BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application Seeking Approval of Ohio Power Company's Proposal to Enter into an Affiliate Power Purchase Agreement for Inclusion in the Power Purchase Agreement Rider.	:	Case No. 14-1693-EL-RDR
In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority.	:	Case No. 14-1694-EL-AAM

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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 9:00 a.m. on Wednesday, January 6, 2016.

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Wednesday Morning Session,
January 6, 2016.

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EXAMINER PARROT: Let's go on the record.

I think at the end of the day yesterday we finished with the cross-examination.

Mr. Satterwhite, are you ready for redirect?

MR. SATTERWHITE: Yes, thank you, your Honor.

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WILLIAM A. ALLEN

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

REDIRECT EXAMINATION

By Mr. Satterwhite:

Q. Good morning, Mr. Allen.

A. Good morning.

MS. BOJKO: Your Honor, I'm sorry. Could we go off the record again?

EXAMINER PARROT: Yes.

(Discussion off the record.)

EXAMINER PARROT: Back on the record.

All right. Ms. Bojko, I have looked at the transcript from yesterday and I do recall that

you had one issue with respect to certain testimony that was filed in the docket. And I had asked you to come back to that at the end of your cross-examination. We did not do that yesterday so we will do that now before we continue with our redirect. Thank you.

MS. BOJKO: Thank you, your Honor.

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CROSS-EXAMINATION (Continued)

By Ms. Bojko:

Q. Mr. Allen, good morning.

A. Good morning.

Q. With respect to yesterday we were talking about the provisions of the stipulation that may affect the PJM wholesale market and I had asked you a question about the federal advocacy provision and then I had asked you a question about page 7 of the stipulation which is regarding the bidding practices of AEP in the wholesale market and the Commission's review of those bidding practices. It's Section 5.a. on page 7 of the stipulation. Do you recall that discussion?

A. I recall discussing Section 5.a. of the stipulation, yes.

Q. And you agreed with me that Section 5.a.

is regarding AEP Ohio's decisions and bidding practices in the PJM wholesale market and the Commission's ability to review those decisions and disallow any costs associated with those decisions; is that correct?

A. No. I think you misstate what Section 5.a. discusses. 5.a. does not discuss the bidding strategies of AEP Ohio with regard to the units. Section 5.a. discusses the Commission's role in reviewing those decisions to determine if those decisions are, in fact, reasonable or unreasonable.

Q. And the decisions you are referring to are the bidding strategy decisions, the bidding strategies or practices?

A. That's correct. The Commission would be reviewing the decisions around how the company has bid the units.

Q. And isn't it true that 5.a. may affect the PJM market, at least that's the concern of PJM that has intervened in this proceeding?

A. I don't believe that Section 5.a. would impact the PJM markets.

Q. You would agree with me that PJM has intervened in this proceeding and expressed their concern with Section 5.a. and the ability or the

1 possibility of its effect on the PJM wholesale
2 market, correct?
3 MR. SATTERWHITE: Objection, your Honor.
4 That's still a pending issue about whether they are
5 going to be granted intervention in this case and the
6 characterization of the testimony. That's not in the
7 record yet.
8 EXAMINER PARROT: Mr. Satterwhite, I am
9 going to allow the question with the understanding
10 that depending on how the ruling comes out it may be
11 appropriate at some point in the proceeding to
12 entertain motions to strike if -- if we get into
13 issues that are not subsequently part of the
14 evidentiary record in this proceeding.
15 MR. SATTERWHITE: I guess with that I
16 would object to asking questions characterizing
17 something that might not be in the record, and ask to
18 instruct OMA's counsel just to ask her questions with
19 the facts in there versus trying to characterize them
20 as PJM's testimony.
21 EXAMINER PARROT: I am going to overrule
22 the objection on that as well, Mr. Satterwhite.
23 Again, we will, if we need to, entertain a motion to
24 strike down the road a little bit, okay?
25 THE WITNESS: Can I have the question

