

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 9 a.m. on
Tuesday, January 5, 2016.

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1 Tuesday Morning Session,
2 January 5, 2016.

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4 EXAMINER PARROT: Let's go on the record.
5 This is the continuation of the hearing in Case No.
6 14-1693-EL-RDR, et al. Good morning, everyone. My
7 name is Sarah Parrot. With me today is Greta See and
8 Commissioner Asim Haque. We are presiding over the
9 hearing this morning. Let's go ahead and dispense
10 with appearances and pick up with Mr. Michael.

11 Mr. Allen, I do remind you that you are
12 still under oath.

13 THE WITNESS: Okay.

14 EXAMINER PARROT: Mr. Michael.

15 MR. MICHAEL: Thank you, your Honor.

16 - - -

17 WILLIAM A. ALLEN
18 being previously duly sworn, as prescribed by law,
19 was examined and testified further as follows:

20 CROSS-EXAMINATION (Continued)

21 By Mr. Michael:

22 Q. Good morning, Mr. Allen. How are you?

23 A. Good. Good morning.

24 Q. I would like to begin if we could,
25 Mr. Allen, with page 10 of the stipulation and

1 specifically Section C.

2 A. I'm there.

3 Q. Okay. And that section has to do with the
4 future filing AEP Ohio is going to make to extend ESP
5 III, correct?

6 A. That's correct.

7 Q. And we do not know and cannot know the
8 outcome of that filing, correct?

9 A. Well, we know from this document the
10 elements that the company is committing to include in
11 that filing.

12 Q. Okay. But according to this document we
13 don't know whether or not the Commission will approve
14 that filing, correct?

15 A. That's correct. The company will make the
16 filing and the Commission ultimately has the
17 authority to approve or deny that filing, that's
18 correct.

19 Q. Okay. So as far as the Commission's
20 public interest analysis of the stipulation as
21 relates to Section C, the one and only thing it knows
22 with certainty is that AEP Ohio has made the
23 commitment to make that filing, correct?

24 A. That's one of the elements that the
25 Commission can be aware of as it makes its public

1 interest determination and the company's commitment
2 to make certain of these -- to include certain of
3 these features in its application, it's my belief has
4 significant value to the Commission and to the State
5 of Ohio.

6 Q. Okay. And the detail of all those
7 elements will be presented in that future filing,
8 correct?

9 A. There will be additional details
10 supporting each one of the provisions outlined in
11 Section C, that's correct.

12 Q. Okay. So notwithstanding those additional
13 details, the Commission still nonetheless has the
14 opportunity to either reject or accept that filing,
15 correct?

16 A. That's correct.

17 Q. Okay. If I could draw your attention,
18 please, Mr. Allen, to page 6 of the stipulation. And
19 in particular paragraph 4 on that page.

20 A. I'm there.

21 Q. And I want to draw your attention
22 specifically to the \$4 million credit referenced in
23 the third line down of that paragraph.

24 A. I see that.

25 Q. Over the course of the year 2016, if the

1 stipulation were to be adopted, that \$4 million
2 credit could go down in connection with the
3 reconciliation project, correct? I apologize,
4 reconciliation process.

5 A. The \$4 million is referring to the initial
6 rate that will be set. The net impact of the PPA
7 rider including reconciliation could be greater or
8 less than \$4 million as a result of the actual
9 operation of the units in the PJM market.

10 MR. MICHAEL: If I could approach, your
11 Honor.

12 EXAMINER PARROT: You may.

13 MR. MICHAEL: Your Honors, I have handed
14 the witness what we would like to mark as OCC Exhibit
15 No. 25. It consists of responses to two
16 interrogatories to OCC's discovery, Interrogatories
17 No. 34 and 35.

18 EXAMINER PARROT: Mr. Michael, I need a
19 copy of 35, please. We have one.

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

21 Q. Mr. Allen, I have handed to you what has
22 previously been marked as OCC Exhibit 25.

23 A. I have that.

24 Q. And could you please identify the
25 documents that make up OCC Exhibit 25, please.

1 A. Yes. OCC Exhibit 25 is the company's
2 response to Interrogatory S1-034 of the Ohio
3 Consumers' Counsel as well as the company's response
4 to Interrogatory S1-035, also from the Ohio
5 Consumers' Counsel. S1-034 was prepared by myself
6 and S1-035 was prepared by counsel.

7 Q. Okay. And if I could draw your attention,
8 Mr. Allen, please, to the response to Interrogatory
9 S1-034.

10 A. I'm there.

11 Q. And in that interrogatory response that
12 you prepared you reference Interrogatory S1-035,
13 correct?

14 A. I do.

15 Q. And for purposes of this question,
16 Mr. Allen, I wanted to draw your attention to page 1
17 of your direct testimony and specifically line 16,
18 please.

19 A. I'm there.

20 Q. Okay. According to your understanding
21 serious bargaining can occur between parties with
22 unequal bargaining power, correct?

23 A. Yes, so long as both parties are willing
24 to enter into open debate of the issues, yes.

25 Q. Okay. And if they have unequal bargaining

1 power, they can't have an arm's length discussion
2 about the nature of what they are bargaining over,
3 correct?

4 A. No, I disagree. I have been involved in
5 many negotiations in different aspects of my career.
6 One in the regulatory, but also previously as a fuel
7 buyer for the company. And in all of those
8 negotiations different parties have different levels
9 of negotiating power. But, at the end of the day, as
10 long as parties are willing to actively engage in
11 good-faith settlement discussion, serious bargaining
12 can occur even with differing levels of bargaining
13 power.

14 Q. And with reference to what was marked as
15 OCC Exhibit 25, "Serious bargaining" refers to a
16 process undertaken by the parties to jointly develop
17 and negotiate a settlement, right?

18 A. I'm sorry. Where were you referring to?

19 Q. Specifically, OCC Exhibit 25 and then
20 within that exhibit the response to Interrogatory
21 S1-035.

22 A. About the middle of the paragraph?

23 Q. Yes, sir.

24 A. I see that.

25 Q. Okay. And I'll restate the question

1 because there was one pending. "Serious bargaining"
2 refers to a process undertaken by the parties to
3 jointly develop and negotiate a settlement, right?

4 A. That's correct. And that's stated in that
5 discovery response.

6 Q. Correct. Inevitably, there are different
7 provisions within a settlement that have a greater or
8 lesser value to each party in a case, correct?

9 A. In a case and in negotiations generally,
10 yes.

11 Q. Okay. So a settlement, therefore, could
12 be a collection of different provisions with greater
13 or lesser value to each party, correct?

14 A. Yes, I think that's an important aspect of
15 a settlement is that each party values the provision
16 of a settlement individually and how important that
17 provision is to each one of them.

18 Q. Okay. I may come back to that in a bit,
19 Mr. Allen, but I am going to move on to a different
20 question if I could, please. And I wanted to draw
21 your attention to WAA-2 attached to your direct
22 testimony, if I could, please.

23 A. I'm there.

24 Q. And I just -- I wanted for you to confirm
25 for me, if you can, that capacity performance

1 penalties were not included in WAA-2.

2 A. As I described yesterday through several
3 questions and answers, the net effect of the capacity
4 performance auctions, including any potential
5 penalties, the risk strategy that the company
6 undertook is reflected within these values, and so
7 the net effect of the company's expected results
8 under the capacity performance product is reflected
9 in the stipulation.

10 Q. But in point of fact, it's possible in the
11 future that the PPA units, one or some group of them,
12 could, in fact, incur the totality of the capacity
13 performance penalty, correct?

14 A. As is the case for the vast majority of
15 the elements in a forecast, the actual results could
16 be different than what the forecasted results are.
17 That's the nature of a forecast.

18 Q. Okay. If I could draw your attention,
19 please, Mr. Allen, to page 36 of the stipulation.

20 A. I'm there.

21 Q. Okay. Not all parties support the
22 stipulation in its entirety, do they? Let me qualify
23 that if I can, Mr. Allen, signatory parties.

24 A. All of the signatory parties support the
25 filed stipulation as a package.

1 Q. Okay. If I could draw your attention, if
2 I could, Mr. Allen, to paragraph E on page 36.

3 A. I'm there.

4 Q. And that sentence states "The signatory
5 Parties will support the Stipulation if the
6 Stipulation is contested, and no Signatory Party will
7 oppose an application for rehearing designed to
8 defend the terms of this Stipulation." Did I read at
9 that correctly?

10 A. You did.

11 Q. And then I want to draw your attention to
12 the footnote if I could. And that footnote is
13 footnote 16 and it states "Sierra Club, Direct
14 Energy, and IGS are not obligated to support the
15 Stipulation." Did I read that correctly?

16 A. The footnote is intended to show that
17 the -- those three parties aren't obligated to
18 support, through litigation, any additional financial
19 expenditure, future proceedings related to the
20 stipulation if it's contested, and that's what that
21 footnote states.

22 MR. MICHAEL: May I have that answer read
23 back, please.

24 (Record read.)

25 Q. Okay. You referenced in your response,

1 Mr. Allen, the intent of that provision. And I am
2 wondering on what basis are you testifying to the
3 intent of that provision.

4 A. If I stated the word "intent," I didn't
5 intend to use the word "intent." What I was
6 describing was the meaning of that paragraph.

7 Q. Okay. And do you attribute the meaning of
8 that paragraph to your participation in the drafting
9 of the document?

10 MR. SATTERWHITE: Your Honor, I'll object
11 to the extent the question is asking the witness to
12 divulge discussions with other parties that took
13 place during negotiations. That's protected by the
14 Commission as confidential.

15 EXAMINER PARROT: I agree,
16 Mr. Satterwhite.

17 Mr. Allen, to the extent you can answer
18 the question without needing to divulge the substance
19 of any settlement discussion, please do so.

20 A. My answer to that question isn't based on
21 discussions with parties as we went through the
22 settlement process. What it's based upon is a clear
23 reading of the combination of the words in paragraph
24 E and the footnote 16.

25 Q. And, Mr. Allen, just so I'm clear, you are

1 making those comments as a nonlawyer, correct?

2 A. I'm making those statements as the
3 managing director of regulatory case management that
4 has been involved in many stipulations and seen
5 language like this in those stipulations and my
6 understanding of what the meaning of those types of
7 paragraphs are.

8 Q. Okay. And you are making that statement
9 without reading into the minds of the parties to the
10 stipulation, correct?

11 A. Absolutely.

12 Q. Mr. Allen, is it possible that the
13 signatory parties referenced in footnote 16 could
14 attribute a different meaning to that provision than
15 you just described?

16 A. I wouldn't expect so.

17 MR. MICHAEL: Could I have the question
18 read back, please?

19 (Record read.)

20 Q. So you can't tell me if, in fact, they do
21 attribute a different meaning to that provision,
22 correct?

23 MR. SATTERWHITE: I'll object. I think
24 his answer, last answer answered that question which
25 is asking the same thing again.

1 EXAMINER PARROT: I am going to overrule
2 the objection.

3 A. My expectation would be that the other
4 parties would read this paragraph of the stipulation
5 in the same manner that I read the stipulation and
6 they would understand it in a similar fashion.

7 Q. Okay. Could I draw -- do you still have
8 your deposition transcript, Mr. Allen?

9 A. I do.

10 Q. Okay. Thank you. And if I could direct
11 your attention to page 219 of that deposition
12 transcript.

13 A. I'm there.

14 Q. And specifically line -- let's begin with
15 line 20 on page 219 and I am going to carry-over to
16 page 220. And for the purpose of fullness,
17 Mr. Allen, I am actually going to start on line 12.
18 And I'll begin reading.

19 "Question: Okay. But are you testifying
20 at -- in making that comment are you testifying
21 that's the reason behind footnote 16 in the
22 stipulation?"

23 Your attorney objects and says, "I'll
24 object to the extent he is asking you to divulge
25 conversations between the parties. He can testify to

1 what this part means as it's here or not but not any
2 conversation that happened between parties."

3 And then I respond, "Yeah. I am just
4 talking about the meaning of this provision."

5 Your counsel, "Thank you."

6 "Answer: So I can't tell you why these
7 parties chose to have this provision put in here and
8 how they view it but my -- but I described what my
9 understanding of this provision is and what the
10 parties that have footnoted on this section what
11 costs they are avoiding through that footnote." Did
12 I read that correctly?

13 A. And I think that matches up with the
14 answers I provided to you in the last couple of
15 questions and answers you have gone through.

16 Q. Okay. I will reask ask my question. Did
17 I read that correctly?

18 MR. SATTERWHITE: Objection, your Honor.
19 Again, we are using the deposition for improper
20 impeachment. This is exactly what the witness
21 described in his previous answer and it's improper
22 use of a deposition.

23 MR. MICHAEL: Your Honor, I think on the
24 stand Mr. Allen gave what was abyss -- an ambiguous
25 response to my questions; whereas, at the deposition,

1 he clearly stated he can't tell why the parties chose
2 to have this provision put in there or how they view
3 it.

4 MR. SATTERWHITE: But, your Honor, I
5 believe he said that would be his expectation, and
6 then OCC counsel asked a more direct question which I
7 objected to because it fits with exactly how the
8 witness responded at the deposition. "You can't tell
9 me for sure, can you?" So it's a different set of
10 questions and he answered a direct question asked by
11 Mr. Michael.

12 MR. MICHAEL: Yes. And the response, your
13 Honor, and I will defer to the record obviously, but
14 the response to my second question, which your Honor
15 overruled the company's objection, was ambiguous, and
16 I think the deposition testimony was unequivocal that
17 the witness couldn't testify about how the other
18 parties chose to have this provision put in there or
19 how they view it.

20 MR. SATTERWHITE: It was a different
21 layout of questions, your Honor. This is consistent
22 with what the witness said before. He asked a
23 different follow-up question today trying to get the
24 witness to go beyond what was discussed in the
25 deposition, and at the instruction of the bench the

1 witness answered that question. That's not what is
2 covered in the deposition.

3 EXAMINER PARROT: All right. I think I
4 agree, Mr. Satterwhite. I don't think the questions
5 are exactly the same or they definitely were not put
6 to the witness in the same manner. So I guess I am
7 going to say, Mr. Michael, let's move on, and if we
8 are going to keep referring to the deposition this
9 morning, let's make sure that we are truly using it
10 for impeachment purposes.

11 MR. SATTERWHITE: Thank you.

12 EXAMINER PARROT: Make things move along a
13 little more expeditiously.

14 MR. MICHAEL: Okay. Thank you. So just
15 so I'm clear, your Honor, according to that
16 instruction, do I have to ask the question exactly as
17 it was asked during the deposition?

18 EXAMINER PARROT: Well, I think throughout
19 this hearing we have been down this road of any
20 little perceived difference in what the witness
21 stated during the deposition prompts this need to
22 cover it again during the hearing, and I think we're
23 kind of wasting our time with that exercise for the
24 most part. So if we are going down this path, let's
25 just make sure we are truly impeaching the witness

1 and not just trying to point out little -- what I
2 consider minor differences that will have no real
3 effect on this proceeding, Mr. Michael. That's all I
4 am saying.

5 MR. MICHAEL: Okay. Thank you, your
6 Honor. Thanks for the clarification.

7 Q. (By Mr. Michael) Sticking with the
8 footnotes, if I could, Mr. Allen, more generally, the
9 signatory parties have requested footnotes in
10 specific sections for reasons only known to them,
11 correct?

12 MR. SATTERWHITE: Again, your Honor, I'll
13 object to the extent it gets into discussions that
14 happened during settlement, why one party might want
15 a footnote, that then leads to the overall package
16 approved by all the signatory parties.

17 MR. OLIKER: I will agree.

18 MR. MICHAEL: I didn't ask for any
19 rationale or the content of any discussion, your
20 Honor.

21 MR. OLIKER: You said the "reasons."

22 MR. MICHAEL: I will read the question
23 back verbatim. "The signatory parties have requested
24 footnotes in specific sections for reasons only known
25 to them, right?" I didn't ask about the content of

1 any of those reasons.

2 MR. SATTERWHITE: And, your Honor, things
3 that go in the stipulation are from discussions
4 amongst the parties, and it would require this
5 witness to disclose what was talked about as part of
6 those negotiations of why something went in.

7 EXAMINER PARROT: I am going to overrule
8 the objection on this particular question. Again,
9 with a caveat, and this is just going to apply, let's
10 just get it out here right now, I am not asking the
11 witness to divulge the substance of your settlement
12 discussions, so if you feel like you can -- just do
13 your best, please, to answer the question without
14 doing that.

15 MR. SATTERWHITE: And if I may, your
16 Honor, because I don't want to make it seem like I am
17 being an obstructionist later, I appreciate that
18 direction, but if I interrupt it's not because I'm
19 ignoring the bench, it's just this is very serious.

20 EXAMINER PARROT: That's perfectly fine to
21 continue to object on the record. We will note those
22 objections as they come, but I just want it
23 understood right now at the outset, I am not
24 expecting -- and this goes for any witness throughout
25 the remainder of the proceeding, to go into the

1 extent of your settlement discussions in terms of the
2 actual substance of what was discussed in those
3 meetings.

4 MR. SATTERWHITE: Thank you.

5 A. So I am going to give a general answer.
6 When a settlement like this is drafted and parties
7 request, as part of the drafting of a stipulation,
8 that specific words are included, including
9 footnotes, there may be a discussion among the
10 parties about the need for the inclusion of that
11 language. That discussion may occur between counsel
12 for the various parties or between other individuals
13 that are a party to the negotiation process.

14 Q. Okay.

15 MR. MICHAEL: Your Honor, I move to strike
16 that response and I would request that the court
17 reporter read the question back.

18 MR. SATTERWHITE: Could we have the
19 question reread back first, your Honor?

20 EXAMINER PARROT: Yes. Let's do it in
21 that order, please.

22 (Record read.)

23 MR. SATTERWHITE: If I may, your Honor, I
24 think he asked more generally, and then after the
25 discussion about how he can't discuss exactly what

1 happened between the parties in this case. He
2 responded, more generally, typically here is how it
3 works. The discussion, the negotiation process, and
4 how generally that works, and that really is the
5 scope of what's proper for the hearing room of the
6 process that's involved versus the direct
7 conversations.

8 MR. MICHAEL: Once again, your Honor, I
9 didn't ask about the direct conversations. And my
10 reference to "more generally," as clear from the
11 question, relates to all of the footnotes rather than
12 any one specific footnote.

13 MR. SATTERWHITE: And I believe he was
14 responding to provide the record, after the Bench's
15 instruction, of what he could respond with. So
16 generally, as the question asked, he generally
17 described what goes into footnotes.

18 EXAMINER PARROT: The motion to strike is
19 denied, Mr. Michael.

20 MR. MICHAEL: Thank you, your Honor.

21 Q. (By Mr. Michael) Mr. Allen, you believe
22 Sierra Club supports the totality of the stipulation
23 as a whole, right?

24 A. Sierra Club supports the stipulation as a
25 package, that's correct.

1 Q. Okay. Mr. Allen, I would like to draw
2 your attention to page 37 of the stipulation and in
3 particular paragraph H.

4 A. I'm there.

5 Q. And in specific the first sentence,
6 Mr. Allen, it states "Unless the Signatory Party
7 exercises its right to terminate its Signatory Party
8 status or withdraw as described above, each Signatory
9 Party agrees to and will support the reasonableness
10 of this Stipulation before the Commission, and to
11 cause its counsel to do the same, and in any appeal
12 it participates in from the Commission's adoption
13 and/or enforcement of this Stipulation." Did I read
14 that correctly?

15 A. You did.

16 Q. I would like to draw your attention to
17 footnote 17, if I might, Mr. Allen. And it states
18 "Whether or not Sierra Club exercises its right to
19 terminate its Signatory Party status or withdraw as
20 described above, Sierra Club and its counsel are not
21 obligated to support the reasonableness of this
22 Stipulation before the Commission. Sierra Club and
23 its counsel agree not to oppose the Stipulation
24 before the Commission." Did I read that correctly?

25 A. This is a footnote similar to footnote 16,

1 as we briefly described, as it related to
2 paragraph E. And this paragraph H addresses
3 continuing financial outlays by Sierra Club to
4 support the stipulation in future appeals. So it
5 doesn't obligate Sierra Club to continue to make
6 those outlays in the future. That's what that
7 statement states.

8 Q. Okay. But in my understanding of your
9 responses to my questions regarding footnote 16 were
10 that footnote and that provision dealt with the fact
11 they didn't have any continuing obligations in
12 connection with supporting the stip if it was
13 contested, correct?

14 A. Paragraph E, in my reading, the way it's
15 described is that if the stipulation is contested and
16 it deals with rehearing to defend the stipulation.
17 Paragraph H goes further and describes an appeal
18 process related to the Commission's ultimate adoption
19 or enforcement of the stipulation. So there -- they
20 have similar effects, but they are addressing two
21 different circumstances and the obligations of
22 parties to continue to incur financial costs to
23 support the stipulation or the avoidance of those
24 costs as part of the stipulation.

25 Q. Okay. So based on that response,

1 Mr. Allen, is it your view that the provision in
2 Section E that says "The signatory Parties will
3 support the Stipulation if the Stipulation is
4 contested" does not cover appeals?

5 MR. SATTERWHITE: Just for the
6 instruction, I'll object. These are legal provisions
7 and he is not an attorney. With that caveat, again,
8 just to make it clear, your Honor.

9 MR. MICHAEL: We do have to evaluate the
10 stipulation as a package and this is the one and only
11 witness who's testifying to it, so I think it's
12 appropriate to ask the questions and have them
13 answered.

14 MR. SATTERWHITE: I agree as a
15 regulatory --

16 EXAMINER PARROT: And as we said
17 yesterday, Mr. Allen is offering a regulatory
18 expert's opinion today and not a legal expert.

19 A. So my understanding of paragraph E would
20 be that it would be dealing with the process that we
21 are going through here today as well as supporting
22 the application on rehearing, and paragraph H goes
23 further to deal with the appeal process. That would
24 be my layman's reading of those two paragraphs.

25 Q. But isn't it true, Mr. Allen, that

1 paragraph H specifically addresses what the signatory
2 parties will have to do or don't have to do as it
3 relates to this current proceeding, correct? And,
4 specifically, I will draw your attention to the
5 provision that says "Each Signatory Party agrees to
6 and will support the reasonableness of this
7 Stipulation before the Commission."

8 MR. SATTERWHITE: Your Honor, I'll object.
9 I think he is misrepresenting the two paragraphs. E
10 and H can operate in tandem. He is leaving out the
11 first part of H and misleading the witness to what
12 the meaning of the paragraph could be. There could
13 be other reasons why there is redundancy within the
14 stipulation.

15 MR. MICHAEL: And if that's the case, I
16 think the witness can explain that.

17 MS. BOJKO: I'm sorry, your Honor. I am
18 going to have to object to counsel coaching the
19 witness, telling him the provision goes together.
20 This is the witness's testimony and he should be able
21 to speak to the stipulation and not have any kind of
22 coaching from his counsel.

23 MR. SATTERWHITE: Your Honor, these are
24 the legal provisions and, as we established, I'm his
25 legal counsel and this is the legal part of the

1 stipulation and different parts have different
2 meanings to the lawyers that the regulatory people
3 sometimes don't even want to know about. So I am
4 just pointing that out so it's clear so it doesn't
5 mislead the record.

6 MR. MICHAEL: Your Honor, obviously
7 another view would be that these provisions are vague
8 and ambiguous and to the degree they are, we have an
9 opportunity to explore their meaning. And this is
10 the one and only witness being offered to support the
11 stipulation. These provisions are part of the
12 package and I think the Commission is entitled to a
13 record as it relates to important provisions in the
14 package.

15 EXAMINER PARROT: And, again, with the
16 understanding that Mr. Allen is not here as an
17 attorney, he is not an attorney. Mr. Allen, I would
18 direct you to answer the question to the best of your
19 ability as a regulatory expert.

20 A. So as I read paragraph H, we have to read
21 the first part of H to understand how it all fits
22 together. It says "Unless the Signatory Party
23 exercises its right to terminate its Signatory Party
24 status or withdraw as described above...." When it
25 says "above," you need to look to paragraph G.

1 So if we look to paragraph G, that
2 describes modifications to the stipulation that could
3 occur as a result of the Commission's order in this
4 proceeding. So E deals with the proceeding we're
5 addressing here. Paragraph G then provides
6 opportunities for parties to withdraw from the
7 stipulation and it addresses what actions occur if
8 the Commission materially modifies the stipulation.

9 Then we have to go to H after we read G.
10 And that's where H explains what the signatory
11 parties' obligations are in that circumstance. So
12 that's my understanding of how these three paragraphs
13 work together.

14 So, you know, I would expect if we -- if
15 there were issues that occurred in the future, the
16 lawyers would read these paragraphs together, which
17 is what I expect lawyers to do is read them together
18 and understand the meaning of words like as described
19 above. So we have to look at the totality of the
20 document.

21 Q. And so just so I'm clear then, Mr. Allen,
22 based on that testimony, now, you are saying that
23 paragraph H relates to the implications and what will
24 happen if paragraph G is invoked; is that correct?

25 A. What I'm stating is that in reading

1 paragraph H you have to look at the conditions that
2 paragraph H describes. So it describes things that
3 may occur as a result of the paragraphs above and
4 then it provides obligations for the signatory
5 parties as a result of what's occurred previously.

6 Q. Okay. And in that response you use the
7 words "paragraphs above." So does H refer to both G
8 and E or all of the paragraphs above?

9 A. The way I read paragraph H is that it's
10 broader than paragraph E and it addresses a wider
11 spectrum of future proceedings that may occur. And
12 so H refers to all paragraphs above.

13 Q. Sticking with footnote 17, if we could,
14 Mr. Allen, on page 37, do you still have that in
15 front of you?

16 A. I do.

17 Q. Okay. And specifically I want to draw
18 your attention to the sentence that reads "Sierra
19 Club and its counsel agree not to oppose the
20 Stipulation before the Commission." And I just
21 wanted to confirm with you it would be inappropriate
22 to read that sentence to mean that Sierra Club does
23 not oppose the stipulation in its entirety, right?

