getting the benefit of what
22 you described as a lower price, plus the refunds
23 under the CIR, correct?

24 A. That's one element that you would
25 consider, but, you know, one of the concepts behind

1 the competition incentive rider is an idea that's
2 been around in the State of Ohio for a number of
3 years. If you go back to 2000, we had shopping
4 incentives for customers where we incent customers to
5 shop. So nonshopping customers were essentially
6 paying more to incent customers to shop.

7 When we moved into the transition plan
8 that the Commission had under ESP II, there was
9 discounted capacity provided to shopping customers to
10 incent shopping and all customers paid for that
11 discount.

12 So there have been a number of times when
13 Commissions have -- this Commission, over the years,
14 has developed mechanisms to incent customer shopping
15 with the idea that as more customers shop and there's
16 more incentive for them to shop, that CRES providers
17 have an incentive and opportunity to offer more
18 innovative product offerings.

19 And those innovative product offerings can
20 ultimately save customers in the long run through,
21 you know, offerings that may give customers incentive
22 to change how they use power in the off-peak versus
23 the on-peak and things.

24 So those are the concepts that have been
25 thought of and reasons why Commissions in the past

1 have advocated for incentive to get customers to
2 shop.

3 And you have to recognize within the AEP
4 Ohio service territory we're only seeing about
5 50 percent of the total customers, not the total
6 load, the total customers, that are shopping
7 currently. So there is a large number of customers
8 that either through their own choosing or through
9 just inertia or lack of action have chosen not to
10 shop at this point in time. So those are some of the
11 concepts behind why a mechanism like this may make
12 some sense.

13 MR. MICHAEL: Okay. Your Honor, I would
14 move to strike everything other than his initial
15 acknowledgment that, in fact, shopping customers
16 would get the benefit of the lower price and the
17 refund.

18 MR. SATTERWHITE: Your Honor, he was
19 arguing with the premise of the question in his
20 answer saying it is not just the shopping customers
21 that benefit from this program, is that it provides
22 benefits to all customers, and the benefits of
23 increased shopping and potential increased shopping,
24 as this Commission has found multiple times in the
25 past, even customers that don't shop benefit from the

1 right to shop, and this is about developing the
2 markets so they can do that.

3 MR. MICHAEL: And if Mr. Satterwhite, on
4 redirect, would like to ask him to explain that, that
5 would be fine, but my question was and his initial
6 acknowledgment was that the shopping customers would
7 get the benefit of what he thinks is lower price,
8 plus the refund under the CIR rider. Everything else
9 was nonresponsive.

10 MR. SATTERWHITE: I think he is allowed to
11 say it's not just the shopping customers and that was
12 his point that the benefits go beyond just that.

13 MR. MICHAEL: Well, if it helps,
14 Mr. Satterwhite, my next question was going to be
15 about the nonshopping customers.

16 MR. SATTERWHITE: Well, good. We are
17 already done then.

18 EXAMINER PARROT: Mr. Michael, we will
19 grant the motion to strike everything past the first
20 part "That's one element that you would consider."
21 We will leave that and strike the rest.

22 MR. MICHAEL: Thank you, your Honor.

23 I almost hesitate to ask the next question
24 about nonshopping customers but . . .

25 Q. From a strict dollars-and-cents cost

1 perspective, Mr. Allen, those customers that chose
2 not to shop, just in terms of dollars and cents would
3 not get the benefit -- all the benefits that the
4 shopping customers do, would they?

5 A. Customers that currently are nonshopping
6 would receive a different set of benefits than
7 customers that are currently shopping.

8 Q. And they would be less than the shopping
9 customers, correct, dollars and cents wise.

10 A. No, not necessarily.

11 Q. Okay. Well, you told me as it relates to
12 the shopping customers that they would get the
13 benefit of what you described was the lower price
14 plus the refund, correct?

15 A. Well, remember, shopping customers are
16 already receiving a price from a competitive
17 supplier. So the only thing that a shopping customer
18 is receiving is -- well, there is multiple things.
19 They are receiving a refund but they are also
20 benefiting from a more robust marketplace if more
21 CRES providers are able to offer more innovative
22 products in there. So shopping customers receive
23 those benefits in addition to the refund.

24 Nonshopping customers receive the benefits
25 of a robust competitive market that they can avail

1 themselves at any point that they choose and they are
2 also receiving the credit, the refund.

3 Q. Okay. And under your proposal, though,
4 the -- going back to your hypothetical numbers of
5 \$45.50, wouldn't that incent the CRESs to offer up
6 to, but just short of, \$45.50 because under those
7 circumstances they beat the SSO auction on price,
8 right?