1 reread, please?
2 (Record read.)
3 A. It's my understanding that PJM has filed a
4 motion for intervention and filed testimony in this
5 docket that they're seeking to have included in the
6 case.
7 Q. And PJM's position in this proceeding is
8 that they are concerned with the direct references to
9 AEP's bidding practices in PJM's market and the
10 Commission's review of those and how that may impact
11 the wholesale market; isn't that correct?
12 MR. SATTERWHITE: Objection. That
13 misrepresents PJM's testimony. PJM provides a
14 clarification. She's misrepresenting the substance
15 of the testimony provided.
16 MS. BOJKO: I respectfully disagree with
17 my representation, and PJM's counsel is present. If
18 they have a problem with my representation, they can
19 speak to it.
20 EXAMINER PARROT: And I think Mr. Allen
21 can give his understanding. I am not sure you have
22 even stated, Mr. Allen, what your understanding of
23 the testimony is. So if you can answer this question
24 and if you feel you need to maybe clarify something
25 in respect with how Ms. Bojko has characterized it,

1 you may do that.
2 A. Since PJM has not been granted
3 intervention in this case, I'm aware generally of the
4 recommendations of PJM, but I have not reviewed their
5 testimony in any detail.
6 Q. And, Mr. Allen, you did attend the
7 deposition of Mr. Bresler; isn't that correct?
8 A. I attended a portion of that, that's
9 correct.
10 Q. And in your attendance at that deposition
11 you did become aware of PJM's concerns as they have
12 stated in this proceeding; isn't that true?
13 A. I'm generally aware of the recommendation
14 of PJM. I don't know if I would characterize it as a
15 concern, but I am generally aware.
16 Q. Okay. Well, isn't it true that at the
17 deposition the PJM representative explained that
18 consequences of an unreasonable determination by the
19 Commission could have a negative impact on PJM's
20 wholesale market?
21 MR. SATTERWHITE: Objection, your Honor.
22 Now, we are just trying to read in parts of the
23 deposition to get around the potential ruling later.
24 Again, if this is a question that she wants to ask
25 the witness about how a market might be impacted,

that's the question. But reading the deposition for purposes of the impeachment is improper.

MS. BOJKO: Well, your Honor, I am in no way reading the deposition because I don't even have the deposition, so I am asking him. He has eluded the question at least four times now of what PJM's concern is, stated concern. And I am asking him more directly if that's his understanding of the concern is around the language contained in Section 5.a. of the stipulation and an unreasonableness determination by the Commission which is actually the words in the stipulation.

MR. SATTERWHITE: Your Honor, she can ask him what his understanding is and I believe he has stated that. She is trying to pull other circumstances and language I think from the deposition to try to assert something versus asking this witness who, it wasn't his deposition, it was somebody else's, asking this witness what he understands.

EXAMINER PARROT: Mr. Allen, you may answer the question if you are able to.

THE WITNESS: Will you reread the question, please.

(Record read.)

A. Well, I can't say for certainty -- it's not working.

Well, I can't say with certainty what the statements of the PJM representative were in his deposition. What I can state is decisions by a state regulatory body regarding the prudence of decisions of a regulated utility would not have a bearing on the PJM market.

MS. ROBINSON: Your Honor, may we go off the record, please?

EXAMINER PARROT: Yes.

(Discussion off the record.)

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

All right. Thank you, everyone, for your patience during our break. The Bench notes at this time that the motion for limited intervention along with the testimony that was filed by PJM on December 28, 2015, in the dockets in these cases is -- is denied. A subsequent entry to that effect will be issued in the near future.

Ms. Bojko, I am not sure if we had a question pending.

MS. BOJKO: I don't believe there is.

EXAMINER PARROT: I don't think we did.