24 MR. SATTERWHITE: Can I have the question
25 reread, please?

1 (Record read.)

2 A. I think you are trying to take a sentence
3 out of context. And so what you have to look at when
4 you are reading footnote 17 is how it applies to the
5 paragraph that it's attached to or the sentence that
6 it's attached to. That's how you have to look at
7 footnotes. And so what this footnote is stating is
8 that in these appeals or proceedings that are
9 described in paragraph H, that Sierra Club and its
10 counsel agree not to oppose the stipulation before
11 the Commission in any of those proceedings.

12 Q. Okay. So the footnote -- so the footnote
13 and the statements therein apply only to the sentence
14 to which it's footnoted, correct?

15 A. My general understanding is that's why you
16 attach footnotes to specific sentences is because
17 they relate to that sentence, that's correct, or that
18 topic.

19 MR. MICHAEL: If I might approach, your
20 Honor?

21 EXAMINER PARROT: You may.

22 MR. MICHAEL: For purposes of
23 identification, your Honors, I have handed the
24 witness what was previously marked as OCC Exhibit
25 No. 26 and it is the interrogatory and response to

1 S1-008.

2 (EXHIBIT MARKED FOR IDENTIFICATION.)

3 Q. Mr. Allen, can you identify, please, the
4 document that was marked as OCC Exhibit 26?

5 A. Yes. OCC Exhibit 26 is the company's
6 response to Consumers' Counsel discovery request
7 INT-S1-008 that was prepared by myself.

8 MR. SATTERWHITE: And, your Honor, for
9 just one point, a package of documents and discovery
10 responses that the company had agreed to stipulate
11 into the record. This is one of those with the
12 corresponding workpapers that relate to it. So since
13 we are going to ask questions about it, if the
14 witness needs the workpapers, I would just appreciate
15 the opportunity for him to have those available to
16 him to answer any questions.

17 MR. MICHAEL: Your Honor, I understand
18 Mr. Satterwhite's point. If I might suggest I could
19 ask the question. I don't think it will require any
20 analysis of workpapers, and if it does then I will
21 certainly wait until my colleague brings them over.

22 MR. SATTERWHITE: Sure. I just wanted to
23 make sure we were on the same page that when we
24 agreed to put this in the record, the workpapers will
25 be associated with it.

1 MR. MICHAEL: Yes, that will be part of
2 the record.

3 MR. SATTERWHITE: Thank you.

4 Q. (By Mr. Michael) Mr. Allen, in response to
5 that interrogatory, you clarified that the estimated
6 customer rate impact as a result of this proceeding
7 will be known with respect to the items listed in the
8 parenthetical, correct?

9 A. It provides examples of those items. If
10 you look at the workpapers, there is also the
11 expansion of the IRP eligibility and the automaker
12 credit provision would be included in those
13 workpapers. And those are listed in the workpaper.

14 Q. Okay. Does that bring us then to a total,
15 Mr. Allen, of five items the rate impact of which
16 would be known as a result of this proceeding?

17 A. Those are the five elements that are
18 expected to occur directly as a result of this
19 stipulation being approved.

20 Q. Okay.

21 A. It won't be subject to future proceedings.

22 Q. And with the exception of those items, the
23 signatory parties don't know the rate impact of other
24 provisions proposed in the stipulation, correct?

25 A. No, I wouldn't agree with that.

1 Q. Tell me why.

2 A. Without divulging specific conversations
3 among parties to the stipulation, there were requests
4 by signatory parties to understand the potential cost
5 implications of specific elements that were addressed
6 in the stipulation based upon certain assumptions
7 that the stipulating parties may have requested the
8 company to consider in that analysis.

9 Q. Okay. But I wanted to pick up on the
10 potential that they don't know the rate impacts with
11 certainty other than those five items, correct?

12 A. The signatory parties were provided
13 information to understand the potential rate impacts
14 of the stipulation with recognition that for certain
15 of those elements there would be future rate
16 proceedings that would provide the final results for
17 the rate impact of those items.

18 Q. So they don't know the rate impact of
19 those items with certainty, correct, at this point in
20 time?

21 A. They don't know the specific value, but
22 they understand what the likely implications are.

23 Q. Thank you.

24 MR. MICHAEL: May I approach, your Honor?

25 EXAMINER PARROT: You may.

1 MR. MICHAEL: To identify the document,
2 your Honor, I have handed the witness what is a copy
3 of OCC Exhibit No. 27, and that is the interrogatory
4 and response to OCC Interrogatory S1-048.

5 EXAMINER PARROT: So marked.

6 (EXHIBIT MARKED FOR IDENTIFICATION.)

7 Q. Mr. Allen, can you identify what was
8 previously marked as OCC Exhibit No. 27?

9 A. OCC Exhibit 27 is the company's response
10 to Consumers' Counsel discovery request INT-S1-048
11 that I prepared.

12 Q. Okay. And you should feel free,
13 Mr. Allen, to refer to your direct testimony
14 reference in the question should you so choose. But
15 your response to that interrogatory confirms that AEP
16 Ohio has not performed any cost analysis regarding
17 converting Conesville Units 5 and 6 to co-firing by
18 December 31, 2017, correct?

19 A. Well, the companies have not completed a
20 specific cost analysis for Conesville Units 5 and 6,
21 the company has experience with converting other coal
22 facilities on the AEP system, and so that informs our
23 understanding of the likely magnitude of cost that
24 may occur -- may be incurred to convert units 5 and 6
25 to natural gas co-firing. The exact value of those

1 will not be known until the company makes its filing.
2 That will be our projection of the actual costs and
3 then we'll have actual costs that will be incurred if
4 the Commission approves the cost recovery of that
5 project.

6 Q. Okay. So just so my understanding is
7 clear, you stand by your response that the company
8 has not performed the requested calculations/study,
9 correct?

10 A. The company has not prepared a specific
11 calculation of the cost of converting Conesville
12 Units 5 and 6 to gas co-firing because the company
13 will undertake that endeavor after the Commission
14 approves the stipulation in this proceeding and then
15 the company will move forward with that filing.

16 Q. Okay. And once again, that's a future
17 filing that may be accepted or rejected by the
18 Commission, correct?

19 A. That's correct.

20 Q. So at this point in time when the
21 Commission is doing its public interest analysis, the
22 only thing it knows for certainty regarding co-firing
23 5 and 6 is that the company has committed to make a
24 filing, correct?

25 A. That's a public interest value that the

1 company's committed to making a filing to put before
2 this Commission the option to convert Conesville 5
3 and 6 to 50-percent natural gas co-firing. Such a
4 undertaking couldn't occur but for the stipulation.

5 Q. And why couldn't it occur but for the
6 stipulation?

7 A. The Commission could not approve the
8 natural gas co-firing of Conesville 5 and 6 in the
9 absence of this stipulation and the PPA that is
10 associated with it. And the PPA rider that goes
11 along with that.

12 Q. Isn't it true, Mr. Allen, that the company
13 could make a filing for converting and cost recovery
14 thereof, separate and apart from this PPA rider
15 proceeding?

16 A. Absent the PPA rider proceeding, there
17 would be no mechanism in place to allow for that cost
18 recovery to occur or for the company to put forth
19 this option.

20 Q. Well, I mean, the company could do an
21 additional filing for a PPA rider to fund a
22 conversion of 5 and 6 separate and apart from this
23 proceeding, right?

24 A. The company could make a separate PPA
25 filing related to just Conesville 5 and 6. The

1 company is not proposing this in this proceeding, and
2 the Commission would not have a commitment by the
3 company to make such a filing in the absence of this
4 stipulation. So without the stipulation, no party,
5 including the Commission, has any assurance that the
6 company would make such a commitment to file and put
7 before this Commission the option to approve the
8 co-firing of Conesville 5 and 6, the associated cost
9 recovery of that.

10 Q. Okay. So based on those comments then,
11 Mr. Allen, you would agree with me, first, that
12 obviously it is the Commission that gets to decide
13 what's in the public interest, correct?

14 A. Yes.

15 Q. Okay. And when -- when they are doing
16 their public interest analysis, the only certainty
17 they have arising from the stipulation is the
18 commitment to file, correct?

19 A. The commitment to make a filing that
20 wouldn't necessarily be made in the absence of this
21 stipulation, that's correct.

22 Q. Thank you.

23 MR. MICHAEL: May I approach, your Honor?

24 EXAMINER PARROT: You may.

25 MR. MICHAEL: For identification purposes,

1 your Honor, I have handed to the witness a copy of
2 what was previously marked as OCC Exhibit No. 27
3 which is the interrogatory and response to
4 Interrogatory S1-047.

5 EXAMINER PARROT: I think we are on 28,
6 Mr. Michael.

7 MR. MICHAEL: I apologize, 28.

8 EXAMINER PARROT: The exhibit is marked as
9 OCC Exhibit 28.

10 (EXHIBIT MARKED FOR IDENTIFICATION.)

11 Q. Can you identify, please, Mr. Allen, what
12 has been marked as OCC Exhibit 28?

13 A. OCC Exhibit 28 is the company's response
14 to Consumers' Counsel discovery response INT-S1-047
15 that I prepared.

16 Q. Thank you. And the interrogatory asks AEP
17 Ohio to "identify the annual cost impact on
18 residential consumers of the two year Pilot
19 Consolidated Billing Program," correct?

20 A. It does.

21 Q. And the response does not identify what
22 the annual cost will be, correct?

23 A. I think I described this yesterday. And
24 it describes it in this discovery response, is that
25 the annual cost impact on residential customers can't

1 be known until the company files its next
2 distribution base case. What I described yesterday
3 is that the company has identified expected cost of
4 between 500,000 and a million dollars, so, on
5 average, 750,000, of which 50 percent would be paid
6 by the signatory -- or, the participating CRES
7 providers that are signatory parties to the
8 proceeding, so that \$375,000 would be rate base
9 component of the company's next distribution rate
10 case.

11 And until we know the date of that next
12 distribution rate case, the ROE associated with that
13 next distribution rate case, the depreciation rate or
14 amortization rate associated with these assets, we
15 can't know what the exact impact is on residential
16 customers. But we do understand what the overall
17 costs of the program are and how they would be
18 incorporated into a future distribution rate case and
19 ultimately impact retail rates for residential
20 customers.

21 Q. Okay. Thank you.

22 I wanted to draw your attention, if I
23 could, Mr. Allen, back to Settlement Exhibit WAA-2,
24 please.

25 A. I'm there.

1 Q. And WAA-2 and the associated workpapers
2 are the documents relied on to support your assertion
3 that the stip preserves and advances the MRO versus
4 ESP test from ESP III, correct?

5 A. I think as we discussed yesterday, that's
6 one of the elements that I considered.

7 Q. WAA-2 and the associated workpapers don't
8 include the costs of converting Conesville 5 and 6,
9 right?

10 A. That's correct. That would be a
11 proceeding before the Commission where the Commission
12 could weigh the net benefits of that proposed
13 conversion, that's correct.

14 Q. And WAA-2 and the associated workpapers
15 don't include the cost to develop the solar and wind
16 power projects, correct?

17 A. As described in the stipulation, those
18 would be future proceedings before the Commission
19 where the Commission could weigh each of those
20 individual projects and weigh the costs and benefits
21 associated with those. So that's not included in
22 this document. That's a future proceeding -- I'm
23 sorry, it is not included within Exhibit WAA-2. It
24 is a part of a future proceeding.

25 Q. Could I please draw your attention,

1 Mr. Allen, to page 28, paragraph E of the
2 stipulation.

3 A. I'm there.

4 Q. And that paragraph deals with a filing of
5 a carbon reduction plan, correct?

6 A. It does.

7 Q. And when AEP Ohio files that carbon
8 reduction plan, it will not include additional
9 binding commitments to reduce carbon, correct?

10 A. There may be binding commitments that the
11 company has made in other forums that would be
12 included in that document. But that document would
13 not include additional binding commitments as it's
14 described in this document.

15 Q. If I could draw your attention, please,
16 Mr. Allen, to page 35, paragraph D of the
17 stipulation.

18 A. I'm there.

19 Q. And feel free to read it in its entirety,
20 Mr. Allen, but that particular paragraph, and I am
21 paraphrasing, deals with the potential that a court
22 of competent jurisdiction invalidates the PPA rider,
23 correct?

24 A. The first sentence of that paragraph says
25 "If a court of competent jurisdiction invalidates the

1 application of the PPA rider proposal in whole or in
2 part, the Company will permit any part of the Joint
3 Stipulation that has not been invalidated to continue
4 while a good faith effort is made by the Signatory
5 Parties to restore the invalidated provision to its
6 equivalent value."

7 Q. And then in the next sentence it describes
8 how the company will then file a modification to the
9 PPA rider to try to provide a reasonable remedy to
10 cure the deficiency, correct?

11 A. No. You missed the intervening sentence
12 that states "The signatory parties agree to work in
13 good faith, on an expedited basis not to exceed 60
14 days, to cure any court-determined deficiency."

15 Q. Thank you. As a regulatory expert, you
16 can't make a recommendation on what would happen if
17 the court were to determine that the deficiency can't
18 be cured, correct?

19 A. Based on my experience, a court typically,
20 especially in regulatory matters, doesn't identify
21 that a cure is not possible. They would be ruling on
22 the merits of the proceeding before them and
23 typically would remand the case to the Commission; or
24 to the extent that they rejected, in whole, a ruling
25 of the Commission, they would not foreclose the

1 ability of the parties and ultimately the Commission
2 to approve a machination that fit within the
3 provisions of the law.

4 Q. And I don't want you to read too much into
5 my question, Mr. Allen, all I am simply asking is
6 that you, as a regulatory expert, aren't in a
7 position to recommend what any cure would be,
8 correct?

9 A. Well, that wasn't your last question but
10 the -- I can't recommend what a cure can be until I
11 know what a court has invalidated.

12 Q. And, likewise, you wouldn't be able to
13 recommend if the court determined the deficiency
14 can't be cured, correct?

15 A. I think, as I described before, based on
16 my experience, I am not aware of a court saying that
17 there is no possible cure. They are ruling on the
18 specific facts and circumstances before them and the
19 parties can always try to find a way that fits within
20 the law.

21 Q. And, in fact, under the stipulation, the
22 signatories would work together to try to come up
23 with a cure to any court-found deficiency, correct?

24 A. That's what's described generally in
25 paragraph D.

1 Q. But also under that paragraph the
2 signatory parties could oppose whatever reasonable
3 remedy the other signatory parties came up with,
4 correct?

5 A. That's described later in that paragraph,
6 that's correct.

7 Q. Okay. And if they were to do that, which
8 is to say if a party were to oppose the remedy come
9 up with by the other signatory parties, they would
10 forfeit their stipulated provision, correct?

11 A. Those are the words that are stated in
12 that paragraph, that's correct.

13 Q. Okay. And were that to be the scenario,
14 you believe there would be a debate among the parties
15 about which provisions could terminate and which
16 wouldn't terminate, correct?

17 A. I would expect there would be a discussion
18 among the parties, yes.

19 Q. Well, I just want to be clear, Mr. Allen,
20 you think there would be something more than a
21 discussion between the parties. You think there
22 would be a debate among the parties as to which
23 stipulated provision would be forfeited, correct?

24 A. I don't view a distinction, as I sit here
25 today, between a discussion and a debate. Those are

1 comparable words in my mind.

2 Q. Okay.

3 MR. MICHAEL: May I approach, your Honor?

4 EXAMINER PARROT: You may.

5 MR. MICHAEL: Your Honor, I would like to
6 have marked as OCC Exhibit No. 29, the Interrogatory
7 S1-074 and the response.

8 EXAMINER PARROT: So marked.

9 (EXHIBIT MARKED FOR IDENTIFICATION.)

10 Q. Mr. Allen, could you please identify what
11 was previously marked as OCC Exhibit No. 29?

12 A. OCC Exhibit No. 29 is the company's
13 response to Consumers' Counsel discovery request
14 INT-S1-074 that was prepared by counsel.

15 Q. Okay. And would you please take a moment
16 and read that response, Mr. Allen.

17 A. I've read it.

18 Q. And you don't -- you don't disagree with
19 counsel's statements in there in the description of
20 what a nonparticipating party is, correct?

21 A. I don't disagree with the words that are
22 stated in this response. I think your paraphrasing
23 is a little off, but the words speak for themselves,
24 and I don't disagree with the words that are written
25 on the page.

1 Q. Okay. Thank you. But you don't know if
2 you would adopt those words yourself exactly,
3 correct?

4 A. Generally my words would be different than
5 the words that an attorney may choose, but the
6 general understanding and the general content of that
7 would be comparable.

8 Q. Okay. You would agree with me though,
9 Mr. Allen, that as those phrases would be used in any
10 specific document, it would have to be interpreted in
11 light of that specific document individually rather
12 than generally, correct?

13 A. I think as we described previously, you
14 have to read a footnote in the context of the
15 sentence or paragraph that that footnote is attached
16 to.

17 Q. Okay. So the meaning in a specific
18 document of those terms would have to be interpreted
19 individually based on that particular document rather
20 than the general language provided in response to
21 S1-074, correct?

22 THE WITNESS: Could I have the question
23 reread, please?

24 (Record read.)

25 A. I apologize. I am having trouble

1 following that. Maybe you could just rephrase it.

2 Q. Of course. Isn't it true, Mr. Allen, that
3 in any specific document, the phrases referenced in
4 S1-074 would have to be interpreted individually and
5 not with reference to the general descriptions in
6 S1-074?

7 A. The response to S1-074 is a general
8 response to what those words generally mean.
9 Understanding the implications of those words,
10 though, you have to look to the provisions they are
11 associated with, so that's the distinction I would
12 make. This is generally describing what those words
13 mean, but the implications can only be known after
14 you review how they fit within a specific document in
15 the provision they are attached to.

16 Q. Thank you.

17 I wanted to wrap up if we could,
18 Mr. Allen, with a couple of questions regarding the
19 bidding strategies under the PPA rider and the
20 Commission's review if we could.

21 Yesterday, we discussed a little bit about
22 potential options were any one or all of the PPA
23 units not to clear the BRA auctions. One of those
24 options was participate in supplemental auctions,
25 correct?

1 A. That was one of the options discussed,
2 yes.

3 Q. And another one of the options discussed
4 was bilateral contracts, correct?

5 A. Bilateral contracts for the capacity, yes.

6 Q. Okay. But nothing in the stipulation
7 requires or would require AEP Ohio to enter into
8 either a supplemental auction or a bilateral
9 contract, correct?

10 A. The stipulation, if we go to paragraph
11 Roman III.A.5.a. on page 7 describes the Commission's
12 review of the company's actions, and I'll read that
13 first sentence and then give an explanation. The
14 first sentence states "AEP Ohio agrees to participate
15 in annual compliance reviews before the Commission to
16 ensure that actions taken by the Company when selling
17 the output from the generation units included in the
18 PPA rider into the PJM market were not unreasonable."

19 As part of that review, the Commission
20 would be reviewing the actions undertaken by the
21 company. Those actions would include the company's
22 decision to either bid or not bid those units into a
23 supplemental auction or the company's decision to
24 seek out or not seek out a bilateral contract.

25 And when the Commission reviewed the

1 company's decisions, they would be measuring whether
2 or not those decisions were unreasonable or not.

3 So the stipulation doesn't direct a
4 specific action. What the stipulation does do,
5 though, is provide a review by the Commission to see
6 if the actions that were undertaken were unreasonable
7 or not.

8 MR. MICHAEL: I have no further questions,
9 Mr. Allen. Thank you.

10 THE WITNESS: Thank you.

11 EXAMINER PARROT: Ms. Bojko.

12 MS. BOJKO: Is it possible to take a brief
13 5-minute break?

14 EXAMINER PARROT: Okay. Let's do that.
15 Go off the record.

16 (Recess taken.)

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

19 Ms. Bojko.

20 MS. BOJKO: Thank you, your Honors.

21 - - -

22 CROSS-EXAMINATION

23 By Ms. Bojko:

24 Q. Good morning, Mr. Allen.

25 A. Good morning.

1 Q. As you know, my name is Kim Bojko, and I
2 represent the Ohio Manufacturers' Energy Group. I
3 have some questions. I am going to try not to
4 duplicate, but some foundational will need to be put
5 in place for some of the questions, so I apologize
6 and please bear with me.

7 As far as the initial \$4 million credit
8 that you discussed that is associated with rider
9 PPA -- the PPA rider, it is possible that the rider
10 will be updated the following quarter and could turn
11 into a charge to customers after the first three
12 months of implementing the initial rider; is that
13 correct?

14 A. If the rider is implemented March 1, as
15 we've assumed in the stipulation, the first
16 proceeding that would include a true-up of actual
17 data for the units would occur in the third quarter
18 of 2016 reflecting the actual results for the period
19 March through June of 2016 and would impact customer
20 rates beginning in October of 2016. The result of
21 implementing that true-up for actual results could be
22 an increased credit or a charge to customers in the
23 fourth quarter of 2016.

24 Q. Thank you. If we could turn to page 8 of
25 the stipulation.

1 A. I'm there.

2 Q. Deals with the option to terminate upon
3 unit sale. Even if AEP -- I guess it would have to
4 be even if AEP Generation would sell or transfer the
5 plant, the purchase power rider, the PPA rider
6 continues unless the Commission acts to terminate it;
7 is that correct?

8 A. So just to be clear because I think you
9 are mixing the rider and the inclusion of the unit,
10 its costs and its output in the rider, so what the --
11 what that provision discusses is that if AEPGR sells
12 one of the generating units, to a nonaffiliate, that
13 the Commission will have the ultimate decision right
14 as to whether or not the costs and attributes of that
15 generating unit continue to be included in the PPA
16 rider.

17 Q. All right. And so it would continue to be
18 included in the PPA rider unless and until the
19 Commission acts to remove it from the PPA rider; is
20 that correct?

21 A. As stated, it's if the Commission decides
22 to exclude that unit. So based upon that phrase,
23 your statement would be accurate.

24 Q. And there's no provision in the
25 stipulation to eliminate a plant from the rider if

1 the plant is retired; is that correct?

2 A. There is no provision in the stipulation
3 that requires a unit to be removed from the rider if
4 that unit is retired.

5 Q. And so if a unit is retired, the costs
6 associated with that retirement would also be passed
7 on to customers through the PPA rider; is that
8 correct?

9 A. The Commission would have the right to
10 review the actions of the company to determine if
11 those actions were reasonable, and to the extent that
12 the Commission determines that those actions were
13 reasonable, then costs associated with those actions
14 would flow through the rider, that's correct.

15 Q. And you've discussed, I think yesterday
16 you discussed a little bit about the provision
17 regarding the future possible credits that AEP may
18 provide to customers under certain circumstances. Do
19 you remember that?

20 A. I do.

21 Q. Okay. The credits that you referenced
22 that may potentially begin in 2021, they are not a
23 guarantee; is that correct?

24 A. The additional credits described on page 5
25 of the stipulation are commitments based upon the

1 specific language included in paragraph 3.

2 Q. So if the rider happens to be a charge in
3 Year 5 of \$20 million, the credit described in that
4 provision would merely offset the charge by the
5 \$10 million so customers would continue to pay a
6 charge of \$10 million; is that correct?

7 A. For planning year 2020-'21 your
8 hypothetical example would be accurate.

9 Q. A. on page 7 of the stipulation, 5.a., you
10 discussed a little bit today the review provision in
11 5.a. This provision, the concept of reviewing the
12 PPA rider as you have described, that was in the
13 original application, is that correct, or amended
14 application?

15 A. In the amended application and within the
16 testimony of myself and company Witness Vegas, we
17 described the prudence review that would be
18 undertaken by the Commission related to the actions
19 of AEP Ohio in managing its decision-making rights
20 under the contract with AEPGR, as well as the sale of
21 the output of the units into the marketplace.

22 Q. And so with this provision included in the
23 stipulation, there are no new commitments in the
24 stipulation as far as the Commission's review goes;
25 is that correct?

1 A. It's describing the same review that the
2 company had contemplated in its amended application,
3 but it provides more specificity in what that review
4 will entail.

5 Q. And if you look at page 13 of the purchase
6 power agreement contract, which has been marked as
7 P3/EPSA Exhibit 10, there was -- there were no
8 resulting revisions to that paragraph of the PPA
9 contract as a result of this inclusion in the
10 stipulation; is that correct?

11 A. I apologize. Which paragraph were you
12 referring to?

13 Q. Well, I have written down page 13, but
14 hold on. That's right, sorry. The Commission's
15 review is not actually in the PPA contract; is that
16 correct? Because it doesn't have anything to do with
17 the purchase producer power agreement, it's whether
18 AEP can collect the costs from the Commission through
19 the PPA rider.

20 A. I'm not sure if I follow what your
21 question was.

22 Q. Sure. I had originally asked you if there
23 was any changes or revisions to the PPA contract as a
24 result of the review of the Commission, and I believe
25 the answer to that would be no, because there is no

1 Commission review included in the PPA contract; is
2 that correct?

3 A. The PPA contract is a wholesale contract.
4 The Commission's role related to the PPA is ruling on
5 the prudence of AEP Ohio entering into that PPA with
6 AEPGR.

7 Q. Right. And the Commission does not have
8 authority over AEP Generation's actions or how AEP
9 Generation -- AEPGR operates the units; is that
10 correct?

11 A. The Commission doesn't have oversight
12 rights related to AEPGR's actions, but the Commission
13 does have oversight of the actions of AEP Ohio as
14 they participate in the operating committee that
15 oversees the operation of the units. So through that
16 forum and looking at the actions of AEP Ohio, the
17 Commission does have some review rights related to
18 how the units are operated --

19 Q. Well --

20 A. -- and decision-making around the
21 operation.

22 Q. Well, let's look at who has operation
23 responsibilities. If you look at page 13 of the
24 P3/EPISA Exhibit 10, Section 4.1, isn't it true that
25 the seller has the responsibility for operation work

1 and to operate the units?