9 A. No, I don't think so. You know, one of
10 the things that, you know, we have noticed is CRES
11 were able to offer significant discounts to customers
12 in the AEP Ohio service territory beginning in 2012
13 and we saw some customers migrating to CRES providers
14 due to those large discounts.

15 As the discounts became smaller, the
16 incentive for a customer to -- especially a customer
17 that has been served by a utility for many, many
18 years to take the, I am going to say "risk" in the
19 most positive way, but to take the risk of going out
20 to a CRES provider and really change how they do
21 business, something they have been comfortable with,
22 and they are going to go and reach out to find a new
23 way to procure electricity, if there is not a
24 significant discount, customers aren't going to do
25 it.

1 That's just anecdotally what we've seen
2 with shopping percentages in our service territory.
3 And you can -- you can see it in the way CRESs are
4 able to advertise to customers and things like that.
5 When there's not a real savings, it's really tough
6 for a CRES to just make an offer that says I have got
7 a more innovative product, come shop with me, and
8 that's hard to move customers from SSO to that
9 shopping category.

10 Q. You used a phrase there "significant
11 discount." What, in your mind, would be a
12 significant discount?

13 A. Discounts that you've seen CRESs offer and
14 advocate for have been in the 5 percent to 10 percent
15 range. Some, you know, lower than that, but those
16 are ones I've seen. Maybe 3 percent.

17 Q. Okay. So based on our hypothetical
18 numbers, the CRES provider would have to be offering
19 something on the order of \$4.50 less than the \$45.50
20 that would be charged under the SSO; is that
21 accurate?

22 A. That's with a 10-percent discount. One of
23 the CRESs in Ohio, you know, FirstEnergy Solutions,
24 for a number of years, offered a 5-percent discount
25 to tariff in the FirstEnergy service territory. That

1 seemed to be very successful. Had a big impact on
2 me. It caused me to switch when that offer was made.

3 So when you look at 5 percent, you know,
4 then you are talking something in the \$2.25. But
5 that doesn't mean that the CIR needs to be at that
6 level to incent that. It may be that a CRES is able
7 to offer a \$2 discount. But that extra 25 cents,
8 that gives them the ability to offer a 5-percent
9 discount. So a CIR at 25 cents may be the right
10 level to give CRES that marketing appeal.

11 And that's something that we really need
12 to explore as we go through the proceeding, and
13 that's the intent of the stipulation where it says
14 we've laid out this concept and we are going to allow
15 all the parties to present evidence and to advocate
16 for or against the CIR and advocate for an
17 appropriate level in that next ESP proceeding, and
18 that's where we really need to weigh out all of these
19 pros and cons and what that rate level is.

20 Q. So the Commission can't do that in
21 connection with its analysis of the stipulation then,
22 right?

23 A. The stipulation is designed to provide a
24 forum for parties to debate that issue in the ESP
25 extension proceeding.

1 Q. Okay. But when the Commission is
2 analyzing the stipulation and the degree to which it
3 passes the three-prong test, it is not going to be in
4 a position to do the analysis you just described
5 because it has to occur at the future filing,
6 correct?

7 A. What you have to remember is the
8 Commission is approving AEP Ohio's commitment to
9 advocate for that mechanism in the next ESP. It's
10 not binding the Commission in any way to implement a
11 CIR in that ESP proceeding and it's not requiring the
12 Commission to set it at any specific level.

13 Q. So the only thing the Commission can
14 analyze with any degree of certitude in this
15 stipulation case is AEP Ohio's commitment and only
16 AEP Ohio's commitment to make a future filing,
17 correct?

18 A. I think the Commission can also consider
19 whether the filing of that kind of mechanism has the
20 potential to improve Ohio's competitive markets. And
21 the Commission, as I described previously, they've
22 recognized that there may be value in incentives to
23 customers shopping. That's a finding that the
24 Commission and I think the legislature in Ohio made
25 at one point in time. So the Commission is weighing

1 that the company filing something like that that may
2 advance Ohio's energy markets could be beneficial to
3 the state.

4 Q. Okay. And back to my question, Mr. Allen.
5 The only thing that the Commission can review in
6 connection with this stipulation with any certitude
7 is AEP Ohio's commitment to make that filing, nothing
8 else, right?