1 MS. BOJKO: There is one?
2 EXAMINER PARROT: There was not. I was
3 confirming.
4 MS. BOJKO: Your Honor, I guess at this
5 time understanding that you have issued -- or will
6 issue an entry that gives parties appeal rights, I
7 would just like to note from OMAEG's perspective our
8 extreme disappointment and opposition and we will be
9 asserting our rights under. I think that denying the
10 wholesale market -- the entity, the regional
11 transmission organization responsible for the
12 wholesale markets with concerns about the wholesale
13 market is -- is against the public interest and
14 against OMAEG's members' interests and we are very
15 concerned with that. But given that you are going to
16 do an official entry, we can take the appeal there
17 instead proffering at this time. Thank you.
18 I do have --
19 MR. SATTERWHITE: Your Honor, if it would
20 help, can I add something? Because we are interested
21 in moving this case along and there could be an
22 appeal of that entry, you know, the company is okay,
23 on a limited basis, if OMA wants to ask questions
24 based on its questions in this area, versus asserting
25 a PJM interest, does that make sense, and maybe you

could add some limited questions in the areas and develop the record if you wanted. We can make that offering since the witness is here today.

MS. BOJKO: I'm sorry. I was conversing with Attorney Examiner See about the microphones, and I am not sure I heard the first part of your offer. I apologize.

MR. SATTERWHITE: You want to go off the record for a second and talk about it?

EXAMINER PARROT: We can. Let's go off the record.

(Discussion off the record.)

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

Ms. Bojko, did you have some further questions for Mr. Allen on this subject?

Q. (By Ms. Bojko) Mr. Allen, just take a step back. The regional transmission organization that is responsible for Ohio and surrounding states is PJM Interconnection; is that your understanding?

A. Utilities in Ohio and some of the surrounding states are members of PJM, that's correct.

Q. And PJM is the regional transmission organization that is responsible for operating the

PJM wholesale markets as well as conducting auctions for both capacity and energy and ancillary markets; is that correct?

A. Generally, yes.

Q. And is it your understanding that PJM's tariffs have rules around bidding strategies in order to prevent market power or any kind of market manipulation?

A. That's my general understanding, yes.

Q. And is it your understanding that one of the fundamental concern -- or one of the fundamental ideas embedded around the prevention of the manipulation of the markets is to ensure that utilities bid into the wholesale market at or above their actual costs as defined in the PJM tariff?

A. In the energy markets, there are rules that dictate the bidding strategies that entities, both retail regulated entities and unregulated entities, can offer their output of their units into, and there are rules in the capacity markets that dictate the pricing that participants, both regulated and unregulated entities, can bid into those markets as well.

Q. And those rules require entities to bid at their actual costs; is that correct?

1 A. In the energy markets, those rules allow
2 entities to bid in two ways. One is a market-based
3 offer and one is a cost-based offer. In the capacity
4 markets, entities have the ability to bid their units
5 in, subject to caps, as opposed to minimum offers.
6 And that applies equally to companies that have
7 retail rate regulation related to those assets as
8 well as unregulated entities.
9 Q. Right. And there are different rules with
10 regard to regulated entities and unregulated
11 entities; isn't that correct?
12 A. No. The rules apply equally. So, for
13 example, Dominion is a large retail regulated entity
14 within PJM. They have approximately 20,000 megawatts
15 of generation that is currently included in
16 cost-based regulation in Virginia as well as 3,000
17 megawatts approximately of new gas generation that is
18 coming on line in PJM that is afforded retail rate
19 recovery with a premium. That entity has no
20 additional restrictions in bidding those units as
21 compared to unregulated entities.
22 Q. Is it an FRR entity?
23 A. It is not.
24 Q. And are there FRR entities that do have
25 restrictions, that are regulated companies, have

1 restrictions on the amount they can bid in to PJM?
2 A. Sure. So with regard to FRR entities, AEP
3 Ohio -- or AEP's retail rate regulated states
4 including Indiana, Michigan, Kentucky, Virginia, West
5 Virginia, participate as FRR entities and they have
6 the ability to bid up to I think the value is
7 1,300 megawatts of capacity into the RPM market, but
8 it's important to recognize that those units that are
9 under FRR are also allowed to participate in PJM's
10 energy markets in the same manner that unregulated
11 entities are able to operate within those energy
12 markets.
13 Q. The concern of providing a limitation on
14 the FRR entities with regard to the capacity markets
15 is so that they don't create disincentive for new
16 generation to be built; isn't that true?
17 A. No, I wouldn't agree with that. The 1,300
18 megawatt limitation to my recollection is just an
19 element of a stipulation.
20 Q. Right. So you are sitting here today
21 disagreeing with both the PJM in their tariffs and
22 information that they provide to the public as well
23 as the PJM market monitor with regard to the impact
24 that a PPA subsidy as well as a stipulation would
25 have on the wholesale market.