2 MR. SATTERWHITE: Your Honor, at this
3 point I'll object. I think as counsel for OMAEG
4 referenced earlier, there is not a change in this
5 section of the PPA, and I believe there was
6 discussion before about who has the responsibilities
7 to do work and do different factors and there is no
8 redline here that really could be asking questions
9 about this phase of the proceeding.

10 MS. BOJKO: Well, your Honor, if I may
11 respond. This is in direct response to his response
12 which went beyond my question and is misleading
13 without correction that AEP Ohio has some ability to
14 effectuate the operations of the plants that the
15 Commission would then have oversight over through
16 oversight of some operating committee that's not
17 contained in this section.

18 MR. SATTERWHITE: Your Honor, I remember
19 in the initial phase, I am sure you do as well, I
20 think we spent days on this subject about AEP Ohio,
21 what oversight they have, who is involved, how they
22 interact with AEPGR, what the operating committee
23 does. All those are well laid ground. I don't think
24 we need to revisit this phase because it is not
25 impacted by the stipulation.

1 MS. BOJKO: Well, your Honor, that is
2 exactly what my question is asking him, did the
3 stipulation cause some kind of new commitment, an
4 additional oversight that the Commission now has.
5 And in his response he said they would have oversight
6 over the AEP Gen -- AEPGR operations and that is not
7 what is provided for in this document.

8 EXAMINER PARROT: I think I would disagree
9 with that characterization of his response,
10 Ms. Bojko. I am also going to sustain the objection.
11 Let's move on.

12 Q. Okay. You are not trying to say the
13 stipulation now gives the Commission oversight
14 authority over AEP Generation -- GR's -- AEPGR's
15 operations of the PPA units, are you?

16 A. This stipulation did not change the
17 Commission's oversight related to AEPGR.

18 Q. Thank you. And the stipulation did not
19 give the Commission oversight rights of the operating
20 committee as set forth in the PPA contract; is that
21 correct?

22 A. The stipulation does not change the fact
23 that the Commission will have oversight rights
24 related to the decisions of AEP Ohio as a member of
25 the operating committee, the operating committee

1 which oversees the significant decisions related to
2 the operation of the units.

3 Q. And the stipulation did not revise the PPA
4 contract to give the Commission that explicit
5 authority in the PPA contract; is that correct?

6 A. The authority to review the decisions of
7 AEP Ohio as a member of the operating committee
8 existed in the company's proposal in the amended
9 application and it continues to exist under the
10 stipulation.

11 Q. But that is not explicit in the PPA
12 contract as you've described it before, I believe; is
13 that right?

14 MR. SATTERWHITE: Objection. I think we
15 have covered this ground. He explained the nature of
16 the PPA, what it is, what kind of contract it is, and
17 the Commission's oversight of it and he has explained
18 what the Commission's role is related to AEP Ohio.

19 I don't know -- just because you say it's
20 in the stipulation doesn't change anything, doesn't
21 mean we can retread this ground and try to make this
22 agreement -- PPA agreement something different than
23 it is.

24 MS. BOJKO: Right. I am just asking if
25 that language is included in the agreement because he

1 is implying that it is.

2 MR. SATTERWHITE: He said there has been
3 no change.

4 EXAMINER PARROT: I think given the ground
5 we've covered to this point, I am going to allow this
6 question. Mr. Allen, if you could answer the
7 question. If you need us to reread it at this point,
8 we can do that.

9 THE WITNESS: If you can reread it.

10 EXAMINER PARROT: I think it has been
11 stated a few times so let's go back to the beginning.

12 (Record read.)

13 A. As I described earlier, the PPA contract
14 is a wholesale agreement between -- proposed
15 wholesale agreement between AEPGR and AEP Ohio.
16 Commitments related to oversight rights of the
17 Commission are included in the stipulation and the
18 company's amended application which addressed retail
19 ratemaking issues. In addition, the Commission has
20 its traditional oversight rights related to utility
21 operations and decision-making.

22 Q. So the answer to my question is no, it's
23 not in the PPA contract.

24 A. My answer is such a commitment would not
25 be included in a wholesale contract.

1 Q. And calculation of -- of the PPA rider is
2 based on the sale of power into PJM regardless of how
3 it is actually sold; is that correct?

4 A. I think you are referring to paragraph
5 5.a., the last sentence on 7 where it states "In
6 addition, the calculation of PPA rider will be based
7 on the sale of power into PJM." What that sentence
8 is stating is that the company will be selling the
9 output of power from those units into the PJM market.

10 Q. And if they sell it via bilateral
11 contracts, which you discussed was possible yesterday
12 and today, if they sell it by bilateral contracts,
13 would the calculation of the PPA be on the bilateral
14 contract price or the price at PJM at the time?

15 A. A bilateral contract would still be within
16 PJM so that would be a sale into PJM.

17 Q. So the price would be based on the actual
18 bilateral contract then?

19 A. If the company is selling the uncleared
20 capacity, uncleared in the BRA or a supplemental
21 auction, if the company sells that into a bilateral
22 contract, that would be a sale into PJM, and the PPA
23 rider would include the actual revenues received from
24 the bilateral contract. To do the alternative that
25 you have suggested would be to place a zero value

1 because that would be what the PJM revenue would be
2 if the units didn't clear.

3 And so what the company is committing is
4 that all of the revenues received from the sale of
5 the capacity of these units, whether it's through a
6 bilateral or through the base residual auction, all
7 those revenues would be included in the net of the
8 PPA rider.

9 Q. You are not suggesting that the -- that
10 you could not enter into -- AEP could not enter into
11 a bilateral contract without first offering it up for
12 sale in the PJM markets, are you?

13 A. What the company has described is that our
14 intent is to bid these units into the base residual
15 auction and future supplemental auctions.

16 Q. And even if the base residual auction has
17 already occurred by the time that this PPA rider will
18 go into effect?

19 A. These units have already been bid into
20 prior base residual auctions and to the extent
21 appropriate into supplemental auctions. To the
22 extent that revenues are received as a result of
23 bidding those units in and those revenues are
24 received during the term of the PPA rider or the PPA
25 as well, those revenues will be included in the PPA

1 rider.

2 Q. And to the extent there is availability of
3 the output of those units at the time that the PPA
4 contract is executed and implemented, AEP Ohio would
5 enter into bilateral contracts or sell that output
6 into incremental auctions; is that correct?

7 A. I think you are confused about how the
8 process works. The company and in this case I will
9 speak about AEPGR, has previously made decisions
10 about bidding the units into the BRA supplemental
11 auctions or the new capacity performance auctions
12 based upon a risk-informed bidding strategy. Those
13 are the conditions that will exist when the PPA
14 begins.

15 To the extent that, as we move forward,
16 when the company is making risk-informed decisions
17 about bidding any of the uncleared capacity from
18 those units into future auctions or buying back some
19 of those commitments to reduce risk, those revenues
20 resulting from those decisions will flow through the
21 PPA rider.

22 Q. Right. And I appreciate you helping me
23 out, but when we do the -- when you talk about the
24 existing state of affairs when this PPA rider is
25 implemented, there possibly also could have already

1 been bilateral contracts; is that correct?

2 A. There are no bilateral contracts for
3 capacity related to these units that exist that will
4 be coming over with the PPA.

5 Q. What about -- strike that.

6 So I believe you said whatever AEP
7 Generation has done to date when you -- when the PPA
8 contract begins is what the Commission is approving
9 in this proceeding. They are approving the rider.
10 They get whatever the decisions have already been
11 made and however that output is contracted at this
12 point; is that correct?

13 A. We described this in the initial phase of
14 the proceeding. That there are a certain set of
15 contracts and commitments related to these units that
16 exist, things like coal contracts or bids into the
17 base residual auctions that have occurred. That
18 information has been provided to the parties and the
19 Commission staff as part of the discovery process.
20 So those are the decisions that have already occurred
21 when we enter into the PPA. I'm sorry if I lost
22 where your question was going.

23 Q. And the Commission is -- is, in essence,
24 by approving the stipulation and the company's
25 application -- amended application is not modified by

1 the stipulation, the Commission is accepting all of
2 those decisions and there will be no further
3 regulatory review or prudence review of any of those
4 decisions made by unregulated affiliate of AEP Ohio;
5 is that correct?

6 A. The Commission would be accepting those
7 prior decisions, but what the Commission would have
8 the continuing oversight of is the decisions by AEP
9 Ohio in how to manage those prior decisions and
10 whether things like buying back some of the capacity
11 that had already been bid in if we are trying to
12 reduce risk, those decisions of AEP Ohio would be
13 subject to continuing Commission review.

14 Q. And just to be clear, those are AEP Ohio's
15 going-forward decisions. We are not looking back
16 anymore with regard to what has been done; is that
17 correct?

18 A. That's correct.

19 Q. And this stipulation provides that even if
20 the PPA rider is overturned by the Supreme Court,
21 that no money can be refunded to customers that have
22 been -- that has been collected under the PPA rider;
23 is that correct?

24 A. Can you point me to the paragraph that
25 you're referring to?

1 Q. Page 35 of the stipulation. It's the last
2 sentence -- last couple of sentences on page 35
3 explains that no amounts collected shall be refunded
4 as a result of the severability provision.

5 A. You've correctly read what that sentence
6 states.

7 Q. So it's your understanding that if -- if
8 the Supreme Court takes three years to hear this case
9 and the PPA rider collects money from the customers
10 for those three years, none of that money would be
11 able to be refunded to customers.

12 MR. SATTERWHITE: Just for clarification,
13 are you referring to the document or law in general?
14 I want to know what to base my objection.

15 MS. BOJKO: I would not refer to the law
16 since he is not a lawyer, but I think without your
17 coaching I think we all know there are laws in place.
18 I am asking the opinion, regulatory opinion about
19 what he believes a provision of the stipulation says.

20 MR. SATTERWHITE: Okay. My objection was
21 going to be in the form of the question, it was
22 vague. It's not coaching; it's trying to not get in
23 the way of your questions, but if they are going to
24 be vague, I am going to object.

25 A. I wouldn't want to identify what the

1 rights of the Ohio Supreme Court will be with regard
2 to this stipulation. What I will say though from a
3 general ratemaking concept in Ohio, that we have a
4 Keco doctrine that generally prevents retroactive
5 ratemaking, so that's my general regulatory
6 understanding. And this would be consistent with
7 that.

8 Q. Well, since we are now talking about a
9 legal doctrine that you brought up in your regulatory
10 opinion, isn't it true that Keco may not necessarily
11 apply in the situation of riders that can be trued
12 up?

13 A. And I am not going to be able to give you
14 a legal distinction, but the way I view riders from a
15 regulatory perspective in Ohio is that the Commission
16 has the ability to deem a cost imprudent, and to the
17 extent that a prior cost is deemed imprudent, the
18 effect of those costs can be included in the
19 over/under calculation related to a rider and that
20 doesn't violate the retroactive ratemaking concept.

21 What would violate the retroactive
22 ratemaking concept is to exclude recovery of
23 prudently-incurred costs related to a rider that was
24 lawfully implemented by the company as a result of a
25 Commission order.

1 Q. So under that explanation, if the
2 Commission found that costs were imprudent because
3 the Supreme Court found them unlawful, then under
4 your scenario they would be able to be refunded to
5 customers.

6 A. As a regulatory expert, I would not view a
7 Supreme Court decision that a rider was contrary to
8 the law to be the same as a determination that the
9 underlying costs were imprudent.

10 Q. So, again, what I was really trying to ask
11 you was back to this provision. In your mind you
12 believe that this provision, if the Commission adopts
13 it, would preclude money from being refunded to
14 customers even if there is a Supreme Court decision
15 finding the rider to be unlawful?

16 A. What I'm testifying to is that this
17 provision specifically, the statement that says "No
18 amounts collected shall be refunded as a result of
19 this severability provision" is a statement that the
20 Commission would be accepting as part of the
21 stipulation, and it would be my expectation that the
22 Commission would follow both the ruling of in -- in
23 the example you've given the Supreme Court, as well
24 as the language in this provision, and look at those
25 in combination as it makes its ultimate decision if

1 the scenario around severability does occur.

2 Q. Meaning you believe that decision would be
3 that they are precluded from refunding customers
4 money under this provision; is that correct?

5 A. That's not what I stated. I stand by the
6 answer I previously gave.

7 MR. SETTINERI: Could we have that answer
8 reread, please.

9 (Record read.)

10 Q. And I guess the ultimate decision you are
11 referring to in that statement is that the Commission
12 would be able to decide whether refunds could be
13 given to customers or not?

14 A. That's not what my statement was. My
15 statement was that the Commission would need to look
16 at both the stipulation and the ruling of the Supreme
17 Court in combination when it makes its ultimate
18 decision about how to address a court order that
19 resulted in this severability provision applying.

20 Q. Let's turn to page 10 of the stipulation,
21 please. I am going to ask a few more questions about
22 the extension of the ESP III term and the future
23 filing. You did state this is going to be a separate
24 application to amend the already-approved ESP III; is
25 that correct?

1 A. That's correct.

2 Q. And in that separate application that AEP
3 will request to extend riders and tariffs related to
4 the expanded ESP term and that includes an extension
5 of the distribution investment rider; is that
6 correct?

7 A. That would be one of the elements that the
8 company would be proposing an extension of, yes.

9 Q. And would it also include an increase of
10 the caps previously approved by the Commission in ESP
11 III?

12 A. It would include -- it's my expectation,
13 we haven't prepared the filing, but it would be my
14 expectation that the caps would be increased on an
15 annual basis to allow for the continued investment in
16 distribution infrastructure that the Commission has
17 previously ruled provides value to customers, yes.

18 Q. And isn't it true that these provisions --
19 or Section C on page 10 also allow AEP to propose
20 extensions of riders not included in the stipulation
21 language?

22 A. It allows the company to propose for the
23 Commission's consideration and ultimate
24 decision-making, it allows for additional riders or
25 mechanisms in that filing, that's correct.

1 Q. And isn't it true that AEP may also seek
2 to increase charges associated with those riders and
3 tariffs in the next -- in its separate application
4 for ESP filing?

5 A. It allows the company to propose new
6 levels for any number of riders that are included in
7 this discussion in this section of the stipulation.
8 And those will be able to be reviewed by all of the
9 parties in the case as well as the Commission in that
10 proceeding.

11 Q. You chose your words carefully, so I just
12 want to confirm that includes that AEP may seek to
13 increase the charge for riders and tariffs in its
14 filing to extend the current ESP; is that correct?

15 A. The company may seek to increase the rates
16 under different tariffs, that's true.

17 Q. And isn't it true under the stipulation
18 that the separate application could include any
19 additional issues under the ESP statute relating to
20 expanding the term of the ESP?

21 THE WITNESS: I'm sorry, could I have that
22 question reread, please.

23 (Record read.)

24 A. Subject to the conditions included in
25 paragraph C.13 on page 13, the company could include

1 new proposals in that ESP extension filing.

2 Q. And you said except for, but there is a
3 specific line item on page 10, C.1-6, that says the
4 ESP stipulation application -- or extension of the
5 ESP application will include the addition -- any
6 additional issues under the ESP statute relating to
7 the expanding of the ESP term; is that correct?

8 A. You are referring to paragraph 6?

9 Q. C.1-6 on page 10. It's just a sentence.
10 It's not a paragraph.

11 A. So item C.6?

12 Q. Well, C.1. Oh, I'm sorry. C.6, yes.

13 A. The additional items in paragraph 6 would
14 be those items that would follow after that. So
15 paragraph 7, for example, would be one of those
16 additional issues that would be included in that
17 application.

18 Q. Okay. Let's look at item 2 in that list
19 on page 10. What is the cost of the additional
20 funding commitments related to expanding the ESP term
21 referenced there?

22 A. Those additional funding commitments would
23 be included in that application, and the company will
24 be developing that as we move forward after the
25 stipulation is approved.

1 Q. So you don't have an estimated cost of
2 item C.2 on page 10; is that correct?

3 A. C.2 may or may not result in costs to
4 customers. It depends on what those funding
5 commitments entail.

6 Q. And, again, sitting here today, you don't
7 know if it does result in a cost, you don't know what
8 that may be.

9 A. That cost will be part of the ESP
10 proceeding where the Commission will be weighing the
11 costs and benefits and public policy issues related
12 to that extension as a total package.

13 Q. And in item 3, is there a cost associated
14 with the proposal to extend the competitive bidding
15 process in auction products and related matters?

16 A. I think you are confused about what this
17 section of the stipulation is doing. What that
18 sentence is doing is saying that the company will
19 propose an auction schedule. It's as simple as that.
20 What that auction schedule will be. So a proposal to
21 develop an auction schedule as part of that doesn't
22 have a cost. It's just a proposal to lay out what
23 that schedule will be.

24 Q. Well, thank you for clearing that up, but
25 what the language actually says is a proposal to

1 extend the competitive bidding process for SSO
2 procurement including the schedule, auction products,
3 and related matters, and that was the point of my
4 question. Is there a cost associated with that kind
5 of proposal?

6 A. So, as you are aware, when an ESP is
7 proposed, that includes auctions to serve SSO
8 customers. You need to define what products will be
9 auctioned to serve those customers. And so what this
10 item is stating is that the company will develop a
11 schedule, identify what the products are that will be
12 procured, capacity and energy, term, whether it's a
13 one-year, two year, three-year product, and the
14 related matters would include how that auction would
15 be managed.

16 It may include the specific contract that
17 bidding participants would be entering into, a
18 proposed contract. At times it may include
19 identification of who the auction manager will be.
20 And it may include elements of how the costs
21 associated with mapping the auction would be included
22 in the SSO rates.

23 Q. So I'm hearing you that you don't believe
24 there would be necessarily a cost associated with the
25 proposal. It may be a proposal to discuss some of

1 the embedded costs that are in an SSO regarding an
2 ESP proceeding.

3 A. The only costs I can envision that would
4 be discussed in this section are the costs of hiring
5 an auction manager.

6 Q. Fair enough. Let's go to item 7, page 10.
7 It states that there will be a provision to expand
8 and increase the IRP credit; is that correct?

9 A. Yes.

10 Q. Okay. And you are going to increase the
11 IRP availability by 250 megawatts; is that correct?

12 A. It's to expand it by 250 megawatts subject
13 to the limitation that 150 megawatts of that increase
14 are specifically held back for interruptible load for
15 new businesses located in the AEP Ohio service
16 territory.

17 Q. Thank you. It's also subject or there is
18 a possibility that you could increase that to
19 275 megawatts if the first 100 megawatts is
20 subscribed to in the first 12 months; is that
21 correct?

22 A. The 100 megawatts could be increased to
23 125 megawatts, that is correct, with the same
24 150 megawatts being reserved for new load.

25 Q. For a total possibility of 275 megawatts.

1 A. That's correct.

2 Q. Okay. And you also intend to extend the
3 IRP credit for additional five years of the -- to
4 coincide, I guess with the extension of the ESP term;
5 is that correct? Or it's probably about five and a
6 half years.

7 A. It's actually exactly six years.

8 Q. Oh, six.

9 A. And the company would be proposing to
10 extend the IRP tariff for the duration of the
11 extended ESP which would be through May of 2024.

12 Q. Thank you for that clarification. And you
13 are also proposing to increase the IRP credit to \$9
14 per megawatt per curtailable load; is that correct?

15 A. The company will propose in that filing to
16 increase the credit to \$9 per kW month starting in
17 June of 2018 and through the remainder of the term.

18 Q. So do you have an estimate of the cost of
19 expanding the IRP load by 250 meg -- to 250 megawatts
20 with the possibility of increasing to 275 megawatts?

21 A. I can give you an estimate of that. Which
22 one would you like, 250 or 275?

23 Q. Let's do 275.

24 A. Assuming that the rate is 821 per kW
25 month, which it will be starting in -- or which it

1 currently is and will be in place through May of 2018
2 and assuming that there's economic development
3 benefits to Ohio that result in 150 megawatts of
4 additional interruptible load, so we have a new,
5 large industrial customer that comes into the state
6 providing economic benefits, and that the additional
7 125 megawatts is fully subscribed, the annual cost
8 would be \$27,093,000. That assumes full
9 subscription.

10 MR. KURTZ: Could I ask for a
11 clarification on that number? Did you assume any PJM
12 BRA offset in that as is required?

13 MS. BOJKO: Your Honor, I object. This is
14 my cross. If he has a question, I am sure he is well
15 capable of passing a note to AEP's counsel.

16 EXAMINER PARROT: We can come back to it,
17 Mr. Kurtz. I will have no doubt you will have your
18 opportunity.

19 Ms. Bojko, did you have your question?

20 MS. BOJKO: I believe.

21 Q. Can we just -- you said a little over 27
22 and a half million, I think is what you said. Is
23 that what you said?

24 A. That would be the cost of the credit being
25 provided to customers.

1 Q. Okay. And, again, you were using the old
2 credit, the \$8.21 in that calculation; is that
3 correct?

4 A. I was using the 8.21 to identify what the
5 cost of providing the credit to customers was.
6 That's not the ultimate rate impact on other
7 customers, but what it is is the cost of providing
8 the credit.

9 Q. Understand. And so if we do 27 and a half
10 million, and you would multiply that by six years, I
11 believe you said was the extension, then that would
12 be -- \$165 million would be the cost of this --
13 providing this credit to IRP customers; is that
14 correct?

15 A. It would be the cost of the credit, but
16 when you evaluate the cost to retail customers, you
17 have to look at the totality of how the provision
18 works. And any of the revenues that the company
19 receives from selling these interruptible commitments
20 by these customers that are participating into the
21 PJM market would offset that cost. So it would
22 result in a lower cost than that to retail customers.

23 And the secondary element that you have to
24 look at is this interruptible provision, if it's
25 implemented, has the effect of lowering the peaks in

1 PJM, and ultimately lowering those peaks in PJM
2 results in lower costs from an energy and capacity
3 perspective for all customers in the market. So
4 there's a secondary benefit that all customers will
5 see.

6 MS. BOJKO: Okay. I appreciate you trying
7 to help Mr. Kurtz out. But, your Honor, I am going
8 to move to strike everything after that "would be the
9 cost of the credit" which is directly responsive to
10 my question. It was the very first sentence he
11 stated.

12 MR. SATTERWHITE: Your Honor, she is
13 trying to figure out what the impact of this
14 stipulation is and the question was cost of providing
15 this credit. And he was giving the full answer of
16 what the impacts of this are. You can't look at it
17 in a vacuum, but there are other impacts so that
18 could be applied to customers.

19 EXAMINER PARROT: I agree,
20 Mr. Satterwhite. Motion to strike is denied.

21 Q. Okay. Then let's talk about how that
22 number was derived. The \$5 million that you believe
23 was part of your equation -- well, let's back up
24 because I am not sure you said that.

25 The 5 million -- you believe that each

1 50-megawatt of additional participation in the IRP
2 tariff at the \$8.21 kilowatt hour per month results
3 in credits of approximately \$5 million annually from
4 your previous experience; is that correct?

5 A. For each 50 megawatts, there would be
6 approximately \$5 million of credits provided to
7 participating customers. The retail rate impact
8 would include the elements I previously discussed.

9 Q. Okay. And so by using that number is
10 where you arrived at the \$165 million approximately
11 for the six-year extension of the IRP at the old
12 credit of \$8.21; is that correct?

13 A. I didn't arrive at a cost of \$165 million
14 for the six-year extension.

15 Q. I thought you agreed with me, but maybe we
16 need to have that question on the record since I
17 thought that's what you agreed to me the first
18 sentence and then you went on to explain a whole
19 bunch of other things.

20 So are you agreeing with me that the cost
21 of expanding the IRP credit existing today, the
22 \$8.21, to 275 megawatts, would result in a
23 \$165 million cost of providing that credit?

24 A. No, I am not agreeing to that.

25 Q. Okay. You didn't say 27 and a half

1 million dollars for six years, you are disagreeing
2 with the math that 27 and a half million dollars for
3 six years equals \$165 million?

4 A. No. What I am -- what I agreed to is that
5 \$27 million times six years would result in
6 approximately \$162 million. What I am not agreeing
7 to, though, that the cost of increasing the maximum
8 participation level for the IRP tariff would result
9 in the costs that you're identifying.

10 Q. And do you know how many additional
11 customers -- currently, I believe you explain that
12 there's two customers on the IRP rate. Do you know
13 how many additional customers could be eligible and
14 participate in the IRP rate under the expanded
15 150 megawatts being offered?

16 A. I don't think I stated that there are
17 currently two customers participating in the IRP
18 rider.

19 Q. Well, I didn't want to get in trouble for
20 asking you a question that was already asked in the
21 previous hearing, but for foundational purposes,
22 isn't it true that there are two, currently two
23 customers taking service pursuant to the IRP tariff?

24 A. I don't recall as I sit here today.

25 Q. Okay. And I did think I misstated, so I

1 am going to try again. There's -- those -- it's
2 100 megawatts and possibly 125 megawatts that could
3 be available to signatory parties under this
4 expansion. Do you know how many customers would be
5 able to be eligible and take service with that
6 limitation of expansion?

7 A. Clearly the number of customers that would
8 be able to participate under that provision would be
9 dependent upon what those customers loads' are and
10 their interruptible capabilities.

11 So if you had a customer that was capable
12 of interrupting 50 megawatts and they weren't
13 participating today and they chose to participate,
14 you would take that 50 megawatts off and you would
15 have 50 megawatts remaining. You would have to see
16 how many customers wanted to participate in that
17 remainder.

18 Q. Okay.

19 A. That were able to curtail.

20 Q. Okay. So you don't know how many
21 additional customers would be able to pay -- sitting
22 here today you don't know how many additional
23 customers would be able to take advantage of this IRP
24 credit under the limitations provided for in the
25 stipulation?