9 MR. SATTERWHITE: Objection. He just
10 answered that question.

11 EXAMINER PARROT: I agree,
12 Mr. Satterwhite.

13 Q. AEP -- obviously the CIR provision wasn't
14 part of AEP Ohio's amended application, right?

15 A. It was not.

16 Q. If I could draw your attention, please,
17 Mr. Allen, to page 16 of the stipulation.

18 A. I'm there.

19 Q. Bear with me a moment, Mr. Allen. Let me
20 confirm. I apologize, Mr. Allen, page 18, paragraph
21 f.

22 A. Okay.

23 Q. And this provision relates to the
24 consolidated billing proposal, correct?

25 A. That's correct.

1 Q. And will AEP Ohio, in a future base rate
2 case, seek to recover the 50-percent share referenced
3 in paragraph f.?

4 A. To the extent that there are costs
5 remaining on the company's books, if there are
6 capital costs that the company has incurred, computer
7 software changes, and those costs have not been fully
8 amortized at the time of the company's next
9 distribution rate case, the company would propose to
10 include those in the rate base included in that
11 filing.

12 Q. And we don't -- you don't know, as you sit
13 here now, what that dollar figure is, correct?

14 A. The estimate of the costs of the supplier
15 consolidated billing program would be approximately
16 \$750,000, as a range of 500,000 to a million, so
17 let's look at 750,000. The cost borne by the CRES
18 providers would be 375,000. The remaining net book
19 value for the company would be 375,000, that would be
20 likely capital software costs that has a five-year
21 amortization period.

22 And assuming that the company filed a base
23 rate case in 2018, the middle of 2018, the date
24 certain would be two years from now, so you would
25 have approximately 60 percent of the \$375,000 as a

1 net book cost that would be included in the rate base
2 in that proceeding.

3 Q. And that pilot program wasn't part of
4 AEP's Ohio amended application, right?

5 A. It was not. What this stipulation
6 provides, though, which is of significant value is
7 that the CRES parties will be paying 50 percent of
8 that pilot cost, when one option would have been for
9 the company to incur all of those costs and include
10 those in a future rate proceeding.

11 So one of the benefits of doing it in this
12 manner is that CRES providers are paying 50 percent
13 of the costs, and any of the amortization of those
14 costs, up until the next base case, the company is
15 expensing those without any additional rate recovery.

16 Q. Well, it's not the CRES providers. It's
17 the CRES signatory parties, correct?

18 A. That's correct. The participating CRES
19 signatory parties, yes.

20 Q. And, Mr. Allen, the CIR provision, that
21 applies only to the CRES signatory parties, too,
22 correct?

23 A. No.

24 Q. Okay. To whom does that apply?

25 A. The CIR applies to all nonshopping

1 customers, the rate would apply to them, and the
2 refund would apply to all retail customers of AEP
3 Ohio.

4 Q. But only the CRES signatory parties would
5 be involved in establishing the rate, correct, and
6 staff?

7 A. No. If you go to page 12, paragraph
8 12.a., it talks about the signatory parties. So it
9 would include all signatory parties would be eligible
10 to address that, and all the extra rights that the
11 signatory parties have related to Section a. is that
12 they are at the table as we attempt to develop the
13 initial rate that will be included in the company's
14 filing, not the initial rate charged to customers but
15 that the initial rate AEP Ohio will advocate for. To
16 the extent those parties can't agree, the staff gets
17 to decide the value that will be included in the
18 filing. So those are the only extra rights that
19 signatory parties have under subparagraph a. related
20 to the CIR.

21 Q. So the nonsignatory parties would be
22 excluded from sitting at that table with you and
23 setting the rate that you are going to propose,
24 correct?

25 A. The -- that's the direction that the

1 stipulation provides, but all nonsignatory parties
2 will have complete rights as the Commission deems
3 appropriate through allowing intervention to advocate
4 for whatever rate they believe appropriate in the ESP
5 III proceeding, the ESP III extension proceeding.

6 Q. Okay. I would like to bring your
7 attention or draw your attention, Mr. Allen, to page
8 19 of the stipulation. Paragraph 9.b. and my
9 questions will relate to going over to page 22.

10 A. Okay. I'm there.

11 Q. Okay. In light of those provisions, after
12 co-firing, will Conesville 5 and 6's maximum capacity
13 factor be 75 percent?

14 A. Paragraph b. does not limit the capacity
15 factor of Conesville 5 and 6 to 75 percent. What it
16 limits is the MMBtu heat input from coal which is
17 based upon a 50 percent coal burn and 75 percent
18 capacity factor. So that's the assumption that was
19 included to develop the BTU limitation.

20 Q. Okay. So after conversion, 50 percent of
21 Conesville 5 and 6 will be natural gas fired,
22 correct?

23 A. It will burn -- the intent is to burn
24 50 percent natural gas, 50 percent coal, that's
25 correct.

1 Q. Okay. But the limitation on the coal burn
2 necessarily reduces the capacity factor that
3 Conesville 5 and 6 will be ran at, won't it?

4 A. It's a constraint on the coal consumption
5 at Conesville 5 and 6. The concept would be we will
6 be co-firing 50/50 gas and coal.

7 Q. I understand that. But to get to the
8 50/50 co-firing, you necessarily have to reduce the
9 capacity factor at which Conesville 5 and 6 will be
10 running at to less than 100 percent, and based on the
11 MMBtu limitation that capacity factor would be
12 75 percent, correct?

13 A. For all practical purposes, we can assume
14 that the maximum capacity factor for Conesville 5 and
15 6 would be 75 percent based upon this limitation. It
16 might -- there might be a scenario where it could
17 vary slightly from that, but that's the general
18 concept.

19 Q. Mr. Allen, there is no difference between
20 how the attributes, and when I say "attributes" I
21 mean energy, capacity, and ancillary services, are
22 treated here under the PPA proposal and how they are
23 dealt with in fully regulated states, right?

24 A. From a -- from the way that we address
25 retail rate recovery in other states, this mechanism

1 looks very much like those other mechanisms where we
2 sell all of the attributes into the market, and
3 energy is the easiest one to describe because we are
4 an FRR entity in our other states, but we sell all of
5 the energy outputs from our units into PJM, buy back
6 all of the energy we need to serve our retail
7 customers, and then we do a netting process,
8 comparing those revenues we received in PJM, the fuel
9 expenses that we incurred to run the plants, and that
10 creates a net rate impact for retail customers.

11 Q. Mr. Allen, do you recall when I took your
12 deposition here a couple of days ago?

13 A. I do.

14 Q. And you have a copy of your deposition
15 transcript in front of you, correct?

16 A. I do.

17 Q. If you would please turn to page 178 of
18 your deposition. Draw your attention to line 11, the
19 question there. I am going to read the question.
20 "For those PPA contracts that you had in mind, the
21 attributes subject to the PPA were sold to the EDU's
22 customers, correct?"

23 "Answer: They would have been sold to the
24 EDU's customers or sold in the wholesale markets.
25 Ultimately all power is dispatched into the PJM

1 markets and netted on a financial basis to serve
2 retail customers so there's really no difference
3 between how it's done under the PPA proposal we have
4 here and how it's dealt with in full regulated
5 states." Did I read that correctly?

6 A. I think that's what I just described more
7 fully in my answer I gave to you.

8 Q. So did I read that correctly?

9 A. You did.

10 Q. When did AEP Ohio join PJM?

11 A. To my best recollection it was sometime in
12 the 2005 or '6 time frame. And AEP Ohio would have
13 joined PJM in conjunction with the other east
14 operating companies of AEP.

15 Q. Okay. And since then, when AEP Ohio
16 enters into PPAs, the effect is always presenting a
17 financial hedge to customers to avoid volatility,
18 right?

19 THE WITNESS: Can you reread that
20 question, please?

21 (Record read.)

22 A. The effect of entering into those PPAs
23 would be to reduce volatility for customers. That
24 would be the effect as compared to procuring energy
25 fully in the markets.

1 Q. Okay. And that's because the net revenues
2 from the sale in the PJM markets, compared to those
3 units' variable costs, is credited to customers,
4 correct?

5 A. Can you repeat that, please?

6 Q. Certainly.

7 MR. MICHAEL: Could you read it back,
8 please?

9 (Record read.)

10 A. And that's mechanically one of the
11 elements that is occurring subject to some
12 adjustments for off-system sales sharing that occurs
13 in many of our regulated states.

14 But the underlying attributes of those
15 PPAs have more stable cost structures than what the
16 PJM market would have. And so eliminating market
17 purchases and replacing those with more stable PPAs
18 or owned assets within a state, would produce
19 increased price stability for customers.

20 Q. Okay. So the PPA riders that AEP Ohio has
21 entered into since it joined PJM, at the end of the
22 day it's essentially a financial transaction,
23 correct?

24 A. As the companies have joined PJM and been
25 a member of PJM, since we procure the energy to serve

1 our customers from PJM, we do a reconstruction, after
2 the fact, to reflect things like fuel cost to
3 customers as if they were being served from the
4 generating units of the company to the extent that
5 those assets were lower cost than the market when
6 we're doing a fuel clause.