1 A. I can't identify that until those
2 customers tell me what their capabilities are and
3 their willingness to participate --

4 Q. Okay.

5 A. -- or their desire to participate.

6 Q. And I want to make sure our numbers are
7 clear on the record, because you responded to me with
8 different numbers and I thought we had agreed that
9 with assuming a 275-megawatt increase that the result
10 would be 27 and a half million per year. In one of
11 your responses you said 27 million. So I -- it was a
12 little over 27 and a half million; is that correct?

13 A. No. It was -- let me make sure I have my
14 math because I am pretty sure I got it right the
15 first time as well. It was 27,093,000.

16 Q. Oh, thank you. I misheard that number.
17 Okay. And that's where you get the 162 million then
18 for expansion of over the six years, 27 times 6.

19 A. I am not going to agree that's the cost of
20 the expansion.

21 Q. Because you are saying there are other
22 offsetting benefits; is that correct?

23 A. There's several other factors you have to
24 consider. One is participation level of customers.
25 You have to look at whether or not new load locates

1 in the AEP Ohio service territory that's
2 150 megawatts, which for all of us that understand
3 the utility business, 150 megawatts of load is a
4 significant load expansion and would have significant
5 economic-development benefits to the state. So you
6 would have to assume that that 150 megawatts came in.

7 So the maximum credits that could be
8 provided to participating customers over the six
9 years, assuming full participation and new load
10 coming into the AEP Ohio service territory totaling
11 150 megawatts of interruptible capacity, then the
12 total credits could achieve 162 million. The retail
13 rate impact of that would be offset, though, by the
14 benefits of that interruptible capability provided.

15 Q. Okay. And the 162 million is based on the
16 \$8.21 credit. Have you done an estimation or a
17 calculation of what the increase would be or the cost
18 of those credits if we increase the \$8.21 to the \$9
19 proposed in the stipulation?

20 A. The annual impact, assuming 275 megawatts,
21 which attach the same caveats I previously stated,
22 the annual impact of that would be \$2.6 million. The
23 annual -- the increase in the credits available to
24 customers would be 2.6 million.

25 Q. And, again, that's annual, so you would

1 multiply that by the six years' extension proposed;
2 is that correct?

3 A. To the extent that there is full
4 participation, the math would be 2.6 million times 6.

5 Q. So you would take the 15.6 million and add
6 that to the 162 million to get the cost of the credit
7 provided -- or the -- it is the actual credit -- the
8 amount of the credit provided. I'll change my words
9 since you don't like the word "cost." That equals
10 the amount of the credit provided under the IRP
11 tariff as proposed by the stipulation; is that
12 correct? \$177.6 million.

13 A. I hate to keep having to add these
14 statements, but you are being fairly loose with how
15 you are describing things. These would be the
16 maximum credits available to customers assuming full
17 participation. They are not guarantees that that
18 level of participation will occur. It's the maximum
19 if participation went all the way up to 275 megawatts
20 subject to the conditions included in paragraph 7 of
21 this stipulation.

22 Q. Thank you for that clarification. So the
23 max credits under maximum participation would equal
24 \$177.6 million.

25 A. Over the six-year extension periods,

1 assuming a \$9 per kW month rate, the maximum customer
2 credits available with full participation would be
3 \$178.2 million.

4 Q. And sitting here today, you cannot
5 quantify the offsetting benefits that you have
6 mentioned; is that correct?

7 A. The company hasn't performed that
8 calculation at this point in time.

9 Q. Okay. And you referenced one of the
10 benefits could be an offset in revenues received from
11 the PJM market; is that correct? Bidding in the
12 demand response into the PJM market?

13 A. That's correct, that would be one of the
14 offsetting elements, yes.

15 Q. And it's the company's intent to continue
16 to do that as they do today, correct?

17 A. The company's intent is to continue the
18 approach of bidding that into the PJM auction as --
19 as allowed, yes.

20 Q. Well, the "as allowed" is what I want to
21 talk about. Is it currently -- or is the demand
22 response under the company's IRP tariff currently
23 eligible under the new capacity performance product?
24 Currently eligible to participate in the capacity
25 auction under the new capacity performance product.

1 A. We're still in transitional years for the
2 capacity performance product. I'm not sure what the
3 rules will be for the final capacity performance
4 product which would be for planning years '19-'20.

5 Q. So starting in '19, do you know whether
6 you would have to modify or conform the current IRP
7 tariff in order to be eligible to participate in the
8 capacity performance auction?

9 A. Without knowing what those final rules
10 are, I can't tell you whether or not we would need to
11 make changes to that.

12 Q. And do you know whether that decision
13 would be made before the ESP amendment filing in
14 order to effectuate that ability to bid into the PJM
15 market?

16 A. My understanding is that as the PJM rules
17 change, the company endeavors to modify its tariff
18 such that we are able to provide the maximum benefit
19 in the PJM market based on how our customers can
20 perform.

21 Q. Let's move to provision 8 of the
22 stipulation on page 11. It's the -- it's the
23 automaker credit.

24 A. I'm there.

25 Q. You've explained in this provision or the

1 companies have explained in this provision that the
2 total credits available to customers under the
3 automaker credit will not exceed 500,000 annually; is
4 that correct?

5 A. That's correct.

6 Q. And would the automaker credit be put in
7 place in 2018 or would it be put in place immediately
8 upon approval of the expanded ESP? Let's back up.
9 There is not a current automaker credit, is there?

10 A. There is not.

11 Q. So now with that, is there -- would you
12 put this in place in 2018 after the expiration of the
13 current ESP term or would you put the automaker
14 credit in place immediately?

15 A. The company's proposal would be to include
16 this rider -- or this credit as a new rider that
17 would go in place upon the Commission's
18 implementation of the ESP -- the ESP extension order.
19 It would not need to wait until June of 2018. It
20 would go in place as soon as the Commission approved,
21 allowing that rider to go into place.

22 Q. So it could potentially go in place for
23 eight years, eight and a half years; is that correct?

24 A. Something less than eight years.

25 Q. Eight years, okay. And recognizing that

1 the cost of the credit is dependent upon customers
2 participating and their consumption level, does the
3 company expect that the 500,000 cap will be met on an
4 annual basis?

5 A. That's dependent upon the ability of
6 automakers within the service territory to maintain a
7 high level of production, producing economic benefits
8 for the state. So the company can't identify where
9 we'll be within that credit until we know how those
10 facilities perform.

11 Q. Okay. So sitting here today you don't
12 have an estimate of what that annual amount of credit
13 that would be passed on to customers would be?

14 A. This is a provision that is based upon
15 participation of automakers as well as their ability
16 to maintain a high level of production. And so
17 without knowing whether or not those automakers are
18 able to maintain a high level of production, I can't
19 estimate what the cost of this provision is. But
20 what I do know is provisions like this make the
21 production of automotive parts in the State of Ohio
22 more attractive than they would be in the absence of
23 such a provision.

24 MS. BOJKO: Your Honor, I move to strike
25 everything after "But what I do know." It's

1 completely nonresponsive to my question.

2 MR. SATTERWHITE: If I may, your Honor,
3 the question was asking do you have an estimate of
4 what the credit will be, and he is saying why he
5 can't provide what that credit will be or what the
6 impact of that is, the issue in question.

7 EXAMINER PARROT: I am going to grant this
8 one, Ms. Bojko.

9 MS. BOJKO: Thank you, your Honor.

10 Q. (By Ms. Bojko) But what we do know the
11 maximum exposure will be \$500,000 annually; is that
12 correct? For the seven-year period.

13 A. The maximum cost of this provision would
14 be \$500,000 if the provision is able to entice
15 automakers to increase their production in the State
16 of Ohio.

17 Q. Thank you. And so is it fair to say AEP
18 has not yet determined the charges or the costs to
19 customers that will actually propose in that filing
20 to extend the ESP?

21 A. In the ESP the company will propose this
22 credit rider, and the company has actually provided
23 an estimate of the cost impact of this rider in the
24 cost impacts that we presented in our workpapers
25 assuming maximum participation. So we've already

1 provided to the parties in this case what the cost
2 impact would be assuming maximum participation.

3 Q. I'm sorry. Maximum participation of the
4 automaker credit?

5 A. Yes.

6 Q. Oh, I'm sorry. I wasn't clear in my
7 question. I am talking overall. We have talked
8 about many provisions that you have not formulated
9 yet for your next ESP filing. And I was just asking
10 isn't it true that AEP has not yet determined the
11 overall charges or costs to customers that that next
12 amended ESP filing will contain or include?

13 A. Until the company files its ESP extension
14 application and includes all of the elements that
15 would be included, the company can't estimate what
16 the total costs and benefits of that package will be.

17 Q. Okay. Thank you. And are you -- does the
18 stipulation seek preapproval from the Commission of
19 the items listed in 7, 8, and 9, on pages 10 and 11?

20 A. No. I think that's clear from the
21 stipulation. What the stipulation indicates is what
22 AEP Ohio's commitment will be when it files its
23 application.

24 Q. Let's turn to page 9 of the stipulation,
25 please.

1 A. I'm sorry, which page?

2 Q. 9.

3 A. I'm there.

4 Q. Section B talks -- is titled "Federal
5 Advocacy," and with the provisions under Section B,
6 isn't it true that AEP is attempting to affect the
7 PJM wholesale market?

8 A. No. What AEP Ohio is committing to do in
9 this section is to advocate for certain market
10 enhancements before PJM and FERC.

11 Q. And wouldn't those market enhancements be
12 an advocacy -- advocacy for changes in the
13 current market structure?

14 A. Generally, market enhancements would be
15 changes. So what the company would be advocating for
16 are changes that would result in an enhanced market
17 within PJM, and those proposals and that advocacy
18 effort would be subject to ultimately FERC's approval
19 of any changes that PJM or other participants in the
20 market propose for those PJM tariffs that describe
21 what the market is.

22 Q. So -- so this provision does contain a
23 commitment on behalf of AEP Ohio to advocate to
24 change the PJM wholesale market; is that correct?

25 A. I think the words speak for themselves,

1 but it's a commitment by AEP Ohio to advocate for
2 market enhancements.

3 Q. Which could result in changes in the PJM
4 market; is that correct?

5 A. If those are ultimately approved by FERC,
6 those enhancements could -- could be changes to the
7 market rules and the capacity products and the like.

8 Q. Okay. Look at page 7 of the stipulation,
9 please. Page 7, back to 5.a., this provision
10 regarding the review of the PPA rider is about AEP's
11 bidding practices in the wholesale market; is that
12 correct? It discusses AEP's bidding practices and
13 the Commission's review of those bidding practices;
14 is that correct?

15 A. One aspect of the review envisioned under
16 paragraph 5.a. would be evaluation of the bidding
17 practices.

18 Q. So through this provision of the
19 stipulation, AEP Ohio's activities or the
20 Commission's review of those activities may also
21 affect the PJM market; is that correct?

22 A. No.

23 Q. Isn't it true that PJM is actually
24 concerned with this provision and its effects on the
25 PJM market?

1 A. I don't know that any testimony of PJM has
2 been admitted into the record and I wouldn't want to
3 speak for PJM at this point in time.

4 Q. Well, but you're also aware that PJM did
5 file testimony that expresses that exact concern, did
6 it not?

7 MR. SATTERWHITE: Objection, your Honor.
8 Objection, your Honor. That's a ruling the Bench has
9 not made yet about whether that's going to be a part
10 of this proceeding or not. It would be inappropriate
11 to comment on it.

12 MS. BOJKO: Your Honor, actually it would
13 be inappropriate not to because I will lose my
14 opportunity to cross-examine the witness if the
15 decision is ultimately allowed to allow the PJM
16 statements and testimony in the record. If we want
17 to reserve this witness to recross after that
18 decision is made, then I guess I would be fine with
19 that.

20 MR. SATTERWHITE: Your Honor, this witness
21 can't comment on testimony that's not in this record.
22 There is no reason to reserve to reopen this
23 proceeding at a later date. The record is where it
24 is. This witness is here. You are free to ask
25 questions but not questions about things that are not

1 part of this record and make assertions that they are
2 actual PJM positions when it's uncertain whether
3 that's part of this record or not.

4 MS. BOJKO: They are PJM positions.
5 That's not uncertain. Nothing -- no testimony is a
6 part of this record yet, your Honor. You could --
7 you could rule to grant a motion to strike various
8 parts of intervenor testimony. I mean, we don't have
9 that certainty, but until those decisions are made,
10 we have to have the ability to cross witnesses on
11 those statements until -- when a piece of testimony
12 is admitted or not is actually ruled upon.

13 MR. SATTERWHITE: Your Honor, by that
14 argument she would be able to attach stuff -- PJM
15 testimony as an exhibit, to say I want to ask you
16 questions on this, and get around the procedural
17 rights of the Bench to rule on issues that are before
18 the Bench right now. So it's inappropriate.

19 MS. BOJKO: Your Honor, it's not uncommon
20 for parties to put before witnesses other party's
21 testimony and point out where there are deficiencies
22 in their testimony and where they agree or disagree.
23 That's been a common practice before the Commission.

24 MR. SATTERWHITE: And PJM is not a party.
25 That's a matter that's still pending.

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1 EXAMINER PARROT: Ms. Bojko, I think, as
2 we stated yesterday, we did acknowledge that the
3 motion filed by PJM to seek late intervention in this
4 proceeding is still pending so I am going to ask you
5 at this point let's circle back to this. If you
6 could skip this issue for now and continue with your
7 cross-examination, we will come back to this, all
8 right?

9 MS. BOJKO: Okay. Thank you, your Honor.

10 Q. (By Ms. Bojko) Well, let's ask, are you
11 aware, Mr. Allen, that PJM has decided that its
12 markets and reliability committee will analyze how
13 the PPA will affect the region's wholesale market
14 with the paper due out in this spring?

15 A. I am not aware of that.

16 MS. BOJKO: Your Honor, I am switching
17 topics, that's the only reason I am asking, but I am
18 happy to continue longer if you would like.

19 EXAMINER PARROT: At this point let's go
20 ahead and take our break for lunch. We will
21 reconvene at 1 o'clock.

22 (Thereupon, at 12:12 p.m., a lunch recess
23 was taken until 1:00 p.m.)

24 - - -
25

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Tuesday Afternoon Session,
January 5, 2016.

- - -

EXAMINER PARROT: Go back on the record.
Ms. Bojko.

MS. BOJKO: Thank you, your Honor.

- - -

WILLIAM A. ALLEN

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

CROSS-EXAMINATION (Continued)

By Ms. Bojko:

Q. Good afternoon, Mr. Allen. Could we turn
to page 30 of the stipulation, please. I am looking
at Section 8 entitled "Battery Technology." It's
your understanding that the stipulation provides that
AEP Ohio will include battery resources in future
filings, contingent on approval, to include battery
resources in rate base; is that correct?

A. You are referring to paragraph H, just to
be clear?

Q. Correct.

A. And that paragraph states "Contingent on
battery resources being eligible for inclusion in
rate base in conjunction with the provision of

1 distribution services, AEP Ohio will include such
2 battery resources in future filings before the
3 Commission."

4 Q. Thank you. So what future filings do you
5 envision filing that would include battery resources?

6 A. One possible filing would be a base
7 distribution case and I think we describe other
8 elements in a grid modernization filing in
9 paragraph G, just prior to. So those would be two
10 types of filings.

11 Q. And what battery technology does AEP
12 intend to include in these filings?

13 A. These would be grid scale battery
14 technologies.

15 Q. Do you know what type of technology?

16 A. I think the company would identify the
17 most applicable technologies that would exist at that
18 point in time. I don't have an expectation of what
19 those technologies would be as we sit here today.

20 Q. So specific battery technology that would
21 be utilized has not yet been determined by the
22 company; is that fair?

23 A. The technology would be based upon the
24 technologies that exist at the time the company makes
25 that filing and it's an ever-evolving space.

1 Q. So my statement is fair? You don't know
2 at this time what those technologies may or may not
3 be?

4 A. I don't know, with specificity,
5 technologies the company would include in a future
6 filing.

7 Q. And nor do we know what the cost
8 associated with those battery resources would be in
9 the future either; is that correct?

10 A. That's correct. As I have described in
11 previous elements, the company would make a filing
12 with the Commission and that filing would describe
13 the costs and benefits associated with deploying
14 battery technology on the AEP Ohio system.

15 Q. And would those battery resources be owned
16 by AEP Ohio?

17 A. As described in paragraph H, those would
18 be battery resources owned by AEP Ohio and included
19 in the rate base of AEP Ohio. That's the meaning of
20 that section, is for them to be in rate base they
21 need to be owned by AEP Ohio.

22 Q. Thank you. And then if we look back -- or
23 look down to Section I on page 30 regarding renewable
24 resources, "Environmental and Renewable Energy
25 Projects." Do you see that?

1 A. I do.

2 Q. Isn't it true that AEP and its -- AEP Ohio
3 and its affiliates are committed to develop
4 500-megawatt nameplate capacity of wind energy
5 projects and 400-megawatt nameplate capacity of solar
6 energy projects if AEP Ohio gets full recovery in a
7 future PPA filing?

8 A. Generally that's what the -- what's being
9 committed to in Section I is that AEP Ohio and its
10 affiliates will develop 500 megawatts of wind and
11 400 megawatts of solar subject to Commission approval
12 and cost recovery. That doesn't mean that all of
13 those megawatts will be owned by AEP Ohio.

14 Q. And the PPA filing will be a filing
15 similar to the proceeding before us today?

16 A. As identified in paragraph I.1.b. with
17 regard to the wind projects, it would be an EL-RDR
18 project and the -- I'm sorry, EL-RDR application.
19 And the same approach would follow for the solar
20 projects.

21 Q. And meaning that that is similar to the
22 application that you filed in this proceeding; is
23 that correct? I mean, that's what the company
24 envisions on filing a similar PPA filing, correct?

25 A. I don't know that it's a -- I don't know

1 if I would use the term "similar." It will be
2 filed -- filed as an EL-RDR application.

3 Q. Well, isn't the current one filed as an
4 EL-RDR application?

5 A. They are both filed under that -- they are
6 both that type of application, that's correct.

7 Q. Well, are you envisioning something
8 different that would be filed?

9 A. No. You are trying to ask me if the
10 application will be similar. I don't know that the
11 application will be similar. What I can state,
12 though, that the two will be filed as EL-RDR
13 applications. They will include different elements.
14 So one is going to talk about the cost of wind and
15 solar. This one is talking about completely
16 different issues in a -- in a PPA related to coal
17 assets. So they are not going to be exactly the
18 same. They will be filed as EL-RDR applications.

19 Q. Okay. I am just trying to understand what
20 the company envisions and you are making distinctions
21 that I guess I wasn't familiar with. Yes, this PPA
22 is about coal resources. But the PPA that's defined
23 in Section I would be, I thought would be a similar
24 PPA filing but just with renewable resources instead
25 of coal resources. Is that not correct?

1 A. The company will propose to include PPAs
2 within the PPA rider as part of an EL-RDR
3 application. There may be different pieces of
4 information and different analyses included in that
5 application. So there will be some differences that
6 are there, but it will be done under the EL-RDR
7 applications. So I can't agree it's similar, but it
8 will use that process.

9 Q. And as you stated, the renewable resource
10 would be owned, in part, by an AEP affiliate and
11 there would be a PPA then between the affiliate and
12 AEP Ohio, whereby AEP Ohio receives the output of the
13 renewable resource equal to the percentage owned by
14 the affiliate; is that correct?

15 A. I think paragraph C describes with
16 specificity what the company is committing to.

17 Q. Well, I understand that. But I am trying
18 to understand, you are making a distinction of the
19 process or the form, and I am trying to understand
20 what exactly this EL-RDR filing will look like. So
21 am I not correct that it would be a renewable
22 resource owned, in part, by an AEP affiliate and then
23 there would be a PPA between AEP Ohio and an AEP
24 affiliate, where AEP Ohio receives the output?

25 A. Well, I think you're misreading the

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1 paragraph and that's where I struggle with providing
2 the answer. So we have to look at what paragraph C
3 states. Paragraph C says that AEP Ohio -- "AEP
4 affiliates will have the right, based on commercially
5 reasonable terms, to initially own up to 50 percent
6 of such projects on an aggregate net basis based on
7 installed capacity."

8 So when we are looking at 500 megawatts of
9 nameplate capacity, AEP affiliates could own
10 50 percent of certain projects or they could own
11 100 percent of certain projects. The important fact
12 is that the aggregate of those can't exceed
13 50 percent of the total.

14 The -- subject to those conditions, the
15 company would be presenting to the Commission the
16 PPAs associated with those wind or solar resources
17 for their review to determine whether or not it was
18 prudent for AEP Ohio to enter into those PPAs, and
19 the Commission would be approving cost recovery of
20 the net of those PPAs as we've described in this PPA
21 rider.

22 Q. And the PPAs have to coincide with an
23 affiliate's ownership in order for AEP Ohio to
24 request cost recovery of that PPA or all the costs of
25 the renewable units through the PPA rider, correct?

1 A. No.

2 Q. So AEP Ohio could propose to the
3 Commission to enter into a PPA with let's just say
4 IGS, he left the room, I will use IGS, with IGS, and
5 AEP Ohio is committing, through this application, to
6 come in to the Commission and ask for cost recovery
7 of a PPA between AEP Ohio and a nonaffiliate company,
8 IGS, and pass the net costs or credit back to
9 customers of that PPA.

10 A. Generally, that's what's described, and it
11 would be subject to, ultimately, the Commission's
12 review and approval of that PPA and the net impacts
13 and benefits to customers.

14 Q. And the PPA would be similar to the PPA
15 before us today -- strike that.

16 The request of AEP Ohio would be similar
17 to that that we have before us today with respect to
18 AEP Ohio would be requesting cost recovery of the
19 renewable units, including all the costs associated
20 with operating those units, recognizing that there
21 would be a revenue offset for the output of those
22 units?

23 A. No. What the company would be doing is
24 presenting a PPA to this Commission and asking for
25 the Commission's determination that it was prudent

1 for the company to enter into that PPA, and then the
2 company would be, under the PPA rider, would net the
3 revenues received from the market against the costs
4 associated with the PPA.

5 Q. Okay. I thought that's what I just said
6 but I want to focus on the cost piece. The costs
7 that you are talking about in your response, the
8 costs would be similar to the costs identified in the
9 PPA contract between AEP and AEP Ohio with regard to
10 the PPA units subject to the current proceeding.

11 A. No. And that's where I think you are
12 confusing the issue. What you are describing is that
13 it's the cost of the PPA. So the PPA costs that AEP
14 Ohio is incurring is the element. It's not the costs
15 that are driving the calculation of a PPA cost. It's
16 the -- basically the payments that AEP Ohio is making
17 to purchase the power under that PPA.

18 Q. Right. Under the current PPA contract
19 that's been previously marked in this case as P3/EP
20 Exhibit 10, the costs that AEP Ohio are responsible
21 for include operating costs, capital costs, include a
22 whole bunch of costs. Would that be the same costs
23 that you are referencing would be included in a PPA
24 contract between AEP Ohio and a nonaffiliate for
25 renewable projects under the new PPA contract that

1 would be executed?

2 A. These are very different types of assets
3 so it would be different types of costs that would
4 inform the pricing under the PPA.

5 Q. And the costs that would inform the
6 pricing could include the cost to actually construct
7 and finance the renewable asset; isn't that true?

8 A. Typically, if somebody is going to offer
9 the output of units, when they're pricing that, they
10 are going to consider the financing costs, the
11 operating costs associated with those assets.

12 Q. And would include it as a cost that they
13 would include in the PPA contract.

14 A. We don't know how one is going to exactly
15 calculate the price in a PPA in the future.

16 Q. But as you stated, you would envision that
17 would be a consideration for someone in order to
18 enter into such a PPA.

19 A. When someone is developing the pricing
20 that they would offer from a PPA, that being the
21 seller, they would be considering the costs
22 associated with operating those units, but they can
23 develop the actual pricing structure based on any
24 number of other considerations that they may have.

25 Q. Okay. And you would presume that they

1 would also consider a return on their investment as
2 well in the calculation, just as the PPA contract
3 between AEP Ohio and AEPGR does?

4 A. Investors always consider getting a return
5 on their investment.

6 Q. Thank you. You've mentioned a couple of
7 times and it's actually on -- in 1.b., that you will
8 file -- the company will file EL-RDR applications,
9 and my question is, do you envision multiple RDR
10 applications for each of these projects? Not
11 multiple for each. Multiple RDR applications for the
12 projects contained in Section I? Are you going to
13 file an application for each PPA entered into?

14 A. Yes, that's what the first sentence of b.
15 states.

16 Q. Okay. Do you have an opinion of when you
17 intend to file the first application?

18 A. I think as is described in the
19 stipulation, that the company, with regard to the
20 wind contracts, envisions doing those over the next
21 four years.

22 Q. Developing the projects or actually filing
23 the PPA applications or PPA rider applications?

24 A. If you look at paragraph a., the
25 individual projects will be proposed over the course

1 of the next four years following adoption of the
2 stipulation. Proposal of those projects would
3 encompass filing an EL-RDR application.

4 Q. So would you expect AEP Ohio would first
5 come to the Commission asking for approval of the
6 cost recovery of the PPA prior to entering into the
7 PPA and prior to the project necessarily being
8 completed?

9 A. It would be my expectation that the
10 company would be making the filings for cost recovery
11 prior to signing PPAs associated with these parties.

12 Q. And as you have explained previously that
13 the renewable projects may not be completed prior to
14 a PPA being executed; is that correct?

15 A. Generally, based on my experience
16 historically, these projects are not completed until
17 a PPA is signed. And just to clarify my prior
18 answer, on the signing of a PPA prior to Commission
19 approval, one of the ways that wind PPAs have been
20 dealt with in the past is that companies sign a PPA
21 prior to Commission approval but there's an explicit
22 regulatory out provision within that PPA that allows
23 the company to terminate the PPA or the PPA
24 terminates on its own if cost recovery approval is
25 not obtained from a Commission.