7 But the effect is really to do a
8 reconstruction to make it look like the utility was
9 serving customers from those -- those assets. And
10 then to the extent that there were market purchases
11 that were cheaper, the customers get the benefit of
12 that.

13 Q. Okay. Could I ask you to turn to page 180
14 of your deposition, please, Mr. Allen.

15 A. 180?

16 Q. Yes, sir.

17 A. I'm there.

18 Q. I am going to draw your attention to lines
19 4 through 10. Beginning with line 4. "Question:
20 Okay. But the reason why you enter into the PPA in
21 the first place is to make sure you have enough
22 energy capacity and the ancillary services to serve
23 your load, correct?"

24 "Answer: Well, people talk in those
25 terms. The reality is that it provides stability

1 from customers. It's a financial transaction at the
2 end of the day." Did I read that correctly?

3 A. If I recall my errata, which I don't have
4 in front of me, I think it should have said "provides
5 stability for customers." But that's what that Q and
6 A states.

7 Q. Okay. Thank you.

8 If you please turn to page 5 of the
9 stipulation, Mr. Allen.

10 A. I'm there.

11 Q. And particularly the credits discussed in
12 connection with paragraph 3. Those are additional
13 incentives for AEP Ohio to maximize market
14 profitability and ensure that the PPA units are
15 managed efficiently, right?

16 A. I think it also states "cost-effectively,"
17 that's correct.

18 Q. Okay. And those additional incentives
19 obviously aren't available in the first four years of
20 the PPA rider as proposed, correct?

21 A. The traditional incentives for AEP Ohio to
22 ensure that the units are managed efficiently,
23 cost-effectively, and maximum -- and with maximum
24 market profitability, exist in the first four years
25 as well. And so those are the incentives. The

1 normal incentives that the company has to act in a
2 reasonable and prudent manner exist in the first four
3 years just as they do in the last four years. The --
4 this provides additional incentives, but there are
5 sufficient incentives in the first four years.

6 MR. MICHAEL: Your Honor, I move to strike
7 as nonresponsive. I asked him to confirm the
8 additional incentives weren't available in the first
9 four years of the PPA rider.

10 MR. SATTERWHITE: And, your Honor, he
11 simply pointed out here are the incentives, there are
12 incentives over the whole period, they're in both the
13 first four and the second four, and the additional
14 ones are not available in the first four. So it just
15 rounds out the answer.

16 MR. MICHAEL: Well, I asked him
17 specifically about the additional incentives, and had
18 the witness testified as Mr. Satterwhite is
19 suggesting he should have, then I wouldn't move to
20 strike, but for the reasons stated earlier I do move
21 to strike.

22 MR. SATTERWHITE: I think if you did read
23 the witness's answer, he did respond that way.

24 EXAMINER PARROT: The motion to strike is
25 denied, Mr. Michael.

1 MR. MICHAEL: Thank you, your Honor.

2 Q. (By Mr. Michael) If I could draw your
3 attention, please, Mr. Allen, to page 7, specifically
4 paragraph 5.a. of the stipulation.

5 A. I'm there.

6 Q. Thank you. The annual compliance review
7 is -- empowers the Commission to review whether the
8 company sold the output in a manner that was not
9 unreasonable, correct?

10 A. That's what's described in the first
11 sentence of subparagraph 5.a.

12 Q. Okay. And that output could be sold into
13 the PJM market, correct?

14 A. That's the company's intent is to sell the
15 output into the PJM market.

16 Q. The output could be sold via bilateral
17 contracts with customers in the PJM geographic
18 footprint, correct?

19 A. The only bilateral that I can envision, as
20 we describe the PPA rider, is the scenario that I
21 described with Mr. Settineri earlier today, is if a
22 unit doesn't clear the capacity auction that then the
23 company, or any of the supplemental auctions, the
24 company could enter into a bilateral. It's not my
25 expectation that the company would seek to enter into

1 a bilateral for the sale of energy from these units.

2 Q. I understand that. But it's possible that
3 the -- the units don't clear the BRA auction,
4 correct?

5 A. That's the capacity scenario I just
6 described. That has nothing to do with energy.

7 Q. Right. But so back to my question. If it
8 doesn't clear, AEP Ohio could sell -- enter into a
9 bilateral contract with the customers in the PJM
10 geographic footprint, right?

11 A. I think what I described earlier is that
12 the company would -- if it didn't include the BRA,
13 the company would then seek to settle into one of any
14 of the supplemental auctions and there is one, two,
15 or three supplemental auctions depending on the year.
16 And then if there were no -- if the units didn't
17 clear in any of those supplemental auctions, then the
18 company would entertain selling into a bilateral
19 contract. That's the scenario I would envision.