1 Q. Thank you. And are litigation expenses
2 associated with PPA filings, rider EL-RDR filings,
3 collected through the PPA rider?

4 A. No.

5 Q. Will AEP recover from customers the costs
6 associated with the development of the renewable
7 projects?

8 A. Development costs associated with a
9 renewable project would be costs borne by the owner
10 or developer of the project and ultimately those
11 development costs would be reflected in the totality
12 of costs for a project that a party would consider in
13 developing the pricing under a PPA.

14 Q. So I think the answer to my question is
15 yes, that AEP Ohio will seek cost recovery through
16 the PPA rider for developing the 500 megawatts of
17 wind projects and the 400 megawatts of solar
18 projects; is that correct?

19 A. No. I think my prior answer clearly
20 defined how those development costs would be
21 addressed. What you have to recognize when you are
22 signing a PPA with a party, if that PPA just has a
23 fixed dollar per megawatt-hour provision in it, you
24 can't make any specific assignment of how that
25 developer proposed that total rate that they were

1 willing to offer under the PPA, but what you can
2 understand are the types of costs that a party would
3 consider in developing that pricing. That's the
4 distinction I am trying to make.

5 MS. BOJKO: Your Honor, I believe I am on,
6 but please correct me, I believe I am on OMAEG
7 Exhibit 24.

8 EXAMINER SEE: Yes.

9 MS. BOJKO: At this time, your Honor, may
10 I have marked as OMAEG Exhibit 24, AEP Ohio response
11 to an OCC request for admission RFA-S1-0118.

12 EXAMINER PARROT: So marked.

13 (EXHIBIT MARKED FOR IDENTIFICATION.)

14 MS. BOJKO: May we approach, your Honor?

15 EXAMINER PARROT: You may.

16 Q. Mr. Allen, do you have in front of you
17 what has been previously marked as OMAEG Exhibit 24?

18 A. I do.

19 Q. And is this a response from AEP Ohio to a
20 request for admission reference RFA-S1-0118?

21 A. It is the company's response.

22 MR. SATTERWHITE: Just for clarification
23 you said "0118."

24 MS. BOJKO: I'm sorry. 018.

25 Q. I'm sorry, did you say "yes"?

1 A. Can you repeat the question again, please?

2 Q. I'll try again. Do you have in front of
3 you what appears to be a response from AEP Ohio to a
4 request for admission identified as RFA-S1-018?

5 A. I do.

6 Q. And are you the responsible party for this
7 response?

8 A. I am.

9 Q. And, sir, does the request for admission
10 say reference -- referring to pages 9, line -- "page
11 9, lines 10 through 17, admit that you will seek cost
12 recovery through the PPA Rider for developing a) 500
13 megawatts of wind energy projects, and b) 400
14 megawatts of solar energy projects in Ohio," and the
15 response says "Admit." Did I read that correctly?

16 A. Yes. This RFA is dealing with the total
17 costs associated with developing these projects which
18 would include the total cost of the PPAs, not just
19 limited to development costs, and I think that may be
20 where we're not seeing eye to eye on this. That's
21 the distinction.

22 Q. Okay. Understanding that you said an AEP
23 affiliate may or will have the right to own up to
24 50 percent of the renewable projects referenced in
25 this section, which AEP affiliate would own the

1 renewable projects?

2 A. That is yet to be determined.

3 Q. Does AEP Generation own only the Ohio
4 plants that were historically regulated?

5 A. I'm not certain of all the assets owned
6 under the -- I do know that it's not true that AEPGR
7 only owns the historic generating units of AEP Ohio.

8 Q. Okay. Does AEP Generation -- well, AEP
9 Generation is a sub of AEP Ohio; is that correct?

10 A. No.

11 Q. Okay. So does AEP Generation use all --
12 or own all of the generating assets under the AEP
13 corp. umbrella, or do other affiliates own some
14 generating assets?

15 A. Many affiliates of AEP corporation own
16 generating assets.

17 Q. Okay.

18 MS. BOJKO: May I have just a minute, your
19 Honor?

20 Q. I'll ask this way first, Mr. Allen, are
21 you aware AEP made a filing at FERC that stated AEP
22 Generation is a subsidiary of AEP Ohio?

23 A. I am not aware of that filing. Or I am
24 not aware of such a filing.

25 Q. Okay. Does AEP Energy own generating

1 assets?

2 A. As you are getting into specific corporate
3 subsidiaries, you are leaving off lots of the endings
4 of the names of those affiliates. AEP owns many
5 affiliates. There's -- you keep talking about AEP
6 Generation. What we are talking about in this case
7 is AEP Generation Resources is the counterparty. The
8 company does have a company called "AEP Generating
9 Company." So if you want to speak about specific
10 affiliates, you are going to have to be very clear
11 about the names of those affiliates so we can have a
12 meaningful dialogue.

13 Q. Okay. Thank you for that clarification.
14 So when we have been saying "AEPGR" throughout the
15 month of hearings that we've had that own the PPA
16 units, what name are we referring to? Which company?

17 A. That's AEP Generation Resources.

18 Q. Okay. And the "AEPGR" you just stated is
19 AEP Generation Resources, Inc.; is that correct?

20 A. That's my understanding, yes.

21 Q. Okay. And AEP Generation Resources, Inc.,
22 is Ohio Power's wholly-owned direct subsidiary,
23 correct?

24 A. That's not my understanding, no.

25 Q. And you believe that -- you believe that

1 any FERC order stating that would be a misstatement;
2 is that your understanding?

3 MR. SATTERWHITE: At this point I'll
4 object. Obviously she is referring to a document. I
5 think this would be more productive to provide the
6 witness a copy of the document that has this apparent
7 misunderstanding between the two of them, so we can
8 see the context of what she's talking about.

9 MS. BOJKO: Your Honor, I'm clearly
10 surprised by his answer, so I don't have the
11 document. I was attempting to pull it up for -- for
12 reference. I can provide the Case number. It's a
13 federally -- it's a FERC order that discusses the
14 Ohio Power Company and AEP Generation Resources,
15 Inc.'s, relationship in docket number EC13-26-001.

16 I guess I could ask the Bench to take
17 administrative notice of it, but the point was not of
18 necessarily the document itself. It was to get an
19 understanding of the company relationship and if --
20 if Mr. Allen in his -- as an employee of the company,
21 doesn't believe that that statement is correct, he
22 can just state that.

23 EXAMINER PARROT: I think he already has.

24 MS. BOJKO: Okay.

25 Q. (By Ms. Bojko) And when I used the term

1 "AEP Energy," I got the feeling that you didn't
2 believe that you understood what that terminology
3 means or that I was saying the full name. So I was
4 referring to AEP Energy, the CRES provider, that is
5 certified by the Public Utilities Commission of Ohio.
6 Do you understand that to mean the same term?

7 A. I generally think of that as AEP Energy
8 Partners as the CRES.

9 Q. Okay.

10 A. That may be the parent of an entity that's
11 operating as a CRES, but I think of AEP Energy
12 Partners, but we can discuss the CRES that's owned by
13 AEP if you want.

14 Q. Sure. And you don't recall that they are
15 doing business under AEP Energy and that their logos
16 would appear as AEP Energy?

17 A. I don't know if they are using AEP Energy
18 or AEP Energy Partners as their logo. I am not sure
19 which one.

20 Q. Is it your understanding that there are
21 currently AEP affiliates that currently own or
22 jointly own solar renewable projects?

23 A. There are AEP affiliates that own solar
24 projects. I'm not sure if they are in service
25 currently, but if they are not in service, they are

1 scheduled to be in service in the near future.

2 Q. And do you know whether AEP Energy
3 Partners owns, either jointly or wholly, any
4 renewable solar projects?

5 A. I don't. I traditionally -- I typically
6 deal with the regulated entities of AEP, so I am
7 aware that Indiana Michigan Power, another fully
8 regulated entity of AEP, owns solar projects that are
9 either completed or nearing completion.

10 Q. On page 30 of the stipulation, it states
11 that projects will be selected for advancement. Do
12 you see that? It's in c., second-to-last sentence on
13 that page.

14 A. I see the sentence that states "AEP will
15 consult with the Staff regarding the process by which
16 projects are selected for advancement," yes.

17 Q. Okay. Has there been any criteria
18 established of how projects will be selected for
19 advancement?

20 A. There have been no specific criteria
21 established at this point in time.

22 Q. Do you know whether there are solar
23 projects currently under construction or in the
24 development phase in Appalachian Ohio?

25 A. I don't know if there are specific

1 projects currently proposed in the southern parts of
2 Ohio.

3 Q. Do you know whether AEP Energy Partners
4 has a joint venture with a solar developer to develop
5 a solar project in Appalachian Ohio?

6 A. I do not know.

7 Q. And so do you know whether there is any
8 AEP affiliate that has an existing relationship with
9 the developers that were involved in Turning Point
10 Solar?

11 A. I don't know.

12 Q. On page 32 of the stipulation, it's in the
13 last sentence of paragraph 2 at the top, it says a
14 "preference will be given to solar projects sited in
15 Appalachian Ohio." Do you see that?

16 A. I do.

17 Q. Where did that preference come from? Who
18 decided to add that preference into the document?

19 MR. SATTERWHITE: Objection. Now, we are
20 getting into confidential settlements of who decided
21 what went into the documentation.

22 EXAMINER PARROT: Sustained.

23 Q. This is clearly establishing a preference
24 criterion or criteria. There's three criteria listed
25 on page 32. Are you telling me this was a negotiated

1 agreement -- a negotiated term with a signatory party
2 to the stipulation?

3 A. It's a negotiated term of the stipulation.
4 I can't describe to you why it's in the document, but
5 I can describe to you the benefits that such a
6 condition would provide.

7 Q. No, thank you.

8 Let's go on to the provision 4 which
9 states "AEP agrees to advocate for a reasonable
10 renewable portfolio standard post-Senate Bill 310
11 freeze." Do you see that?

12 A. I do.

13 Q. Isn't it true that "reasonable" is not
14 defined in the stipulation?

15 A. That's correct.

16 Q. And in what venue do you envision AEP Ohio
17 advocating for such a reasonable renewable portfolio
18 standard post-Senate Bill 310?

19 A. It would be in the General Assembly.

20 Q. Let's turn to page 19 of the stipulation,
21 please. On page 19 of the stipulation, AEP and its
22 affiliates make some commitments regarding converting
23 Conesville Units 5 and 6 by December 31, 2017, to
24 natural gas co-firing; is that correct?

25 A. Can I have that question reread, please?

1 (Record read.)

2 A. Not precisely. It's related to a filing
3 seeking cost recovery for the conversion of
4 Conesville Units 5 and 6 to natural gas co-firing;
5 subject to Commission approval, the units will be
6 converted to natural gas co-firing.

7 Q. And remind us, Conesville 5 and 6 are
8 100-percent owned by AEPGR; is that correct?

9 A. They are.

10 Q. And what percentage of the units does the
11 stipulation contemplate will be converted to natural
12 gas for co-firing by December 31, '17? Is it 20
13 percent, 30 percent, 50 percent conversion?

14 A. It's 50 percent.

15 Q. And that's in the document in which
16 location? Could you point me to the section, please?

17 A. I don't see it in the stipulation as I
18 quickly scan through it, but what the commitment
19 describes is the companies will be -- are proposing
20 to co-fire the units and there's an MMBtu limit of
21 coal heat input for the units that's described as
22 28.7 million MMBtu per year, and the MMBtu limit is
23 described as 37 and a half percent of the unit's
24 design level.

25 Assuming a 75-percent capacity factor,

1 that's how that 37 and a half percent is developed,
2 recognizing that the natural gas pipeline that
3 currently serves the site of the Conesville facility
4 is capable of supplying natural gas at a rate to
5 allow the units to operate at any point in time at
6 50 percent gas.

7 Q. That's -- just so the record is clear,
8 that's an existing pipeline and it can only support a
9 gas conversion of 50 percent.

10 A. The existing gas pipeline that comes to
11 the site can support operation at 50 percent gas,
12 that's correct.

13 Q. Okay. And then in paragraphs below, in c.
14 and d., the stipulation provides that those same
15 units will be retired, refueled, or repowered to
16 100 percent natural gas by December 31, 2029; is that
17 correct?

18 A. It describes that they will be refueled,
19 retired, or repowered to 100 percent natural gas by
20 December 31, 2029, subject to the potential for an
21 RMR arrangement at the end of that term if it's
22 necessary.

23 Q. Okay. And cost recovery for the co-firing
24 that you discussed will be through the PPA rider; is
25 that correct?

1 A. The co-firing, yes.

2 Q. And I believe you answered this question
3 of Mr. Settineri with regard to AEP Ohio, but my
4 question is, has AEPGR or any other affiliate done a
5 cost estimate of converting the Conesville units to
6 natural gas?

7 A. It's my understanding that analysis has
8 not yet been completed, but the companies have
9 informed their judgment that it's likely to be cost
10 effective based upon cost estimates that have been
11 developed for other conversions the company has done
12 on the AEP system. And when I refer to the "company"
13 in that answer, it's -- it's AEP as a whole.

14 Q. Are there other regulatory approvals
15 required to complete the conversion to gas co-firing?

16 A. I'm not an environmental expert, but it's
17 my understanding that there may need to be some
18 modifications to the air permits for those sites.

19 Q. Air permitting, is that the only
20 regulatory approval required?

21 A. There may be others. That's the one that
22 comes to mind.

23 Q. And those will be obtained prior to the
24 conversion; is that correct?

25 MR. SATTERWHITE: I'll just object to the

1 extent he is not an environmental attorney, so he can
2 only answer what he knows for regulatory policy.

3 Q. Assuming you would seek recovery from
4 whatever entity required prior to actually doing the
5 conversion, in your regulatory opinion, is that a
6 fair assumption?

7 A. I really can't answer that for things like
8 Ohio EPA permits, whether those might be
9 compliance-type permits that occur after conversion.
10 I just don't know the exact timing of those permits.

11 Q. Fair enough. Thank you. And are the
12 Conesville Units 5 and 6 actually capable of
13 co-firing?

14 A. If the Commission approves the cost
15 recovery, then the company would go forward with
16 installing its -- some of the installations are new.
17 Some new nozzles to inject gas into a boiler, those
18 types of things, but it's our expectation that those
19 units are capable of co-firing.

20 Q. And I am assuming you're responding at the
21 50 percent level. Are they also capable of co-firing
22 up to the 100 percent level?

23 A. At 100 percent that would not be
24 co-firing.

25 Q. Conversion, excuse me. Thank you.

1 A. It's my expectation that based on
2 experience we have had at other facilities that
3 conversion to natural gas firing would be physically
4 possible. The question is whether or not it's
5 economic and that's something the company would
6 determine at a future point in time.

7 Q. And at page 20 of this stip, AEP and its
8 affiliates commit to retire, refuel, or repower
9 Cardinal Unit 2 to 100 percent natural gas by
10 12-31-30; is that correct?

11 A. I think you stated Unit 2 which is a
12 Buckeye plant. I don't think our Buckeye folks would
13 appreciate it if I committed to that. But what it
14 states is that AEP Ohio and its affiliates will
15 retire, refuel, or repower Cardinal Unit 1 to 100
16 percent natural gas by December 31, 2030, subject to
17 the same RMR issues I discussed previously.

18 Q. Thank you. I meant Unit 1, so thank you
19 for clarifying. And who owns Cardinal Unit 1
20 currently?

21 A. It would be AEPGR.

22 Q. 100 percent?

23 A. That's my understand, yes.

24 Q. And on page 21, item 11, AEP and its
25 affiliates make the following commitments and then it

1 lists a series of commitments. Do you see that?

2 A. I do.

3 Q. And if we look at page 23, item 12, it
4 states that AEP and its affiliates make the following
5 commitments about co-owned PPA units. Do you see
6 that and then it lists a series of commitments?

7 A. AEP Ohio and its affiliates are making
8 certain commitments. And those commitments address
9 issues related to the co-owned units.

10 Q. And isn't it true there are no AEP
11 affiliates that are signatory parties to the
12 stipulation?

13 A. That's correct.

14 Q. And let's go back to page 21, item 11.
15 After it states that AEP and its affiliates make the
16 following commitments, provisions a. through d. all
17 contain AEP Ohio commitments or it seems AEP can hire
18 an independent third party; is that correct?

19 A. That's how those statements start, that's
20 correct.

21 Q. And then if we look at page 23, item 12,
22 after it states that AEP and its affiliates make the
23 following commitments, provisions a. through g. and
24 i. and j. all contain AEP Ohio commitments or, again,
25 AEP can hire an independent third party; is that

1 correct?

2 A. That's correct.

3 Q. And on page 12, the -- or under item 12 on
4 page 25, the only commitment of AEP Ohio and its
5 affiliates is to pursue transfer or sale of AEP
6 Ohio's or those affiliates' contractual entitlement
7 at OVEC or jointly-owned PPA units; is that correct?

8 A. I don't think that you're reading the
9 sections appropriately. So if we look at paragraph
10 f., it talks about AEP Ohio publishing figures for
11 the current and historic property tax payments that
12 the co-owned units -- for those co-owned units. And
13 so those are property tax payments of AEPGR, its
14 affiliate.

15 Paragraph g. also talks about information
16 related to AEP Ohio's affiliate. What it's stating
17 here is that AEP Ohio is making the commitment to
18 file that information, but it's information of AEP's
19 Ohio's affiliate that will be providing that
20 information to AEP Ohio such that it can be filed.
21 And h. has a similar discussion of commitments of AEP
22 Ohio and its affiliates.

23 Q. Okay. My question was actually about
24 provision h. I will try again. Under provision h.
25 in item 12 on page 25, does this provision require

1 AEP and its affiliates to pursue transfer or sale of
2 AEP Ohio's contractual entitlement at OVEC and other
3 jointly-owned PPA units?

4 A. That's what the document states, yes.

5 Q. And the ownership of an affiliate that's
6 discussed in section h., is AEPGR's ownership in the
7 portions of the -- or in the certain PPA units where
8 it doesn't own them 100 percent; is that correct?

9 A. H. addresses both AEPGR's ownership in the
10 jointly-owned units as well as AEP Ohio's contractual
11 entitlement to OVEC.

12 Q. Thank you. Will AEP obtain PUCO approval
13 to retire, refuel, or repower to 100 percent natural
14 gas any of the units referenced in provisions 9.c.,
15 9.d., and 10? Those are on page 20.

16 A. 9.c., 9.d., and what was the last
17 reference?

18 Q. 10.

19 A. I'm not sure if there are any requirements
20 under the Power Siting Board, but with regard to the
21 traditional PUCO responsibility or responsibilities,
22 I don't expect that the companies would be making a
23 filing with the Commission in that regard.

24 Q. And isn't it true that this stipulation
25 requires ratepayers to pay for depreciation rate

1 changes through the PPA rider if the units are
2 retired, refueled, or repowered to 100 percent
3 natural gas? Subject to a prudency review. I will
4 put that qualification in there for you.

5 A. That's an important qualification is that
6 the companies would be required to file before the
7 Commission to get the Commission's approval before
8 any change in depreciation rates could be flowed
9 through to retail ratepayers.

10 Q. And the stipulation allows the companies
11 to make that request which would result in customers
12 paying for depreciation rate changes if the units are
13 retired, refueled, or repowered? That's the
14 stipulation at pages 20, 21, and 26.

15 A. Well, I wouldn't necessarily agree that
16 refueling or repowering would require a change in
17 depreciation rates.

18 Q. But specifically on 9.c., d., and 10, it
19 says "Except as provided in Sections III.A.6" which
20 is potential depreciation rate changes, so "except
21 as" means that those costs will be passed through the
22 PPA rider; is that correct?

23 A. I'm sorry, I think you are flipping around
24 and I apologize because I was trying to find where
25 you were referring to as you were talking. If we go

1 to page 20, paragraph d., and I think the same
2 language exists in the other paragraphs, it states
3 "Except as provided in Sections III.A.6...and
4 III.D.10," III.D.10 being the co-firing cost, "no
5 costs to retire, refuel or repower Conesville 5 and 6
6 shall be recovered through the PPA rider."

7 So this statement says no costs will be
8 recovered through the PPA rider and there is one
9 exception and that exception -- I'm sorry. Two
10 exceptions. One, Conesville co-firing; and the
11 second exception is depreciation rate changes and the
12 company has the right to request recovery, but no
13 assurance of the Commission authorizing that
14 recovery.

15 Q. Right. But they have the right to recover
16 what will result in increased costs to customers
17 through this -- these three provisions; is that
18 correct?

19 A. No. Once again, we have to be careful
20 with the words we use here. It's not a right to
21 recover. It's a right to seek recovery.

22 Q. Okay.

23 MS. BOJKO: And, your Honor, at this time
24 can I have marked as OMAEG Exhibit 25, AEP Ohio's
25 response to OCC's request for admission RFA-S1-012

1 and RFA-S1-014?

2 EXAMINER PARROT: So marked.

3 (EXHIBIT MARKED FOR IDENTIFICATION.)

4 MS. BOJKO: May we approach, your Honor?

5 EXAMINER PARROT: You may.

6 Q. Mr. Allen, do you have in front of you
7 what's been previously marked as OMAEG Exhibit 25?

8 A. I do.

9 Q. And is this two responses from Ohio Power
10 to OCC referenced as RFA-S1-012 and if you look at
11 the back there is RFA-S1-014?

12 A. Yes, they are.

13 Q. And are both of these -- are you the
14 responsible party for both of these?

15 A. Myself and counsel.

16 Q. And when the question was posed does Ohio
17 Power -- AEP Ohio admit that you will seek cost
18 recovery through the -- a PPA rider for retiring,
19 refueling, and repowering Conesville 5 and 6,
20 Cardinal Unit 1, is it true that the company said
21 that they could not admit or deny this statement and
22 that the company cannot speculate regarding a filing
23 related to unknown costs that may or may not occur?

24 A. Following an objection to the form of the
25 question, that's what's stated.

1 Q. And similarly on RFA-S1-014, does the
2 company respond in the same way when asking about
3 cost recovery through a PPA rider for retiring,
4 refueling, and repowering Conesville Unit 4, Zimmer
5 Unit 1, Stuart Units 1 through 4, and the OVEC units?

6 A. That's right. There is not enough
7 information for the company to make any affirmative
8 or negative statement with regard -- with regard to
9 cost recovery for those costs based upon the question
10 asked.

11 Q. Thank you. And I am going to go back to
12 page 30, please, of the stipulation.

13 A. I'm there.

14 Q. Page 30 of the stipulation regarding the
15 environmental and renewable energy projects, the
16 stipulation states that the construction will be
17 competitively bid. Do you see that? It's in c.

18 A. I see that, yes.

19 Q. So will the construction be competitively
20 bid or the right to do a project with an affiliate
21 competitively bid?

22 A. The construction of the projects would be
23 competitively bid.

24 Q. And if AEP's affiliates are required to
25 own up to 50 percent of the projects that the AEP

1 affiliates own, those projects cannot be truly
2 competitively bid; is that correct?

3 A. I think I just stated that the
4 construction for those projects will be competitively
5 bid.

6 Q. So even if -- so even if AEP affiliates do
7 not own the projects, the stipulation requires that
8 the projects, the construction of those projects, to
9 be competitively bid; is that your understanding?

10 A. It's a statement that the construction
11 will be competitively bid, yes.

12 Q. Regardless of ownership?

13 A. That would be my expectation.

14 Q. Okay. I apologize for jumping around but
15 I am trying not to rehash old subject matters or
16 subject matters that have been previously discussed.
17 So if you could turn to page 26 of the stipulation.
18 Page 26 of the stipulation the stipulation requires
19 AEP to pursue Volt/Var optimization in a separate
20 pending case. Do you see that?

21 A. Yeah. It would help if before you ask the
22 question you give me the paragraph, that would make
23 it a little faster. So you are talking about 13.a.?

24 Q. I apologize. I am trying to expedite
25 this. Yes. 13 -- well, it's 13. 13 requires AEP to

1 pursue Volt/Var optimization in a separate pending
2 case, Case No. 13-1939; is that correct?

3 A. In that proceeding the company will use
4 best efforts to pursue approval of a proposal to
5 deploy 160 circuits of Volt/Var optimization as
6 compared to the 80 circuits that are currently
7 envisioned in that stipulation.

8 Q. And has AEP Ohio completed a cost estimate
9 analysis of the -- of the Volt/Var provisions listed
10 in item 13?

11 A. It's my understanding in that proceeding
12 the cost benefits of an initial deployment of
13 Volt/Var optimization is included in that proceeding.

14 MS. BOJKO: May I have that response read
15 back, please.

16 (Record read.)

17 Q. Did you say "benefits" or "costs"?

18 A. It's a cost/benefit analysis. That's how
19 you look at something like Volt/Var.

20 Q. Okay. But I'm talking about for the new
21 proposal, have you done that cost/benefit analysis
22 for your revision to what's already included in that
23 proceeding?

24 A. My expectation is that a step from
25 utilizing 80 circuits up to 160 circuits will have

1 comparable results to the cost/benefit analysis that
2 had previously been prepared related to the initial
3 deployment of 80 circuits.

4 Q. So whatever AEP stated the costs would be
5 in 13-1939, by your statement you're suggesting that
6 those costs would be doubled; is that 80 to 160? Is
7 that what you meant by your statement?

8 A. I don't know that the cost would be
9 doubled, but the cost/benefit comparison would be
10 comparable would be my expectation.

11 Q. And you haven't provided, though, for
12 purposes of this proceeding, what that cost/benefit
13 analysis would be with deploying 160 circuits of
14 Volt/Var optimization?

15 A. No. Because that would be subject to a
16 separate proceeding and the Commission could choose
17 to approve or deny that deployment of 160 circuits of
18 Volt/Var optimization.