20 Q. Including with customers in PJM's
21 geographic footprint, correct?

22 A. With a counterparty that was taking those
23 attributes into PJM market or maybe even into MISO.

24 Q. I apologize if I misunderstood that
25 answer, Mr. Allen, but I simply want to confirm, when

1 AEP Ohio, if they are faced with a situation of
2 having to entertain bilateral contracts, they may
3 enter into one with a counterparty within PJM's
4 geographic footprint, correct?

5 A. That's one scenario.

6 Q. Right. And when the Commission is
7 reviewing AEP Ohio's bidding, will the guiding
8 principle be whether or not the company sold the
9 output in a way that minimizes charges or maximizes
10 credits to customers?

11 A. The standard is described in paragraph
12 5.a. The Commission would be looking to ensure that
13 the actions of AEP Ohio were not unreasonable in
14 bidding that capacity. There are a number of factors
15 that the Commission could look at when they're
16 evaluating the reasonableness of that decision, and I
17 wouldn't and I am not proposing here today to limit
18 the Commission's authority to review those actions
19 based upon the facts and circumstances that exist
20 when the company is making those decisions, and
21 that's going to be sometime in the future, but
22 that's -- I am not limiting what the Commission
23 review is. It is just identifying what the standard
24 is.

25 Q. Sure. And without limiting what the

1 Commission's review would be, Mr. Allen, would --
2 would your expectation be that one of the elements
3 the Commission would consider would be the degree to
4 which AEP Ohio's action minimized charges to
5 consumers?

6 A. I think one -- one element the Commission
7 can look at is the degree to which the bidding
8 strategy that the company's used either minimized
9 charges to customers or maximized credits to
10 customers, but it would also -- another factor would
11 be risk mitigation, that would be another factor that
12 a Commission could look at or this Commission could
13 look at.

14 Q. Tell me what you mean by that, if you
15 would, please.

16 A. There are strategies where you could bid
17 all of the output of the units into the capacity
18 performance product auctions and that would have the
19 effect of maximizing the potential benefits of those
20 units, but the risks of bidding 100 percent of each
21 of the units into the capacity performance product,
22 the risk of that could be significant.

23 And so if there are risk mitigations
24 strategies that the company's employed, it may not
25 maximize the profits in a specific planning year.

1 But what it's doing is evaluating the risk-adjusted
2 benefits that that bidding strategy creates.

3 Q. Okay. And as part of the compliance
4 review, Mr. Allen, is AEP Ohio going to share with
5 the Commission that risk analysis that it would go
6 through that you just described?

7 A. That would be information that AEP Ohio
8 has prepared in making that bidding strategy
9 determination. And so it would be my expectation
10 that subject to appropriate confidentiality, that the
11 company would share that type of information with the
12 Commission, just like we do today in FAC proceedings
13 where we share the decision-making process behind
14 signing coal contracts with the Commission.

15 Q. AEPGR would bid the output based on AEP
16 Ohio's direction, correct?

17 A. That's correct.

18 Q. And there may be a document that provides
19 guidance and principles to describe to AEPGR how to
20 bid the units, correct?

21 A. In the future there may be a document that
22 does that, yes.

23 Q. Okay. Obviously, when you say "in the
24 future," you haven't seen the document, correct?

25 A. That's correct.

1 Q. So based on that you can't say if the
2 document would give AEP Ohio any enforceable rights
3 to ensure that AEPGR followed that direction,
4 correct?

5 A. I think as I described earlier today we
6 have to recognize that these are affiliates and
7 there's no expectation that AEPGR would not follow
8 the recommendations of AEP Ohio in how to bid the
9 units.

10 Q. If I could draw your attention to page 185
11 of your deposition, please, Mr. Allen.

12 A. I'm there.

13 Q. Lines 7 through 16 in particular. I am
14 going to read them for you.

15 "Question: Okay. Would that document be
16 legally -- or let me backtrack. Would that document
17 carry with it enforceable rights in AEP Ohio to your
18 understanding?"

19 Your counsel objects and then says, "I
20 think you are asking his understanding but preserve
21 the objection."

22 "Answer: Yeah. It's a hypothetical. I
23 haven't seen the document, so I can't tell you what
24 rights would be included in that document."

25 Did I read that correctly?

1 A. You did.

2 MR. SATTERWHITE: Your Honor, I will
3 object as improper impeachment. He is leaving out
4 the exact answer the witness gave the next answer
5 down. He continues to use the deposition as for
6 impeachment purposes and it's consistent with what
7 the witness is saying, so it's improper impeachment.