19 Q. Did you say there was a stipulation in
20 that proceeding that contained 80 circuits? Is that
21 what I heard you say?

22 A. If you read the statement in the
23 parenthetical on the first line of paragraph 13.a. it
24 says "(versus today's potential plan of 80 circuits
25 if the gridSMART stipulation is finalized and

1 approved)." So there is clearly a draft stipulation
2 out there.

3 Q. And are you aware whether all participants
4 to that stipulation are also parties to this
5 proceeding?

6 A. I have not been involved in that
7 stipulation so I can't answer that question.

8 Q. And earlier today you did actually state
9 that you were involved in the negotiation of the
10 settlement of the stipulation with various parties;
11 is that accurate?

12 A. I was.

13 Q. And were you involved in negotiations with
14 IEU that resulted in the global settlement?

15 A. I didn't participate in any negotiation
16 sessions with IEU-Ohio.

17 Q. You are aware that AEP and IEU arrived at
18 a settlement of the PPA issues in other cases and
19 executed a separate agreement that was previously
20 marked in this proceeding as P3/EPSC Exhibit 11?

21 A. I don't know that I would agree with your
22 characterization, but it's true that AEP Ohio and IEU
23 entered into the agreement that -- and I apologize,
24 in EPSC Exhibit 11.

25 Q. Yes.

1 A. So I'm aware that AEP Ohio entered into
2 that agreement with IEU.

3 Q. And I said a settlement of the PPA issues
4 in other cases. You agree that to be an accurate
5 statement? You don't believe that P3/EPSA Exhibit 11
6 was a settlement of the PPA issues in other cases?
7 I'm sorry, sir, do you have a copy of --

8 A. I do. I don't know that I can agree with
9 the way you stated it, but there are statements
10 within that agreement related to IEU's nonopposition
11 to AEP Ohio's PPA proposal.

12 Q. And also the global settlement involved a
13 settlement or at least commitment of disposing of
14 other cases; isn't that correct?

15 A. I think that there are nine other cases
16 that IEU agreed to either withdraw its intervention
17 or to dismiss an appeal.

18 Q. And isn't it true that the agreement
19 titled "Global Settlement Agreement" was not filed in
20 this proceeding?

21 MR. SATTERWHITE: Objection. This was all
22 covered previously with counsel for P3. The document
23 is in the record. There was a description of how it
24 was provided already. We are just retreading old
25 ground again.

1 MR. SETTINERI: Actually, no, P3 did not
2 ask a question of that nature, your Honors.

3 MS. BOJKO: I have appropriate check marks
4 on my questions from the questions that were
5 previously asked.

6 EXAMINER PARROT: Overruled.

7 A. The agreement was provided to the parties
8 in discovery.

9 Q. So the answer is no, it was not filed in
10 this case.

11 A. It's an exhibit in this case at this point
12 in time or at least a proposed exhibit.

13 Q. I asked if the actual exhibit was filed in
14 the docket.

15 MR. SATTERWHITE: Objection, relevance.

16 MS. BOJKO: I think it's clearly relevant,
17 your Honor, about the disclosures that were made and
18 whether it's part of the public record or not at this
19 point. It addresses many cases and I am asking the
20 witness if he knows whether it was actually filed in
21 the docket.

22 MR. SATTERWHITE: And my objection is
23 what's the relevance to this case.

24 MS. BOJKO: It deals with this case. This
25 case is directly addressed in it.

1 MR. SATTERWHITE: This case is about the
2 support of the stipulation and as indicated by
3 counsel already, it's a nonopposition to this case.
4 It's not part of the stipulation. It deals with a
5 number of other cases, I will agree with that. It
6 was provided in discovery pursuant to Supreme Court
7 and Ohio law, but it's not relevant to this
8 proceeding.

9 MS. BOJKO: Your Honor, the first sentence
10 of it says "Within 10 days after the PPA Stipulation
11 is executed and filed in the PPA cases...." It's
12 directly pertinent to this PPA case.

13 MS. FLEISHER: Your Honor, I will also
14 point out it provides one provision relating to
15 energy efficiency which relates to the provisions
16 regarding energy efficiency in the stipulation.

17 MR. SETTINERI: And, your Honor, if I may
18 briefly, it is relevant because it's whether that
19 payment should be considered as part of the
20 stipulation and considered.

21 MR. SATTERWHITE: Your Honor, the question
22 was was this filed with the stipulation in this case.
23 It's simply not relevant.

24 MR. SETTINERI: That's why the question is
25 relevant, filed with the stipulation.

1 EXAMINER PARROT: I am going to allow this
2 particular question. See where it goes, I guess. I
3 think it is fairly straightforward, Mr. Allen, if you
4 know.

5 A. I don't believe that this document was
6 filed in the docket in the case but it was provided
7 in response to discovery.

8 Q. Thank you. The Global Settlement
9 Agreement that's been marked for identification
10 purposes as P3/EPSA Exhibit 11 is not referenced in
11 the PPA stipulation that was filed in this docket and
12 that has been marked as Joint Exhibit 1, I believe;
13 is that correct?

14 A. It's not identified in the document, and I
15 note that IEU isn't a signatory party to the
16 stipulation.

17 Q. And was the Global Settlement document,
18 between IEU and AEP Ohio, noted P3/EPSA Exhibit 11,
19 was that provided to the signatory parties prior to
20 the signatory parties executing the stipulation?

21 MR. SATTERWHITE: Objection, relevance.

22 MR. DARR: Same objection.

23 MS. BOJKO: Your Honor, this is very
24 relevant. This goes to whether the three-prong test
25 is satisfied and the parties knew all the details of

1 a global stipulation prior to signing that global
2 stipulation.

3 EXAMINER PARROT: Nobody else?

4 Overruled.

5 Q. Do you need the question reread?

6 A. That would help.

7 (Record read.)

8 A. I apologize, this answer, I am not sure if
9 I am going to be going into the results of
10 confidential settlement discussions if I provide an
11 answer to that question.

12 EXAMINER PARROT: And, again, same
13 clarification as before, I don't want you doing that,
14 I guess. So that's why I was struggling up here for
15 a moment. If you are able to answer the question --
16 if you can -- I am wondering if you can look at it in
17 terms of a matter of timing. I don't know if there
18 is a way to do it with -- again, I don't want you to
19 have to divulge substantive discussions you had. If
20 there is a way to get around that.

21 THE WITNESS: And I apologize, is it
22 possible for me to discuss with my counsel whether
23 the answer I am proposing to give would avoid
24 violating that privilege?

25 EXAMINER PARROT: Yes. I think that's --

1 MS. BOJKO: And, your Honor, I am just
2 asking whether it was given or not, not what the
3 discussions around that was.

4 EXAMINER PARROT: That's why I, again, I
5 was taking it to be more of an issue of timing which
6 I think is okay, but if you do want to confer with
7 your counsel, Mr. Allen, please.

8 MR. SATTERWHITE: May we go off the record
9 for 2 minutes, your Honor?

10 EXAMINER PARROT: Yes.

11 (Discussion off the record.)

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

14 A. Based on my personal knowledge, some of
15 the parties to the stipulation were aware of the
16 Global Settlement Agreement prior to signing the
17 stipulation.

18 Q. Were they actually handed a copy so they
19 could see all the provisions that may or may not have
20 affected them?

21 A. I don't know if they saw a draft copy of
22 the agreement.

23 Q. Was the Global Settlement Agreement,
24 P3/EPISA Exhibit 11, signed prior to or after the
25 joint stipulation that was filed in this case,

1 referenced at Joint Exhibit 1?

2 MR. SATTERWHITE: Objection, relevance
3 again.

4 MR. DARR: Same objection.

5 MS. BOJKO: Well, your Honor, this is the
6 same issue. It goes to the parties' awareness,
7 knowledge of capable, negotiating parties. It goes
8 to the three-prong test. It goes to whether they
9 knew about the complete package and picture, and also
10 whether they could articulate or be able to
11 understand what was at risk, and the public interest
12 that would be affected by all of the provisions they
13 are agreeing to or the result of a settlement.

14 MR. SETTINERI: I believe, your Honors,
15 the question was simply asking AEP Ohio executed this
16 Global Settlement Agreement in regards to the
17 stipulation. That's certainly not confidential.

18 EXAMINER PARROT: I will allow the
19 question.

20 A. They were both signed on the same date,
21 December 14.

22 Q. You don't know which one was signed first.

23 A. I don't.

24 Q. And just so the record is clear, the joint
25 exhibit, the joint stipulation was also filed in the

1 document -- docket on December 14?

2 A. Yes, it was.

3 Q. And the Sierra Club agreement that was
4 identified as -- I am not sure if it has an exhibit
5 number. It does not have an exhibit number, it's my
6 understanding. While we are looking for that, going
7 back to the IEU global settlement with AEP Ohio,
8 which parties were made aware -- which signatory
9 parties were made aware of the Global Settlement
10 Agreement between IEU and AEP Ohio?

11 MR. SATTERWHITE: Objection, your Honor.
12 Now, we are getting into what was discussed with what
13 parties during the settlement negotiations.

14 EXAMINER PARROT: Agree, Mr. Satterwhite.
15 Sustained.

16 MR. MICHAEL: Your Honor, may I be heard
17 very quickly on that matter, respectfully, very
18 quickly and very respectfully?

19 This is -- this -- I don't know exactly
20 which confidentiality privilege Mr. Satterwhite is
21 referring to, but to the degree it is the one in the
22 OAC, that provision states that this rule, which is
23 the confidentiality, does not require the exclusion
24 of any evidence otherwise discoverable merely because
25 it is presented in the course of comprise

1 negotiations. This rule also does not require
2 exclusion when the evidence is offered for another
3 valid purpose.

4 Ms. Bojko explained why she was exploring
5 this particular aspect of this case, the stipulation
6 and the IEU agreement, and I just wanted to very
7 respectfully indicate why I believe her question is
8 relevant and the witness should answer it because the
9 rule specifically provides under the circumstances
10 under which the question is being asked is not
11 precluded by the confidentiality. Thank you.

12 MR. SATTERWHITE: Does your Honor need me
13 to respond?

14 EXAMINER PARROT: If you wish to. I
15 allowed him to go ahead and state his objection on
16 the record. If you wish to add something,
17 Mr. Satterwhite, go ahead.

18 MR. SATTERWHITE: I think he is confusing
19 a lot of the confidentiality. Historically, this
20 Commission has preserved confidentiality settlement
21 negotiations. They were done under the oversight of
22 counsel; a lot of these discussions.

23 I would also like to add that if your
24 Honor would refer to OCC Exhibit 26, the attachment
25 to that discusses how, as we talked with parties in

1 this case about confidentiality, they agreed not to
2 discuss and not to disclose matters that were
3 discussed during these settlement agreements. So
4 there is a bit of a violation itself what parties
5 agree to as they enter in a settlement. These were
6 discussions with counsel.

7 And I renew the objection that this simply
8 isn't relevant. The discussion that this is part of
9 the three-part test is completely off. IEU had no
10 position, coming into this hearing, coming out of the
11 settlement negotiations. They have the right to not
12 oppose something and sign an agreement to say that.

13 If other parties are saying it's not --
14 it's unfair because they were going to rely on IEU to
15 challenge the stipulation, that's not relevant to
16 what the Commission is looking at. The three-part
17 test is to take the stipulation that is provided and
18 judge that stipulation. The nonopposition of a party
19 simply isn't relevant.

20 MS. FLEISHER: Well, your Honor --

21 EXAMINER PARROT: Okay. The ruling has
22 been issued. I allowed Mr. Michael to note his
23 objection to the ruling on the record and allowed
24 Mr. Satterwhite an opportunity to respond. We are
25 moving on. Next question, please.

1 MS. BOJKO: Thank you, your Honor.

2 At this time I would like to mark as OMAEG
3 Exhibit 26 an interrogatory from the Ohio Consumers'
4 Counsel to AEP Ohio, and AEP Ohio's response, that is
5 identified as INT-S1-005. May we approach?

6 EXAMINER PARROT: You may.

7 (EXHIBIT MARKED FOR IDENTIFICATION.)

8 Q. (By Ms. Bojko) Mr. Allen, do you have in
9 front of you what has been marked as OMAEG Exhibit
10 26?

11 A. I do.

12 Q. And does that appear to be AEP Ohio's
13 response to OCC INT-S1-005?

14 A. Yes, it is.

15 Q. And I believe in previous discussions
16 yesterday, and that's why I thought this had already
17 been admitted, you are aware of an agreement between
18 Sierra Club and AEPGR; is that correct?

19 A. Yes, I am.

20 Q. And this agreement is a direct result of
21 Joint Exhibit 1, the stipulation that was filed in
22 this case and is actually referenced in the joint
23 stipulation that's filed in this case; is that
24 correct?

25 A. Yes. This agreement is referenced in the

1 stipulation.

2 Q. Was the Sierra Club-AEPGR agreement
3 been -- that's been marked as OMA Exhibit 26 provided
4 to the signatory parties prior to executing the
5 stipulation?

6 A. I'm not sure if the document was provided
7 to the signatory parties prior to signing the
8 stipulation, but this document essentially
9 memorializes an agreement -- in an agreement between
10 Sierra Club and AEPGR, the commitments that are
11 included within the stipulation relating to the
12 commitment to pursue co-firing of Conesville Units 5
13 and 6, the commitment to cease coal burning at
14 Conesville 5 and 6 by December of 2029, for
15 Conesville 5 and 6, and the ceasing of coal burning
16 at the Cardinal Unit -- Cardinal Unit 1 at the end of
17 December 31, 2030.

18 Q. And this agreement was also executed, it
19 appears to have been executed on December 14, 2015,
20 the same day as the stipulation that was filed in
21 this case; is that correct?

22 A. Yes, that's correct.

23 Q. Going back to the IEU-AEP Ohio agreement,
24 you referenced an \$8 million non -- a one-time \$8
25 million payment to IEU-Ohio; is that correct?

1 A. I don't know that I referred to it, but
2 that's -- there is an \$8 million payment identified
3 in paragraph 6 of that document.

4 Q. It states that it's a nonrefundable
5 payment; is that correct?

6 A. Those are the words that are stated on the
7 page, you are correct.

8 Q. And will that \$8 million be recoverable
9 from ratepayers?

10 A. No.

11 Q. And the document does not state that the
12 \$8 million are shareholder dollars, does it?

13 A. The document doesn't state that, but
14 nowhere in any of the company's filings is the
15 company seeking recovery of those costs.

16 Q. Current filings, you are speaking of?

17 A. Yes.

18 Q. And let's -- IEU agreed to not oppose the
19 joint stipulation in this case; is that correct? Is
20 that your understanding?

21 A. IEU makes the commitment that's stated in
22 paragraph 3.A. of this document.

23 Q. And their agreement in 3.A. is titled
24 "Non-opposition to AEP Ohio's PPA proposal"; is that
25 correct?

1 A. That's the heading of Section 3, that's
2 correct.

3 Q. And then in 3.A., to answer my question,
4 it does say IEU agrees not to oppose the joint
5 stipulation to be filed by AEP and certain other
6 parties in Case No. 14-1693, et al., does it not?

7 MR. SATTERWHITE: Objection. The document
8 is in the record. I don't know why we need to read
9 it. He stated it says what it says.

10 MS. BOJKO: Your Honor, he gave me an
11 unqualified -- or, a qualified answer to my question,
12 and I am only reading it because of the qualification
13 given by the witness.

14 MR. SATTERWHITE: Your Honor, she gave an
15 incomplete question saying, in summary, it says this,
16 and he referred counsel to the document to say
17 exactly what it says. So he gave a more complete
18 answer to an incomplete question.

19 MR. SETTINERI: Your Honor, just to note,
20 this document has not been admitted into the record
21 yet.

22 MS. BOJKO: You know, your Honor, this is
23 not an incomplete question, but I can ask another
24 question.

25 MR. SATTERWHITE: I agree this is wasting

1 time. My point is the document has been marked. I
2 assume it is going to be in the record and we can
3 stipulate to put it in the record. You know, we
4 provided this, if you see the discovery responses, to
5 say it's not required under the discovery response,
6 it was requested under 4928.145, but the company
7 still provided this to be transparent to the parties,
8 so.

9 MS. BOJKO: I disagree with that.

10 EXAMINER PARROT: Ms. Bojko, let's go
11 ahead and rephrase as you offered.

12 MS. BOJKO: Thank you, your Honor.

13 Q. (By Ms. Bojko) Mr. Allen, isn't it true
14 that through the global settlement, P3/EPSA Exhibit
15 11, IEU agrees not to oppose the joint stipulation
16 and recommendation filed in this proceeding?

17 A. That's generally what section 3.A. states.

18 Q. And to effectuate that agreement, isn't it
19 true that IEU filed a letter in this document -- or
20 in this document -- in this docket stating that
21 they've reached a global settlement and that IEU's
22 nonopposition to the PPA -- and that IEU will not
23 oppose the PPA stipulation?

24 A. I'm sorry. I have to pull that document
25 out.

1 Q. Well, it hasn't been marked yet if you are
2 looking for it in exhibits. Did you bring that
3 document up to the stand with you?

4 A. If it hasn't been marked as an exhibit,
5 no. It may have been brought to my attention when we
6 were going through depositions so I will need to see
7 the document to confirm what the document states.

8 MS. BOJKO: Sure. Your Honor, since we
9 are talking about it, may I have marked as OMAEG
10 Exhibit 27 --

11 EXAMINER PARROT: So marked.

12 MS. BOJKO: -- a letter filed in the
13 document -- docket by IEU-Ohio on December 22, 2015.

14 EXAMINER PARROT: So marked.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 Q. Mr. Allen, do you have in front you what
17 has been marked as OMAEG Exhibit 27?

18 A. I do.

19 Q. Is this the document you were attempting
20 to locate in order to reference -- to answer my
21 question about whether IEU filed a letter in the
22 docket agreeing not to oppose the PPA stipulation?

23 A. What the document states is "Accordingly,
24 the purpose of this letter is to inform the Public
25 Utilities Commission of Ohio that IEU-Ohio will not

1 oppose the PPA Stipulation. IEU-Ohio's
2 non-opposition position recognizes the substantive
3 terms of the PPA Stipulation that benefits its
4 members."

5 MR. DARR: For purposes of the
6 completeness of the record, can we also read in the
7 sentence that precedes that?

8 MS. BOJKO: Your Honor, again, this is my
9 cross-examination.

10 MR. DARR: And your cross-examination
11 unfairly represents the document. I am entitled to
12 have proper descriptions of documents in the record.

13 MS. BOJKO: Your Honor, I take issue with
14 that. All I did was ask if there was a letter filed
15 in the docket that stated that IEU will not oppose
16 the PPA stipulation. The witness just read the exact
17 sentence that -- that would have been a "yes" to my
18 question. I did not read any other provision of this
19 document into the record and did in no way
20 characterize or summarize any of it.

21 MR. DARR: And that's why it's incomplete.
22 Because it's incomplete, your Honor, it unfairly
23 represents what the underlying global agreement
24 represents. And that's why I am asking that the full
25 statement be made for that purpose.

1 MR. SATTERWHITE: The company has no
2 objection to the statement by IEU, request.

3 MS. BOJKO: Your Honor, this is a recross
4 issue. This is not a free-for-all for anybody to ask
5 a question whenever they feel like it.

6 EXAMINER PARROT: Let's go off the record
7 for a moment.

8 (Discussion off the record.)

9 EXAMINER PARROT: Let's go back on the
10 record. Let's take a brief 10-minute break.

11 (Recess taken.)

12 EXAMINER PARROT: All right. Let's go
13 back on the record.

14 I think, Mr. Darr, I am going to say the
15 same thing I said to Mr. Kurtz a while ago and that
16 is I think we will have an opportunity and have no
17 doubt through redirect to get back to this, so it is
18 Ms. Bojko's cross-examination, so.

19 MS. BOJKO: I am not sure if there was a
20 question pending.

21 EXAMINER PARROT: I don't know that there
22 was. The request had been additional portions of the
23 letter be read into the record, and I agree with you,
24 Ms. Bojko, not the proper time for this, so let's --
25 but I will go back. Let's see.

1 MS. BOJKO: Thank you for refreshing my
2 recollection.

3 EXAMINER PARROT: No question pending, so
4 go ahead.

5 MS. BOJKO: Thank you.

6 Q. (By Ms. Bojko) Mr. Allen, could you turn
7 to page 2 of P3/EPISA Exhibit 11, page 2 of the actual
8 settlement agreement document. Paragraph 2 is --

9 A. Hold on. We are back to P3/EPISA Exhibit
10 11?

11 Q. Yes.

12 A. I'm there.

13 Q. Paragraph 6 is titled "Settlement
14 Payments." Do you see that?

15 A. I do.

16 Q. And the second sentence says "The Parties
17 agree that this payment relates primarily to the
18 cases addressed in Paragraph 1 above." Do you see
19 that?

20 A. You've paraphrased, but I see the sentence
21 you are referring to.

22 Q. Okay. I thought I read the whole
23 sentence, but I apologize if I did not. My question
24 to you is, that the parties are agreeing that this
25 payment relates primarily to the cases addressed in

1 paragraph 1 above. What else does it relate to?

2 A. It's an element of a total Global
3 Settlement Agreement.

4 Q. So do you know what other cases or what
5 other items that this would also address or relates
6 to, to use the words in the document?

7 A. The document states that the payment
8 primarily relates to the cases addressed in
9 paragraph 1. It's also an element of the overall
10 package, and I can't ascribe it to any specific
11 provision within the document beyond what's stated in
12 the words in paragraph 6.

13 Q. So you believe that the payment relates
14 solely to the four corners of this document, the
15 Global Settlement Agreement?

16 A. I believe that payment is related to this
17 Global Settlement Agreement as a package.

18 Q. And solely related to the Global
19 Settlement Agreement?

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

22 MS. BOJKO: I am not sure I used the word
23 "solely" so I was trying to clarify, your Honor.

24 EXAMINER PARROT: You did.

25 MS. BOJKO: I used the word "solely"?

1 EXAMINER PARROT: You did.

2 MS. BOJKO: Perfect. Thank you.

3 EXAMINER PARROT: Sustained.

4 Q. Isn't it true that the Global Settlement
5 Agreement does not contain a requirement to refund or
6 distribute the \$8 million payment to IEU's members?

7 MR. SATTERWHITE: Objection, relevance.

8 EXAMINER PARROT: Overruled.

9 A. I can only testify to the words provided
10 for in the stipulation -- or in the global
11 settlement. And in Section 6 the first sentence
12 concludes with the statement "\$8 million to IEU for
13 the benefit of its members."

14 Q. And it does not say that the \$8 million
15 will be refunded or re -- or distributed to IEU's
16 members; is that correct?

17 MR. DARR: Objection. The document speaks
18 for itself. At this point I think we are beating the
19 horse black and blue.

20 EXAMINER PARROT: I am going to sustain
21 the objection on the grounds that I believe he
22 answered the question already.

23 Q. And isn't it true that AEP agreed in this
24 document to support the expansion of the streamlined
25 opt-out provision currently available to above

1 primary users to all mercantile users?

2 MR. DARR: Objection. The document again
3 speaks for itself.

4 MR. SATTERWHITE: We join the objection
5 and I point out I believe we said earlier we are not
6 going to oppose putting this in the record. The
7 document will be in the record so.

8 MS. BOJKO: Your Honor, this is merely a
9 foundational question and, as you will see, this
10 directly connects back to the joint stipulation.

11 EXAMINER PARROT: Overruled.

12 A. I think you've added words to the
13 statement in paragraph 2 of the Global Settlement
14 Agreement. What the Global Settlement Agreement says
15 in paragraph 2 is "AEP Ohio will support expansion of
16 the streamlined opt-out provisions enacted by Senate
17 Bill 310 (130th General Assembly) so as to make the
18 streamlined opt-out available, effective January 1,
19 2019, to 'mercantile customers' as recommended in the
20 report issued by the SB 310 Mandate Study Committee."

21 Q. Okay. I wasn't asking you to read that
22 document because that would cause an objection from
23 other parties. I was asking you if the result of
24 this provision is that AEP is agreeing to support the
25 expansion of the streamlined opt-out provision

1 currently available to above primary users to all
2 mercantile users?

3 A. It doesn't speak about expanding it beyond
4 the above primary customers. That's the distinction
5 I am making. The document clearly states what AEP
6 Ohio is supporting.

7 Q. Well, are you aware -- maybe we need to
8 step back. Are you aware that the current Senate
9 Bill 310 opt-out that this references is only
10 available to above primary mercantile customers?

11 A. I'm not familiar with the specifics of SB
12 310.

13 Q. So you don't know that this is a
14 commitment on AEP's behalf to expand what is
15 currently allowed in Senate Bill 310 to all
16 mercantile customers?

17 MR. SATTERWHITE: Objection, your Honor.
18 It misstates what is written in paragraph 2.

19 MS. BOJKO: It does not, your Honor. That
20 is the significance of this provision and if we would
21 look at the report issued by Senate Bill 310 of the
22 Mandate Study Committee, that is exactly the point of
23 this provision, which is problematic, and if I can
24 ever get there, we'll talk about why.

25 EXAMINER PARROT: I am going to ask you to

1 rephrase it, Ms. Bojko.

2 Q. By AEP's commitment in the Global
3 Settlement Agreement to support the streamlined
4 opt-out to make it available to "mercantile
5 customers," in quotes, not specified so one would
6 presume all mercantile customers, is that your
7 understanding of this provision?

8 A. I think you've butchered the words of
9 paragraph 2. It speaks for itself. AEP Ohio will
10 support expansion of the streamlined opt-out
11 provisions as described in paragraph 2.

12 Q. Okay. And "expansion" means expanding
13 beyond above primary mercantile customers; is that
14 correct?

15 MR. SATTERWHITE: I am going to object on
16 relevance, again, your Honor. This is paragraph 2.
17 Paragraph 3 talks about nonopposition to the PPA
18 proposal. The company enters into a number of
19 agreements on a number of things. All those are not
20 proper really for this proceeding.