8 MR. MICHAEL: Your Honor, I will let --
9 I'll let the question, the answer, and his deposition
10 testimony speak for itself.

11 MR. SATTERWHITE: And I am objecting to
12 the improper usage of the deposition for impeachment.
13 He has done this multiple times and it hasn't
14 impeached the witness. This time it's only done so
15 because he left out the actual answer.

16 MR. MICHAEL: This witness testified. I
17 read it properly, your Honor.

18 EXAMINER PARROT: I agree with
19 Mr. Satterwhite. If you continue on down the
20 deposition, Mr. Michael, he has basically said what
21 he just now said here on the stand today. So I think
22 we need to read the rest of it into the record at the
23 least.

24 MR. MICHAEL: I am happy to do that.

25 "Okay. But so by the same token right now

1 you can't tell me whether or not AEPGR could ignore
2 AEP's direction, correct?"

3 "I mean, I think we have to recognize they
4 are affiliates, so my expectation would be AEPGR
5 would be following the direction of AEP Ohio." Is
6 that okay?

7 EXAMINER PARROT: Thank you.

8 MR. MICHAEL: Thank you.

9 Q. If and when that document is created,
10 Mr. Allen, will it be given to staff?

11 A. My expectation would be staff would have
12 access to that document, yes.

13 Q. If the PPA units don't clear the BRA
14 auctions, the units' revenue would be less than if
15 they had cleared, correct?

16 A. The net revenues may not be less than they
17 would have been had they not cleared the BRA auction.
18 You have to recognize that there are potentials for
19 capacity performance penalties. So you have to
20 evaluate what the net costs would have been had the
21 units cleared the auction. So if an auction clears
22 very low, it may be more beneficial for the company
23 to not clear that auction and not incur the risk of
24 capacity performance penalties.

25 Q. Okay. But under that scenario, therefore,

1 there would be no revenue to offset the cost to AEP
2 Ohio's consumers, correct?

3 A. There would be no revenue to offset the
4 costs from a capacity perspective. There would still
5 be energy revenues to offset the costs.

6 Q. It's correct, Mr. Allen, AEP Ohio is not
7 committing it will bid the units into the BRA in such
8 a way to guarantee that they clear, right?

9 A. That's correct.

10 Q. In fact, I think this is what you just
11 described, but AEP Ohio thinks that there's
12 circumstances where it would be better off not to
13 clear the BRA auction, right?

14 A. The capacity performance product has
15 penalties associated with it, so there are times when
16 the risk of incurring those penalties would dictate
17 that you not bid into the auction at a price below
18 what the ultimate auction clearing price is.

19 Q. Okay.

20 A. So you may value the risk at \$30 a
21 megawatt-day and in that case you would not bid the
22 unit in in a price below \$30 a megawatt-day, and if
23 the auction cleared at \$25 a megawatt-day, you would
24 have made the right decision not to bid the unit into
25 the auction at \$25 and cleared.

1 Q. But under that circumstance, consumers
2 would still be required to pay 100 percent of the
3 costs under the PPA contract, correct?

4 A. The customers would be required to pay the
5 net costs under the PPA rider construct which
6 includes an offset for energy margins as well. So
7 they are not just paying all of the costs. So this
8 isn't a scenario, as you are trying to describe it,
9 where the customers are paying all of the costs and
10 there is no offsetting revenues.

11 These are coal plants. They have energy
12 margins. The energy margins are offsetting a large
13 portion of the costs of operating these units. And
14 the capacity revenues are an additional revenue
15 stream.

16 Q. So under that scenario, though, the offset
17 would not include capacity revenue, correct?

18 A. That's correct.

19 Q. I am going to draw your attention to WAA-2
20 if I could, Mr. Allen.

21 A. I'm there.

22 Q. You recall the discussion at the first
23 iteration of this hearing with Mr. Bletzacker about
24 the 2015 fundamentals forecast he had prepared,
25 correct?

1 A. I recall some discussion of that.

2 Q. Okay. And that 2015 fundamentals forecast
3 was not used in connection with preparing WAA-2,
4 correct?

5 A. That's correct. That forecast wasn't
6 completed when the company prepared its amended
7 application in this proceeding.

8 Q. Just for purposes of clarity of my
9 question, Mr. Allen, I'll refer to WAA-2, the
10 settlement exhibit, in connection with that question,
11 so I will reask it for you. The 2015 fundamentals
12 forecast was not used when you prepared Settlement
13 Exhibit WAA-2, correct?