21 Paragraph 3, I understand, there are
22 questions about that earlier that relates to that
23 paragraph. This is a separate subheading. It is not
24 relevant.

25 MS. BOJKO: Well, your Honor, we strongly

1 disagree and the relevancy, and there is witness
2 testimony that's been filed in this document and
3 would have a right to question AEP's commitment to
4 support something that is going to be inconsistent
5 with the remaining provisions in the joint
6 stipulation.

7 MR. SATTERWHITE: Maybe they can ask that
8 question, your Honor.

9 EXAMINER PARROT: Yeah. Let's try to get
10 to that point. I know it's taking us some effort but
11 let's get there.

12 MS. BOJKO: Well, in order to get there,
13 your Honor, I need to get the witness's knowledge
14 that this is a change to what is the current law
15 which only allows above primary users to take
16 advantage of the streamlined opt-out.

17 MR. DARR: It doesn't seem particularly
18 clear to me why this witness's knowledge of the
19 current State of Ohio law is relevant to this point.
20 The document states that AEP will support an
21 expansion of the streamlined opt-out. I think we can
22 move on. And I join in the objection as to how this
23 advances the ball.

24 MS. BOJKO: Because, your Honor, this is
25 going to be effective in 2019. The current

1 stipulation is resolving provisions that go through
2 2024. What happens in 2019 and what the company does
3 is directly relevant to commitments they are making
4 in the stipulation when the two statements and
5 commitments are incompatible. It is not in the
6 public interest or it can't be in the public interest
7 for AEP Ohio to do or commit to two things that are
8 directly inconsistent. And that's what it goes to.
9 If he will answer this question, then we will get
10 back to how it ties into the stipulation. But I
11 can't get there until I have that foundation.

12 EXAMINER PARROT: Yep. The objections are
13 overruled.

14 Mr. Allen, please answer Ms. Bojko's
15 question. I think she is trying to get at your
16 understanding what the expansion is that's referred
17 to in paragraph 2. If you could either provide your
18 understanding of that or, if you have no
19 understanding of that, you can tell us that as well,
20 but let's try to move through this, please.

21 A. So the first statement I have to make is
22 that I'm not aware that the current streamlined
23 opt-out is limited to customers above primary. What
24 this does commit AEP Ohio to do is support the
25 expansion of the streamlined opt-out for mercantile

1 customers. So that's an expansion. That's an
2 increase in the level of customers that will be able
3 to opt out as compared to the current situation we're
4 in.

5 Q. Thank you. And isn't it true that AEP
6 Ohio's 2011 AEP portfolio filing, that AEP Ohio's
7 business programs of its energy efficiency portfolio,
8 covering the mercantile class, accounted for
9 65 percent of the AEP Ohio's planned energy savings
10 and 71 percent of its planned demand savings?

11 A. I don't know.

12 Q. And are you aware that AEP's portfolio
13 filing, the energy efficiency PDR/POR filing,
14 11-5569-EL-POR, that AEP's filing in that case, that
15 the mercantile class accounted for approximately 59
16 percent of AEP Ohio's budget?

17 A. I'm not aware of that fact.

18 Q. And --

19 A. Or whether that fact is accurate, I think
20 is a better way to state it.

21 Q. And if we look at page 28 of the
22 stipulation, item 11 -- I'm sorry, it's 15. Page 28,
23 item 15, isn't it true that --

24 A. Hold on one second. Let me get there.
25 Okay. I'm there.

1 Q. Isn't it true that AEP Ohio's energy
2 savings goal, referenced on page 28 of the stip, item
3 15, is based upon a baseline of its energy and
4 demand?

5 A. The savings are related to a baseline
6 energy and demand level, that's correct.

7 Q. And isn't it true AEP's baseline would
8 exclude the energy and demand of customers who choose
9 to opt out through the Senate Bill 310 process we
10 just discussed?

11 A. That's my understanding how the baseline
12 is calculated is that it excludes customers that have
13 opted out.

14 Q. Thus the opt-out has the effect of
15 reducing the overlying -- overlying base --
16 underlying baseline that the energy savings goal is
17 measured against; is that correct?

18 A. The level of customers opting out has an
19 impact on the baseline.

20 Q. And thus has an impact on the energy
21 savings goal; is that correct?

22 A. No. It has an impact on the baseline.
23 The goal remains a 1.33 percent annual reduction in
24 energy and a .7 percent reduction in demand.

25 Q. Thank you. I'm sorry. It has a -- it has

1 an overall effect on the amount of energy savings
2 that will be able to be achieved; is that correct?

3 A. To the extent there are changes in the
4 customer's participating in the program, it would
5 change the end result of the energy savings achieved.

6 Q. And you said "program." You mean the
7 opt-out program? Customers participating in the
8 opt-out program would have a factor in reducing the
9 overall energy savings that is achieved?

10 A. I think the way I was trying to describe
11 it is customers that continue to stay within the
12 EE/PDR program. Those that chose not to opt out.

13 Q. The energy savings -- a reduction in the
14 baseline due to opt-out customers would have the
15 effect of reducing the overall energy savings that
16 can be achieved under the goal that you have outlined
17 in the stipulation.

18 A. It would reduce the kilowatt hour and
19 kilowatt reductions that the company would achieve
20 through these programs.

21 Q. And isn't it true that AEP has committed
22 in the stipulation to provide \$8 million in energy
23 efficiency funding and energy efficiency incentives
24 to OHA and its members over the 8-1/2 year term on
25 page 13 of the stipulation?

1 A. Paragraphs a. and c. provide the company's
2 funding commitments subject to certain conditions
3 around cost recovery for those programs.

4 Q. And you are referring to the company has
5 committed 400,000 to OHA through the end of 2016
6 which is approved by the stipulation, correct?

7 A. Can I have the question reread, please?

8 Q. Let me rephrase. I'm sorry.

9 So yesterday you talked about the 400,000
10 being just through the end of 2016 and that would be
11 approved by this stipulation and that the funding
12 would come from the current POR budget; is that
13 correct?

14 A. Paragraph a. discusses providing \$400,000
15 in funding per year through the term of the affiliate
16 PPA. And then this is a discussion on page 15, the
17 final paragraph in the section, that discusses OHA's
18 partnership and rights to administer the programs and
19 receive funding under this clause will be contingent
20 upon continued approval -- approval and existence of
21 an AEP Ohio EE/PDR plan and several other conditions.

22 Q. And I'm -- I am trying not to rehash
23 everything that was asked yesterday. I believe you
24 got to the point yesterday where you agreed the
25 400,000 for 2016 would be funded by the current

1 portfolio plan and the current budget; is that not
2 your understanding?

3 A. The funding for 2016 would come out of the
4 current budget, that's correct.

5 Q. Okay. And where would it come out --
6 which budget would it come out of? The mercantile
7 budget in 2016?

8 A. I don't have the specific budget line item
9 it would come out as we sit here today.

10 Q. Okay. So I am assuming you don't know
11 what the existing mercantile budget for 2016 is
12 either?

13 A. I know that the budget is sufficient to
14 provide this level of funding.

15 Q. Do you know whether there would be
16 programs that would not be able to go forward and not
17 be funded by providing the \$400,000 to OHA members?

18 A. It's my understanding that funding to the
19 OHA members will not eliminate other programs.

20 Q. And is it your understanding that in 2017
21 Ohio -- OHA members are eligible to opt out of paying
22 the energy efficiency PDR rider through Senate Bill
23 310?

24 A. I don't know if those customers are
25 eligible to opt out.

1 Q. You don't know if they are eligible to opt
2 out currently or if they are going to be eligible to
3 opt out in the future?

4 A. I don't know if they will be eligible to
5 opt out in the future and I don't know if the
6 customers will choose to opt out.

7 Q. Well, let's assume that they do opt out.
8 If the customers of OHA opt out, would the payments
9 given to OHA, either the 400,000 per year or the
10 600,000 in additional incentives, would those
11 payments be reduced if OHA members opt out of paying
12 for and the ability to participate in energy
13 efficiency and PDR programs under Senate Bill 310?

14 MR. SATTERWHITE: Objection to form. The
15 representation of the \$600,000 is incorrect.

16 EXAMINER PARROT: Let's try it one more
17 time, Ms. Bojko.

18 MS. BOJKO: Okay.

19 Q. So we had already talked about 400,000.
20 You would also agree the stipulation provides 600,000
21 annually in additional incentives from the energy
22 efficiency funding for qualifying projects for OHA
23 member projects; is that correct?

24 A. That's correct.

25 Q. Okay. So now I was trying to expedite

1 this, but the 400,000 and the 600,000 that's going to
2 be provided to either OHA or OHA's members annually
3 equals \$4.8 million; is that correct? Oh, no, I'm
4 sorry. That's 4.8 over total. Totaling it's 7 -- \$8
5 million.

6 MR. SATTERWHITE: Same objection.

7 MS. BOJKO: All right. I will rephrase,
8 your Honor.

9 Q. The 400,000 provided to OHA annually, plus
10 the additional incentives provided to OHA members of
11 600,000, over the 8-1/2 year term of the ESP, totals
12 \$4.8 million; is that correct?

13 A. The \$400,000 is an annual commitment
14 subject to the condition we discussed before. And
15 that's described in paragraph a. Paragraph c.
16 describes that the company will provide up to
17 \$600,000 per year. So it's -- the level of that
18 funding is dependent upon the number of projects that
19 are qualifying. And those would be cost-effective
20 programs.

21 Q. Okay. With that qualification of "up to,"
22 there is a potential of \$4.8 million going to either
23 OHA or OHA's members through the stipulation; is that
24 correct? I'm sorry. Strike that.

25 With the qualification that the 600,000 is

1 "up to", there is a potential that there could be \$8
2 million provided to either OHA or OHA members over
3 the term of the stipulation; is that correct?

4 A. Yes, to support energy-efficiency
5 programs.

6 Q. Okay. Exactly. So if those OHA members
7 opt out, will the \$8 million in funding be decreased
8 because OHA's members will no longer be allowed to
9 participate in energy efficiency and PDR programs
10 pursuant to Senate Bill 310?

11 A. I think you've included a hypothetical
12 that these members will opt out, and I don't know
13 that I can agree that those members will opt out.

14 Q. That's fine. I am asking you if this is a
15 provision in the stipulation that if the members
16 choose to opt out, if there will be a reduction in
17 the amount of monies that they receive for energy
18 efficiency and peak demand response programs?

19 A. If hospitals opt out such that there is a
20 reduction in qualifying EE/PDR projects as described
21 in Section c., then the funding would be reduced if
22 there aren't \$600,000 worth of projects on an annual
23 basis.

24 Q. And assuming that no other OHA members who
25 have not opted out would qualify is what you are

1 suggesting.

2 A. I think I will stand by my answer. I
3 think I made a clear answer.

4 Q. How about this, you referenced the
5 \$600,000 annually. Is the 400,000 annual amount of
6 funding in any way affected by OHA members agreeing
7 or participating in the opt-out provision of Senate
8 Bill 310 in 2017?

9 A. The \$400,000 funding level is not
10 contingent upon the number of OHA members that either
11 choose to opt out or choose to remain in the EE/PDR
12 program.

13 Q. And yesterday you talked about the OPAE
14 provision where they are afforded funds to operate --
15 or manage and administer the CAP program; is that
16 correct? Do you recall that discussion?

17 A. I do.

18 Q. Okay. And my question is, the 5 percent
19 administration fee that you discussed yesterday which
20 is \$400,000 annually, is that fee in addition to the
21 \$8 million budget or will that be taken out of the \$8
22 million budget?

23 A. I don't have an answer to that question.
24 I apologize.

25 Q. Okay. And the commitments for both OHA

1 and OPAE, Ohio Partners for Affordable Energy, those
2 two commitments are contingent upon AEP Ohio's
3 continued recovery of net loss distribution revenues;
4 is that correct?

5 A. That's correct. That's what's described
6 in the stipulation.

7 Q. There's also a provision that you
8 referenced yesterday that I just would like to seek
9 some clarification. The amount provided for OHA
10 states "through the term of the PPA affiliate." Do
11 you recall that question being posed to you
12 yesterday?

13 A. It sounds familiar. There have been a lot
14 of questions.

15 Q. Well, my question just says the OHA funds
16 will continue through the term of the affiliate PPA.
17 One of the examples on 2.a. on 13. My question is,
18 is the affiliate PPA defined as this current
19 application, the current PPA in front of us, or could
20 this mean through the term of any affiliate PPA that
21 AEP may future file?

22 A. And I think I answered that specific
23 question yesterday. As described here, when it says
24 the affiliate -- "through the term of the affiliate
25 PPA," it means through May 31, 2024.

1 Q. Thank you. I did not hear that yesterday.

2 MS. BOJKO: I would like to have marked,
3 your Honor, at this time, OMAEG Exhibit 28, a
4 document, discovery response from OCC to -- a
5 discovery response from AEP to OCC identified as
6 INT-S1-062.

7 EXAMINER PARROT: So marked.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 Q. Do you have what's in front of you what's
10 been marked as OMAEG Exhibit 28?

11 A. I do.

12 Q. Is this a discovery response from AEP to
13 OCC referenced INT-S1-062?

14 A. Yes, it is.

15 Q. Does this interrogatory list the
16 regulatory principles that you think the Commission
17 should consider in deciding whether the stipulation
18 violates any important regulatory principle or
19 practice?

20 A. It lists a set of regulatory principles
21 that would have been considered.

22 Q. Okay. Thank you.

23 MS. BOJKO: Now, your Honor, I would also
24 like to have marked as OMAEG Exhibit 28 --

25 EXAMINER PARROT: 29.

1 MS. BOJKO: I'm sorry, 29, AEP's response
2 to -- strike that. It's already been.

3 Q. I'll ask you a couple of follow-up
4 questions to some discussions you had yesterday about
5 the PPA contract. Do you have that in front of you,
6 the revised PPA contract? It's been identified as --
7 marked as P3/EPSA Exhibit 10.

8 A. I do.

9 Q. Okay. Let's look at the "Early
10 Termination Right" on Division 2.3, page 10.

11 A. I think we talked about this provision,
12 yesterday, yes.

13 Q. Right. I have a follow-up question to
14 that. You discussed if the Commission discontinues
15 cost recovery, my question for you is the
16 discontinuance, does this apply if the discontinuance
17 of cost recovery is in whole or in part?

18 A. This statement "discontinued" would be in
19 whole.

20 Q. In whole? Thank you.

21 And I have a follow-up question to a
22 discussion you also had regarding 10.4 of the PPA
23 revised contract, P3/EPSA Exhibit 10. It's on
24 page 21. Are you there?

25 A. I'm there.

1 Q. On 10.4 there is a revision to eliminate
2 "or early retirement of any" and it changes it to
3 "dates." So it now reads "The Operating Committee
4 will review and approve decisions regarding the
5 retirement dates of the Facilities for depreciation
6 or other purposes." Do you see that?

7 A. I do.

8 Q. So with this revision, is the operating
9 company -- the operating company no longer has the
10 ability to approve or disapprove decisions regarding
11 early retirement; is that correct?

12 A. I think you misstated what was stated
13 there. It's the operating committee not operating
14 companies.

15 Q. Oh, I'm sorry.

16 A. It's actually "decisions regarding
17 retirement dates" would include any retirement dates,
18 be they early or not. Eliminating this phrase just
19 eliminated ambiguity around what is or is not an
20 early retirement date, so it's early as compared to
21 what. So the operating committee will approve
22 decisions regarding the retirement dates. It would
23 be all inclusive.

24 Q. Thank you for that clarification.

25 Let's turn to your attention to your

1 testimony WAA-2, please.

2 A. I'm there.

3 Q. You are the sponsoring witness of WAA-2;
4 is that correct?

5 A. I am.

6 Q. And I think you agreed yesterday that it
7 was a modification to KDP-2 which was Dr. Pearce, his
8 exhibit from the original hearing; is that correct?

9 A. That's correct. And that's stated on the
10 document.

11 Q. And you are the sponsoring witness to this
12 document and you are the person responsible for this
13 document; is that correct?

14 A. I think that's the question I just
15 answered, yes.

16 Q. Okay. Did you have discussions with
17 Dr. Pearce prior to modifying or updating his
18 exhibit?

19 A. I did.

20 Q. And it's your understanding that
21 Dr. Pearce used the PLEXOS model for the underlying
22 data; is that correct?

23 A. The PLEXOS model was utilized as an input
24 to the original Exhibit KDP-2, that's correct.

25 Q. And you provided or you personally did not

1 modify or update KDP-2; is that correct?

2 A. I provided direction to individuals within
3 the regulatory department to make specific updates to
4 or modifications to Exhibit KDP-2 that are presented
5 in this exhibit.

6 Q. And did you personally verify and -- the
7 accuracy of the updated inputs or calculations?

8 A. I reviewed the inputs and looked at the
9 results to ensure that they were in line with my
10 expectation, yes.

11 Q. And you used, for WAA-2, you used Excel to
12 update KDP-2; is that correct?

13 A. Excel was utilized to update Exhibit
14 KDP-2, yes. These are fairly straightforward
15 modifications to Exhibit KDP-2 and those Excel files
16 were provided to the parties in discovery.

17 Q. And would you agree that KDP-2 excluded
18 projections associated with the PJM capacity
19 performance product?

20 A. Yes. Those are included as modifications
21 in this document.

22 Q. You revised KDP-2 to include projections
23 associated with the PJM capacity performance product
24 in Exhibit WAA-2, correct?

25 A. No. What I requested to be performed is

1 to include the actual results of the auctions that
2 had occurred in the capacity performance product
3 auctions.

4 Q. Okay. So I used the word "projections."
5 So you -- WAA-2 includes costs associated with the
6 PJM capacity performance product.

7 A. I think, as we went into a lengthy
8 discussion this morning, it includes the company's
9 expected net results from the capacity performance
10 product based upon the bidding strategy that the
11 company employed.

12 Q. Okay. And who generated the expected
13 results or inputs for the projections associated with
14 that PJM capacity performance product that you
15 included in WAA-2?

16 A. As I just indicated, those were
17 incorporated by individuals within the regulatory
18 department based upon my direction.

19 Q. Well, before we were talking about all the
20 modifications and inputs. You are now stating that
21 the -- the inputs associated with the capacity
22 performance product were made by somebody else in
23 your department?

24 MR. SATTERWHITE: Objection. That's not
25 what he stated.

1 MS. BOJKO: I am asking him.

2 MR. SATTERWHITE: She is trying to restate
3 what he said and he said it multiple times. I
4 object.

5 EXAMINER PARROT: Let's rephrase, please.

6 Q. Okay. You used the words "as I stated,"
7 and I believe this is a different question, so I am
8 trying to ask you if your answer is the same, if
9 that's why you used the parenthetical or the
10 prefatory statement of "as I stated."

11 The -- somebody else in your department
12 made the adjustments to KDP-2 for WAA-2 to
13 incorporate the PJM capacity performance product
14 results for your estimated projections of your
15 bidding strategies; is that correct?

16 A. An individual within the regulatory
17 department incorporated the results of the capacity
18 performance product auctions in this document based
19 upon my direction, that's correct.

20 Q. Okay. And would your answer be the same
21 to when I asked whether you verified the accuracy of
22 those modifications with regard to the PJM capacity
23 performance product?

24 A. When you asked the question previously
25 about whether or not I reviewed the accuracy of the

1 inputs and results, it was for all of the
2 modifications that are identified at the top of
3 Settlement Exhibit WAA-2.

4 Q. Thank you for that clarification.

5 Previously, with Mr. Settineri, you
6 discussed weather normalized forecasts, and what
7 location did you use to develop the degree day?

8 A. It would be looking at weather normal for
9 the PJM region.

10 Q. For the region?

11 A. Yes.

12 Q. Thank you. And earlier you -- to
13 Mr. Settineri, you also stated that the annual PPA
14 rider projections will be based on weather
15 normalized -- the weather normalized forecast; is
16 that correct?

17 A. That will be the company's proposal in
18 those proceedings, yes.

19 Q. Okay. So for 2017, you would use an
20 updated forecast based on the weather normalized
21 case; is that correct?

22 A. When you use the word "the," and so I will
23 just be clear, it will reflect a weather normalized
24 forecast of 2017.

25 Q. And in the examples -- the four scenarios

1 that you provided in WAA-2, if we look at the weather
2 normalized case, that is where the company took or
3 used the \$4 million credit for -- to calculate the
4 initial PPA rider; is that correct?

5 A. That's not where the company used it.
6 That's where the company obtained it from.

7 Q. Thank you, obtained. So you obtained it
8 from this weather normalized case and you utilized it
9 in the calculation of the PPA rider for the initial
10 PPA rider.

11 A. That's correct.

12 Q. Okay. And the total projection of the
13 costs or benefits to customers in the weather
14 normalized cases is \$214 million; is that correct?

15 A. That's the value stated for the weather
16 normalized cases, that's correct. It's not the
17 company's expectation of the value of the rider over
18 the term of the PPA, no.

19 Q. Well, you used the company's projection
20 for the establishment of the 2016 PPA rider, correct?

21 A. We utilized the weather normalized case
22 for that, that's correct.

23 Q. But you're stating that you did not
24 utilize the company's projection for the total cost
25 of or benefits of \$214 million as an indication of

1 the proper benefits; is that correct?

2 A. I think we went through extensive cross on
3 this in the prior portion of the proceeding and
4 yesterday that the company's expected value is based
5 on the average of the high and low load forecast.

6 Q. Okay. And if you turn to page 15 of your
7 testimony which would not have existed in the prior
8 hearing, this is where you list the \$721 million as
9 the benefits of the PPA; is that correct?

10 MR. SATTERWHITE: Objection. We did
11 discuss this at length yesterday with counsel for P3.
12 I think we are just retreading that ground. We had
13 this discussion yesterday.

14 MS. BOJKO: Well, your Honor, these are
15 not pretyped questions. So I wrote these yesterday
16 so I clearly don't think these questions were
17 addressed by Mr. Settineri or Mr. Allen during the
18 cross.

19 MR. SATTERWHITE: I think your Honor will
20 remember we talked about, we went through WAA-2 and
21 talked about the differences between the average of
22 high load and low load forecast and weather
23 normalized and where these numbers came from, so we
24 have, I don't know whether counsel for OMA was not
25 crossing stuff off or not, but just a friendly

1 reminder that we covered it.

2 EXAMINER PARROT: All right. At this
3 point I think the objection is a little premature.
4 The only thing she asked him to do at this point is
5 confirm page 15 the \$721 million in benefits so.

6 Mr. Allen, do you see that reference on
7 this page?

8 THE WITNESS: I do.

9 EXAMINER PARROT: All right. Next
10 question, Ms. Bojko.

11 MS. BOJKO: Thank you. I only have one
12 more question on this, your Honor.

13 Q. (By Ms. Bojko) As you stated -- I think
14 you stated a minute ago, but it wasn't in response to
15 a question, that 721 number is the case that's the
16 average of the high and low; is that correct?

17 A. That's correct.

18 MS. BOJKO: Okay. If I can have one
19 minute, your Honor, to check my notes.

20 Your Honor, I have no further questions.
21 Thank you.

22 Thank you, Mr. Allen, for your time.

23 EXAMINER PARROT: Ms. Fleisher, are you
24 ready?

25 MS. FLEISHER: Yes. Thank you, your

1 Honors.

2 - - -

3 CROSS-EXAMINATION

4 By Ms. Fleisher:

5 Q. Mr. Allen, I will try to be brief. Can
6 you turn to page 28 of the stipulation, Section
7 III.D.15.

8 A. I'm there.

9 Q. And with respect to the energy efficiency
10 benchmark of 1.33 percent specified in that
11 paragraph, will the energy savings towards that
12 target be counted under whatever law is currently
13 applicable?

14 A. That would be the company's expectation.
15 Subject to it fitting within the laws that would
16 exist at that point in time.

17 Q. Okay. And are you aware that under
18 Revised Code Section 4928.662, current law provides
19 for counting customer actions and -- or, counting
20 energy savings from customer actions and utility
21 programs that merely comply with federal standards
22 under the State's energy efficiency standard?

23 A. I think you will have to show me that
24 provision of the law if you want me to answer
25 questions about it.

1 Q. Okay. Certainly.

2 MS. FLEISHER: May I approach, your Honor?

3 EXAMINER PARROT: You may.

4 MS. FLEISHER: And I had not intended to
5 mark this.

6 Q. Feel free to take a moment to review and
7 let me know when you are done.

8 A. Okay. I have reviewed the document.

9 Q. Okay. And is this provision of current
10 Ohio law being applied by AEP Ohio in determining
11 whether it had reached the 1.33 percent benchmark,
12 assuming it continues to be Ohio law in 2017 through
13 2019?

14 MR. SATTERWHITE: I will just object to
15 the normal objection of interpreting a statute.

16 MS. FLEISHER: Normal response, in your
17 capacity as regulatory staff for the company.

18 MR. SATTERWHITE: Thank you.

19 A. The company would make this calculation
20 consistent with how the company currently calculates
21 savings under its EE/PDR plan.

22 Q. And I guess I am not sure was that a "yes"
23 as to whether the company would apply this provision?

24 A. My expectation would be that those would
25 be included, but I think the more precise answer,

1 though, is what I just gave, it would be consistent
2 with the company's current plan and how those
3 calculations are performed.

4 Q. Okay. And are you familiar with the
5 company's current plan and how calculations are
6 performed under that plan?

7 A. Not with great specificity.

8 Q. Okay. So you don't know whether the
9 current plan is consistent with this provision of
10 Ohio law?

11 A. My expectation would be that the company's
12 current plan is consistent with this provision of the
13 law.

14 Q. And this provision also provides for
15 accounting of gross savings including from energy
16 efficiency measures that customers would have
17 implemented from -- without any incentive under
18 paragraph D, correct?