14 A. That's correct.

15 Q. Okay. And it was available, prepared, and
16 ready when you prepared Settlement Exhibit WAA-2,
17 correct?

18 A. The company had not run a new forecast
19 through this period with the PPA rider units based
20 upon that 2015 fundamentals forecast.

21 Q. Okay. And in contrast to the initial
22 KDP-2 when the company asserted that the 2015
23 forecast wasn't ready yet, the 2015 forecast was, in
24 fact, completed when you prepared Settlement Exhibit
25 WAA-2, correct?

1 A. The fundamentals forecast was completed,
2 but the committee run of incorporating that data into
3 a PLEXOS run of the PPA units had not been completed.

4 Q. Which is another way of saying you chose
5 not to use the 2015 fundamentals forecast when
6 integrating into the PLEXOS model to create
7 Settlement Exhibit WAA-2, correct?

8 A. No, that's not correct at all. What it's
9 stating is that the company did not have a -- did not
10 have that committee analysis to include in Exhibit
11 WAA-2. The PLEXOS runs hadn't been done yet so I am
12 not able to incorporate that.

13 Q. Okay. But, in fact, the 2015 fundamentals
14 forecast was complete, correct?

15 A. Yeah. I think you are confusing the
16 fundamentals forecast with a complete dispatch model.
17 The fundamentals forecast had been completed. That's
18 one element.

19 Q. Right.

20 A. The fundamentals forecast has not been
21 incorporated into a PLEXOS run for these units for
22 the PPA rider.

23 Q. And that's because the company chose to
24 use the 2013 fundamentals forecast, correct?

25 A. With what the company chose to do in this

1 proceeding is what we do in most regulatory
2 proceedings is where we start with a forecast when we
3 begin a proceeding, and we stick with this forecast
4 through the proceeding in an effort to aid what I
5 call judicial efficiency or regulatory efficiency.

6 If we were to update the forecasted
7 analysis each time a new forecast set of data was
8 available, we would continue to update a forecast.
9 We would have to go back through discovery for all
10 parties to evaluate that new forecast. By the time
11 all of that next review would be done there's new
12 data that would change one of the forecast elements
13 at a minimum which would require us to update it
14 again. You would never get done so what you have to
15 do in a regulatory proceeding you have to get a
16 snapshot. You have to stop at some point and what we
17 are stuck with is the forecast we presented initially
18 in the amended application.

19 Q. Okay. And there has been a new
20 fundamentals forecast prepared since the 2015
21 fundamentals forecast, correct?

22 A. Not that I am aware.

23 Q. So in point of fact the 2015 fundamentals
24 forecast was complete, and the company could have
25 used it in creating KDP-2, correct?

1 MR. SATTERWHITE: Can I have the question
2 reread?

3 (Record read.)

4 Q. That was attached as Settlement Exhibit
5 WAA-2.

6 A. I think Settlement Exhibit WAA-2 clearly
7 describes what its purpose is. The purpose of WAA-2
8 is to modify Exhibit KDP-2 to reflect the specific
9 elements of the stipulation and the modifications to
10 the affiliated PPA as well as to reflect the results
11 of the PJM capacity auctions that were discussed in
12 the proceeding and provided to parties in discovery
13 previously.

14 Q. But settlement -- pardon me, the 2015
15 forecast is based on more recent market data than the
16 2013 forecast, correct?

17 A. It's related to a newer vintage of data,
18 and I think Company Witness Bletzacker in the
19 rebuttal phase of the case and probably in his direct
20 phase of the case described why he still believed
21 that it was reasonable to utilize the 2013
22 fundamentals forecast.

23 Q. Okay.

24 EXAMINER PARROT: Mr. Michael, sorry to
25 interrupt you. Let's go off the record.

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1 (Discussion off the record.)

2 EXAMINER PARROT: Let's go back on the
3 record. At this point we are going to conclude
4 things for the evening. We will reconvene tomorrow
5 at 9 a.m. Thank you.

6 (Thereupon, at 5:58 p.m., the hearing was
7 adjourned.)

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1 CERTIFICATE

2 I do hereby certify that the foregoing is a
3 true and correct transcript of the proceedings taken
4 by us in this matter on Monday, January 4, 2016, and
5 carefully compared with my original stenographic
6 notes.

7
8
9
10 Karen Sue Gibson, Registered
Merit Reporter.

11
12
13 Carolyn M. Burke, Registered
14 Professional Reporter.

15 (KSG-6133)

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Summary: Transcript In the Matter of the application of Ohio Power Company hearing held on 01/04/16 - Volume XVIII electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.