19 A. That's correct. And under the stipulation
20 the company would continue to calculate those on a
21 gross basis.

22 Q. Are you familiar with how much of the
23 savings for the current portfolio plan comes from
24 customer installation of CFL light bulbs?

25 A. No.

1 Q. Are you familiar with the federal EISA
2 standards, E-I-S-A, that have become effective in the
3 last several years, requiring more efficient light
4 bulbs for most standard residential uses?

5 A. I'm aware that standards have gone into
6 place to increase the standards for lighting, but not
7 the specifics.

8 Q. Okay. And do you know what percentage of
9 baseline residential lighting purchases in AEP's
10 service territory are CFL light bulbs?

11 A. No. My expectation would be that would be
12 included in the company's EE/PDR filings.

13 Q. And do you know how much energy savings
14 would be attributed to those baseline purchases under
15 Section 4928.662 of the Ohio Revised Code?

16 A. No.

17 Q. And AEP Ohio hasn't yet submitted a
18 proposed portfolio plan for 2017 through 2019,
19 correct?

20 A. Correct. That's my understanding.

21 Q. So you don't know how much of the savings
22 needed to reach the targets in the stipulation would
23 be proposed to come from residential purchases of CFL
24 light bulbs, do you?

25 A. That's correct.

1 Q. And going back to the stipulation, the
2 same provision, it's correct there's a .75 peak
3 demand reduction target for 2017 through 2019; is
4 that correct?

5 A. That's correct.

6 Q. Do you know whether that's the same as the
7 requirement currently in existence under Ohio law?

8 A. I'm aware that the current law is in flux,
9 so I'm not certain of the current status.

10 Q. And going to page 32 of this stipulation,
11 Section III.I.4.

12 A. I'm sorry, which page are you on?

13 Q. Page 32.

14 A. Paragraph 4?

15 Q. Yes.

16 A. I'm there.

17 Q. Okay. And just to point you to the
18 sentence reading "AEP Ohio agrees to advocate for a
19 reasonable energy efficiency portfolio standard
20 post-SB 310 freeze." What does "reasonable energy
21 efficiency portfolio standard" mean?

22 A. I think that's in the eye of the beholder,
23 but the company is committing to advocate for a
24 reasonable portfolio standard and that would be
25 something greater than no portfolio standard which I

1 think some parties would be advocating for, so this
2 is a commitment on the company to advocate for a
3 positive result for that portfolio plan.

4 Q. And would it include mercantile opt-out
5 consistent with the one described in P3/EPSA Exhibit
6 11?

7 A. The portfolio standard would be a
8 commitment to seek certain levels of energy
9 efficiency from customers that are participating in
10 the program.

11 Q. And you agree the energy savings achieved
12 under such a standard would depend on the baseline
13 which would be subject to opt-outs, correct?

14 A. They would.

15 Q. Okay. And so I guess I would go back, I
16 am not sure you answered my original question, is
17 your understanding that advocating for a reasonable
18 energy efficiency portfolio standard, could it
19 include advocating for a mercantile opt-out as
20 specified in P3/EPSA Exhibit 11?

21 A. That's correct. Those could be consistent
22 with each other and I believe they are.

23 Q. And was it the understanding of all the
24 stipulating parties at the time that they signed the
25 stipulation that a reasonable energy efficiency

1 portfolio standard could include a mercantile
2 opt-out?

3 MR. DARR: Objection. I think we have now
4 crossed that line again, your Honor.

5 MS. FLEISHER: Your Honors, I think we can
6 go back to one of the problems for the Commission to
7 examine this is whether there was serious bargaining.
8 I think if the parties don't understand what it is
9 they are getting in a bargain, then it can't be very
10 serious. So I am just trying to determine if whoever
11 bargained for this provision in the stipulation
12 understood what it would mean.

13 EXAMINER PARROT: Mr. Allen, to the extent
14 you can answer the question without again meaning to
15 divulge settlement -- the substance of settlement
16 discussions, please do so.

17 A. I think the best that I can answer,
18 without going into the confidential settlement
19 discussions, is that parties to the stipulation would
20 be nonsignatory parties as well.

21 Any individuals that participate in the
22 energy efficiency space and other individuals that
23 participate in utility matters in Ohio are well aware
24 that AEP Ohio has been an advocate for reasonable
25 energy efficiency standards over the years, and we

1 have committed significant programs to gain
2 substantial energy efficiency savings for our
3 customers and for the State of Ohio; but that we, as
4 a company, also recognize that there's an important
5 balance between energy efficiency commitments and
6 recognizing the economic development needs of the
7 State of Ohio.

8 And so a mercantile opt-out provision may
9 be in the public interest if the General Assembly
10 deems it so by passing such a law. So the company
11 is -- has acted in a manner in the past that I think
12 gives parties an understanding of the types of
13 actions that the company is willing to undertake and
14 the company's level of -- this isn't a great word but
15 embracement of the value of energy efficiency and
16 those types of programs.

17 Q. I think we know what you mean so. All
18 right. Can you turn to page 26 of this stipulation.

19 A. I'm there.

20 Q. Okay. And I am going to ask you some
21 general questions about paragraph 13 or Section 13.
22 And this includes commitment for the company to
23 deploy Volt/Var technology on 160 circuits and, down
24 the line, all cost effective Volt/Var technology
25 across the AEP service territory; is that correct?

1 A. That's generally the discussion in this
2 section, yes.

3 Q. Okay. And is it correct that AEP
4 estimates that deployment of Volt/Var technology will
5 result in a 3 percent energy savings and a 2 to
6 3 percent peak demand reduction on circuits where
7 it's deployed?

8 A. That sounds a little high.

9 MS. FLEISHER: May I approach, your
10 Honors, and have marked as ELPC Exhibit 18, I think,
11 and this is --

12 EXAMINER PARROT: Yes, 18.

13 MS. FLEISHER: -- AEP's response to ELPC
14 interrogatory set 4-25.

15 EXAMINER PARROT: So marked.

16 (EXHIBIT MARKED FOR IDENTIFICATION.)

17 MS. FLEISHER: And for the record, I think
18 I inadvertently caught the next interrogatory on the
19 back of this, but I intend to only have Interrogatory
20 25 as an exhibit.

21 EXAMINER PARROT: Thank you for that
22 clarification.

23 Q. And, Mr. Allen, you're responsible for
24 this interrogatory response, correct?

25 A. I am.

1 Q. Okay. And is the answer in paragraph a)
2 correct to the best of your knowledge?

3 A. Yes, it is.

4 Q. Okay.

5 A. I apologize. We answered approximately
6 250 interrogatory responses in the last week and a
7 half.

8 Q. There is a reason I brought it. No
9 worries. Okay. And you testified yesterday that
10 energy efficiency programs can help stabilize prices
11 for customers by directionally lowering wholesale
12 energy and capacity prices; is that correct?

13 A. By lowering the peak on the system which
14 ultimately lowers the overall wholesale prices;
15 that's correct.

16 Q. Okay. And Exhibit WAA-2 to your testimony
17 is based on a forecast of market prices including
18 locational marginal prices for energy that was
19 finalized in 2013; is that correct?

20 A. That's correct.

21 Q. And in preparing Exhibit WAA-2, you didn't
22 update or direct for those market price forecasts to
23 be updated to account for potential price reduction
24 of -- effects of energy savings that could be
25 achieved from the Volt/Var revisions in the

1 stipulation; is that correct?

2 A. Those forecasts already include an assumed
3 level of energy efficiency across the entire PJM
4 footprint. So the companies did not increase that
5 level as part of the modifications that I included
6 here.

7 Q. And can you go to III.C.11 in the
8 stipulation. Sorry, I don't have the page number at
9 hand. Here we go. Page 11, thank you. And I'm
10 particularly looking at the sentence starting on the
11 bottom of page 11, "IRP tariff customers may opt out
12 of the opportunity and ability to obtain direct
13 benefits from AEP Ohio's EE/PDR Plan as provided in
14 S.B. 310." So pursuant to that sentence of the
15 stipulation, customers who opt out from the EE/PDR
16 rider can still participate in the IRP tariff and
17 receive IRP credits, correct?

18 A. That's correct.

19 Q. Okay. And the demand response resulting
20 from the participation in the IRP tariff will be
21 counted towards the company's PDR benchmark under the
22 Ohio peak demand reduction standard, correct?

23 A. That's my understanding, yes.

24 Q. Okay. And last but not least, almost
25 done, Section III.G which is page 29.

1 A. I'm there.

2 Q. Okay. And this provides for AEP to file a
3 grid modernization business plan that will address
4 removing obstacles for distributed generation,
5 correct?

6 A. Yes, that would be included in that grid
7 modernization business plan.

8 Q. Okay. And also on the subsequent page,
9 the plan will address consulting with staff on
10 net-metering tariffs, correct?

11 A. Yes. That's what it states.

12 Q. Okay. And AEP Ohio has not identified, to
13 date, any obstacles to distributed generation; is
14 that correct?

15 A. That's correct. That would be part of the
16 company's filing in June of 2016.

17 Q. Okay. And are you aware that AEP Ohio is
18 currently participating in a PUCO rulemaking
19 regarding net metering?

20 A. I'm aware that we are participating in
21 that rulemaking, yes.

22 Q. Okay. And just to clarify your earlier
23 response, through its participation in that docket,
24 AEP Ohio believes it has not identified any obstacles
25 to the deployment of distributed generation?

1 A. I apologize. I cover 11 states and there
2 is a lot of filings in Ohio. I don't know all of the
3 elements in the company's filings there.

4 Q. Okay. That's fine. And if it turns out
5 that obstacles to the deployment of distributed
6 generation or to effective net metering are
7 identified in that docket, would AEP Ohio alter its
8 position in that docket?

9 MR. SATTERWHITE: Objection. The witness
10 stated he is not sure what the position is in that
11 docket, so it's tough for him to answer that
12 question.

13 Q. Okay. Well, for the sake of -- since you
14 are the only witness we have, just for the sake of
15 presenting you with something concrete, let's say
16 that in that docket AEP Ohio has a position that is
17 later identified by staff as creating an obstacle to
18 deployment of distributed generation. Would AEP Ohio
19 then change its position in that docket?

20 A. The important fact to understand in making
21 that determination would be whether it's an
22 inappropriate obstacle for distributed generation.
23 That's the key construct that I would be thinking of.

24 Q. Okay. And would the company take steps to
25 try to resolve that obstacle?

1 A. I would have to have more specificity
2 around what the specific obstacle you are discussing
3 is.

4 Q. Okay. So I guess then is it fair to say
5 that the effect of this provision of this stipulation
6 depends on what the obstacle is?

7 A. That business plan will discuss
8 initiatives to removing inappropriate obstacles to
9 distributed generation. And those actions -- some of
10 those actions may require tariff filings,
11 modifications to tariffs, and that would be something
12 that would need to be approved by the Commission.

13 MS. FLEISHER: Okay. That's all I have,
14 your Honors. At this time.

15 EXAMINER PARROT: Mr. Smalz.

16 - - -

17 CROSS-EXAMINATION

18 By Mr. Smalz:

19 Q. Good afternoon, Mr. Allen. I just have a
20 few questions, so there is light at the end of the
21 tunnel. I would first call your attention to page 4,
22 beginning on -- page 4 in your testimony, beginning
23 on line 11, where you summarize the extension of ESP
24 III provisions of the stipulation. Do you see that?

25 A. I'm there, yes.

1 Q. Okay. And you go on, beginning on line
2 18, to list, continuing on to the next page, nine
3 areas that will be addressed by the provisions of the
4 extended ESP, ESP III, the request for an extension
5 of ESP III. Is that list of nine areas an exclusive
6 list; may the extension of the ESP III provision
7 include additional provisions not among -- not
8 included in this list?

9 A. No. And I think it's important to
10 understand the point of including these provisions,
11 and ESP is a voluntary rate structure in Ohio. And
12 so what the company is doing is committing that we
13 will offer up specific provisions and provide support
14 for those provisions in our filing. There may be
15 additional provisions that the company would include
16 in that filing.

17 What we are doing here is listing those
18 pieces that the company's committing to do because
19 those elements couldn't exist without the company's
20 willingness to include those in our filing and
21 ultimately to accept those recommendations if the --
22 or accept those provisions if the Commission approves
23 them as the company has proposed.

24 Q. Okay. Mr. Allen, let me get straight to
25 the point then. Does the company intend to propose,

1 in its extended ESP application, any commitment to
2 fund a low-income bill payment assistance program?

3 A. The company has not made any commitments
4 related to that at this point in time.

5 Q. Okay. Are you aware that the company is
6 currently funding the "Neighbor to Neighbor"
7 low-income bill payment assistance program?

8 A. It's my understanding that the company is
9 making contributions to that program to the benefit
10 of our customers, yes.

11 Q. Okay. And are you generally aware of the
12 Opinion and Order that the Commission issued last
13 February in the ESP III case?

14 A. I'm generally familiar with that order,
15 yes.

16 Q. Okay. Are you aware that the Commission
17 in that order required AEP to continue funding the
18 neighbor to neighbor program at a level of \$1 million
19 per year?

20 A. I don't recall the specific amount. I
21 generally recall that the Commission included funding
22 for that program in its order and the company is
23 operating under that ESP today.

24 Q. I see. And in the original ESP III case
25 that resulted in this order -- Opinion and Order of

1 the Commission last February, had the company
2 proposed to fund the "Neighbor to Neighbor Program"
3 or any other bill payment assistance program in its
4 application?

5 A. I don't -- it's been quite a while ago
6 that we made that filing. I don't recall the
7 specific provisions of our filing, whether that was
8 included in the initial filing or it was an addition
9 that the Commission made.

10 Q. But, in any case, your recollection is
11 that the Commission did order that the company fund
12 the program.

13 A. That's my general recollection without
14 reviewing the document.

15 Q. Thank you.

16 Turning to pages 12 and 13 of your
17 testimony, beginning on line 9, you discuss various
18 state policies expressed in Ohio Revised Code
19 4928.02. You basically enumerate those policies.
20 And turning to the last page -- excuse me, to the
21 next page, page 13(L), that policy is to "Protect
22 at-risk populations, including, but not limited to,
23 when considering the implementation of any new
24 advanced energy or renewable energy resource."

25 Would the company's commitment, if the

1 company made such a commitment, would that commitment
2 serve the state policy goal of protecting at-risk
3 populations?

4 A. I think what I am describing here is this
5 stipulation that we have here, and so one of the
6 elements that protects the at-risk populations are
7 some of the energy efficiency programs that the
8 company is proposing to be administered by OPAE.

9 Q. I appreciate that, Mr. Allen, but, again,
10 would the company's funding of a bill payment
11 assistance program for low-income customers serve to
12 protect that policy goal, that State policy goal?

13 A. That's one way to support that State
14 policy goal. There are many ways that you can
15 support that state policy goal. That's not the only
16 way.

17 Q. Okay. Now, you'll notice in this state
18 policy goal it specifically refers to when
19 considering the implementation of any new advanced
20 energy or renewable energy resource. The company, as
21 I understand it, has committed to seek approval from
22 the Commission of major investments in wind and solar
23 power facilities; is that correct?

24 A. Significant investments, yes.

25 Q. Okay. And --

1 A. Let me clarify. The company has committed
2 to support significant expansion of the wind and
3 solar resources that the company would be entering
4 into contracts with and the like.

5 Q. And is it possible that, if implemented,
6 those projects could entail additional costs for
7 at-risk populations? For customers in at-risk
8 populations?

9 A. Well, when the company presents those
10 projects for Commission approval, one of the things
11 that the Commission would be looking at in approving
12 those are the rate impacts to customers as well as
13 the price-stabilizing benefits that entering into
14 those contracts may result in.

15 Additionally, things like the commitment
16 to have a preference for solar facilities located in
17 the Appalachian region of Ohio would help to protect
18 our at-risk populations because those, as we're all
19 aware, that's one of our lower-income and
20 economically-depressed regions of the state. So
21 supporting construction projects and jobs in those
22 areas would be a -- one of the elements that would
23 protect at-risk populations.

24 Q. Mr. Allen, turning to page 14 of your
25 testimony, beginning at line 8, you summarize various

1 benefits. It looks like there are seven benefits
2 that you summarize in this section of your testimony.

3 Do you see that?

4 A. I do.

5 Q. Okay. Has AEP Ohio provided any cost
6 estimates, either in your testimony or in the
7 stipulation or anywhere else in the record of this
8 case, as to the estimated costs of actually
9 implementing any of these projects that you list here
10 on lines 10 through 15 of your testimony?

11 A. Clearly, Item 1, the company's presented
12 an estimate of that.

13 Item 2 is a commitment to advocate.
14 There's no cost associated with that.

15 "Proposals to include enhancements to the
16 competitive retail markets in Ohio" is an element
17 that one would hope would reduce costs to customers
18 ultimately.

19 "Commitments to enhance energy efficiency
20 programs" would have a net beneficial impact on
21 customers because the energy efficiency programs are
22 cost effective and so that would show --

23 MR. SMALZ: I would move to strike
24 actually all of the response. My question was --

25 EXAMINER PARROT: Hold on, Mr. Smalz.

1 MR. SMALZ: Okay.

2 EXAMINER PARROT: Go ahead, Mr. Allen.

3 And then we'll get to your motion.

4 MR. SMALZ: Okay.

5 A. Item 5, there's no cost estimate
6 associated with that item.

7 The element related to Conesville 5 and 6
8 co-firing would be dealt with in a separate
9 proceeding.

10 Item 6 and 7 do not have cost estimates in
11 this proceeding.

12 MR. SMALZ: I see.

13 Your Honor, I would still move to strike
14 the answer because part of his answer was directed to
15 my question, but much of it was directed to his
16 opinion as to net benefits of these various
17 provisions. And my question was simply limited to
18 whether the company provided any information as to
19 estimated costs of these projects.

20 MR. SATTERWHITE: Your Honor, he asked the
21 witness there is a list of seven things here and what
22 was included, the costs, and what the company
23 provided. I believe the witness was being polite
24 going through and showing some things don't have
25 costs associated with it at all, and going through

1 the list, as requested by counsel, for those that had
2 costs what was included, and those that didn't have
3 costs, what other particular things relate to that.

4 EXAMINER PARROT: I agree. The motion to
5 strike is denied.

6 Q. Mr. Allen, turning to the stipulation
7 itself, page 16, beginning with the -- with the
8 paragraph that begins "For 2017 OPAE will manage and
9 administer the CAP Program within AEP's Ohio's EE/PDR
10 Plan. The program will have an annual budget of up
11 to \$8 million. OPAE will receive a five percent
12 management fee." So this commitment applies to the
13 year 2017?

14 A. This commitment applies only to calendar
15 year 2017. OPAE will have the ability to seek to
16 participate at that same level in future years as
17 part of future EE/PDR programs.

18 MR. SMALZ: Okay. May I have a minute,
19 your Honor?

20 EXAMINER PARROT: You may.

21 Q. On page 16 of your testimony, item No. 4.

22 A. I'm sorry. There is no 16 on my
23 testimony.

24 Q. I'm sorry, page 16 of the stipulation.

25 A. Okay. I'm there.

1 Q. Okay. Where you refer to "transmission
2 and sub-transmission voltage customers." Who are
3 those customers?

4 A. Those would be customers served at
5 transmission and subtransmission voltage, generally
6 larger customers.

7 Q. And those would not include residential
8 customers?

9 A. That's correct.

10 Q. Okay.

11 A. Unless Les Wexner is on that voltage.
12 Other than that, I think we're okay.

13 Q. Okay. Thank you.

14 On page 13, line 10, beginning -- the
15 sentence beginning at line 10, "Likewise the terms of
16 the Stipulation increases energy efficiency and a
17 partnership with the low income customer
18 advocate...." Are you referring -- when you refer to
19 the customer advocate, are you referring to OPAE?

20 A. In this sentence that is referring to
21 OPAE, yes.

22 Q. In the company's view, is OPAE the only
23 low-income customer advocate in this proceeding?

24 A. No. I don't think it's the only
25 low-income energy -- low-income advocate in this

1 proceeding.

2 Q. Turning to the signatory provisions
3 discussed on pages 36 and 37 of the stipulation.

4 A. I'm there.

5 Q. Okay. Although, I hesitate to wade into
6 this thicket even briefly, I do have a couple of
7 questions. Specifically with respect to footnote 16
8 at the bottom of page 36 and the phrase "are not
9 obligated to support the Stipulation" -- actually, I
10 will read the whole thing. "Sierra Club, Direct
11 Energy, and IGS are not obligated to support the
12 Stipulation." Is there any language anywhere --
13 well, let me ask a preliminary question first.

14 My understanding, based on your earlier
15 testimony, is that the phrase "not obligated to
16 support the Stipulation" means that these parties are
17 not obligated to participate in appeals or to engage
18 in litigation bearing financial costs; is that
19 accurate?

20 A. That would be my -- subject to the long
21 discussion I gave earlier to how footnote 16, 17, and
22 18 would be read.

23 Q. Now, my question simply is there any
24 language anywhere in the stipulation that
25 specifically and explicitly limits the scope of the

1 phrase "not obligated to support the Stipulation" in
2 footnote 16 to appeals or litigation involving
3 financial costs?

4 A. I think we went through a lengthy
5 discussion of this.

6 Q. Well, I would appreciate a "yes" or "no"
7 answer first.

8 MR. SATTERWHITE: Objection, your Honor.
9 Could you allow the witness to finish his answer?

10 Q. Go ahead and answer.

11 A. You have to take footnote 16 in the
12 context of the paragraph or the sentence that it's
13 related to.

14 Q. Okay. But, again, is there any language
15 in the stipulation specifically saying that the
16 phrase "not obligated to support the Stipulation"
17 means not obligated to participate in appeals or
18 litigation involving financial costs? Can you point
19 to anything in the stipulation?

20 A. Yes. Paragraph E in conjunction with
21 footnote 16 says exactly that, and so does paragraph
22 H in conjunction with its footnotes.

23 Q. Could you point to the specific language
24 in those paragraphs referring to litigation involving
25 financial costs?

1 A. Sure. When it states the "Parties will
2 support the Stipulation if the Stipulation is
3 contested." Supporting the stipulation if it's
4 contested would result in parties incurring financial
5 cost. Supporting a stipulation and dealing with the
6 contested costs results in costs. And so by stating
7 that parties are not obligated to support the
8 stipulation, it says those parties are not obligated
9 to incur those costs.

10 Q. Where does it say here "obligated to incur
11 those costs"?

12 MR. SATTERWHITE: Objection, your Honor.
13 The witness has stated how he interprets the
14 language, what it means, and I think we are now just
15 arguing with the witness.

16 MR. SMALZ: So I understand -- okay. Your
17 Honor, I understand that the witness has interpreted
18 this language. I am just asking the witness whether
19 there is any explicit language in the stipulation
20 defining this phrase to only include appeals or
21 litigation involving financial costs. Is there any
22 explicit statement to that effect anywhere in the
23 stipulation?

24 MR. SATTERWHITE: And I believe, your
25 Honor, the witness pointed -- used E as an example

1 and pointed to the language that he considers to
2 state that, and now we are just re-asking the
3 question.

4 MR. SMALZ: Your Honor, again, it seems to
5 me the witness is offering his interpretation and not
6 answering the specific question.

7 MR. SATTERWHITE: That's what he is here
8 testifying for.

9 EXAMINER PARROT: Is there any other
10 language -- let's go about it this way. Any other
11 language beyond which you pointed to in paragraph E
12 on page 36 or paragraph H on page 37 that addresses
13 this issue of whether or not parties are obligated
14 to -- whether signatory parties are not obligated to
15 support the stipulation? Let's go about it this way.

16 THE WITNESS: Those are the two locations
17 that come to mind.

18 EXAMINER PARROT: Okay. Thank you. Let's
19 move on, Mr. Smalz.

20 MR. SMALZ: Thank you, your Honor.

21 Q. (By Mr. Smalz) Turning to the footnote --
22 footnote 17 on page 37, where it says "Whether or not
23 Sierra Club exercises its right to terminate its
24 Signatory Party status or withdraw as described
25 above, Sierra Club and its counsel are not obligated

1 to support the reasonableness of the Stipulation
2 before the Commission." Now, again, my understanding
3 based on your earlier testimony is that this simply
4 means that Sierra Club is not required to participate
5 in any appeals or to engage in any litigation bearing
6 financial costs; is that correct?

7 A. I think that's consistent generally with
8 the testimony I provided earlier today.

9 Q. Thank you, Mr. Allen. Now, once again, is
10 there any language elsewhere in the stipulation that
11 specifically states -- explicitly states that the
12 phrase "are not obligated to support the
13 reasonableness of the Stipulation before the
14 Commission" is limited to appeals -- engaging in
15 appeals or participating in litigation bearing
16 financial costs?

17 MR. SATTERWHITE: Objection, your Honor.
18 I think when the Bench stated the question earlier --

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

21 Shortcut it a little more. We covered
22 paragraph H, Mr. Smalz. I included that in my
23 question to the witness.

24 MR. SMALZ: Okay. Thank you, your Honor.
25 I have no further questions, your Honor.

1 EXAMINER PARROT: Thank you. Is there
2 anything from staff?

3 MR. BEELER: Nothing, your Honor. Thank
4 you.

5 EXAMINER PARROT: All right. At this
6 point I think we are going to go ahead and break for
7 the evening. We will reconvene tomorrow at 9 a.m.
8 Thank you.

9 (Thereupon, at 4:54 p.m., the hearing was
10 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 Tuesday, January 5, 2016, and
5 carefully compared with my original stenographic
6 notes.

7
8
9 Karen Sue Gibson, Registered
Merit Reporter.

10
11
12 Carolyn M. Burke, Registered
13 Professional Reporter.

14 (KSG-6134)

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Summary: Transcript In the Matter of the application of Ohio Power Company hearing held on 01/05/16 - Volume XIX electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.