A. You are going to have to provide to me a statement that you believe I'm disagreeing with. My testimony here today is that I don't believe that the PPA will have an adverse impact on the wholesale markets. You have to recognize that within PJM, as well as the regulated entities that we previously discussed, there are a large number of PPAs that currently exist in the markets related to wind, solar, other coal and gas assets, and I don't see any discussion that those PPAs are causing a negative impact on the markets.

Q. Really. So you are telling me sitting here today that you were not in attendance at the deposition of the PJM market monitor and that you did not read his two pieces of testimony in this case that actually state that he believes PPA subsidies are adverse to the competitive wholesale market?

MR. SATTERWHITE: Your Honor, at this point I'll object to using depositions as evidence of record. Assuming facts not in evidence.

MS. BOJKO: No. I asked if he was in attendance, which he was, which goes to the state of mind and the credibility of his statements, and he is sitting here telling us today that he is not aware of this and he was in attendance where a party to this

1 case has made sworn statements, and I am asking him
2 if his statement stands in light of his knowledge
3 under those circumstances.
4 MR. SATTERWHITE: And, your Honor, my
5 objection was to using the deposition as a fact that
6 as she asserts it's violating some kind of PJM rule.
7 If she wants to ask the question about testimony
8 that's filed in this case by the market monitor and
9 ask this witness what the comparison is, that's
10 appropriate. But to use the deposition, it has a
11 number of objections and other things that we don't
12 have in front of us, is an inappropriate question.
13 EXAMINER PARROT: I am going to ask you to
14 rephrase, Ms. Bojko.
15 Q. (By Ms. Bojko) Are you aware that the PJM
16 market monitor has filed two pieces of testimony in
17 this case, sir?
18 A. Yes, I am.
19 Q. Okay. And you are aware that he was also
20 deposed by AEP's counsel; is that correct?
21 A. Yes.
22 Q. And you were in attendance at that
23 deposition, were you not?
24 A. I was in attendance at his deposition
25 related to the initial phase of the case.

1 Q. Right. And, sir, weren't you also in
2 attendance at his deposition when FirstEnergy's
3 counsel deposed him in the FirstEnergy proceeding?
4 A. That's my recollection.
5 Q. And isn't it true that the market monitor
6 has filed testimony in this proceeding two separate
7 times?
8 A. Yes, that's correct.
9 Q. And you have read those testimonies.
10 A. I have.
11 Q. And isn't it true that the market monitor,
12 the PJM market monitor, believes that there are
13 concerns with a PPA, and he calls the PPA a "subsidy"
14 and he says that it will negatively affect the PJM
15 market?
16 A. Just to clarify how we have been going
17 through this cross-examination, your prior question
18 and my answer related to the market monitor's and
19 other PJM members' view of other PPAs that exist in
20 the market, and I have not seen the same level of
21 concern with those PPAs, even though they would have
22 exactly the same impact on the market as the PPA that
23 the company's proposing in this case.
24 And I do recognize that the market monitor
25 has filed testimony indicating that he believes that

1 these -- that this PPA will negatively impact the
2 market and I think it's inconsistent with how other
3 PPAs are treated in the market.
4 Q. Isn't it true that during
5 cross-examination by AEP's counsel that the PJM
6 market monitor did agree that renewable PPAs and
7 other PPAs are a subsidy and that they also affect
8 the PJM wholesale market, but he stated that they may
9 have an alternative for being permitted in the
10 market?
11 A. To my recollection, that was one of the
12 few days I wasn't in attendance at the hearing, so if
13 you have a transcript you would like me to read, I
14 would be happy to do that, but I don't believe I was
15 here for that day of the hearing.
16 Q. You do recall him saying that exact thing
17 in the deposition that you were in attendance at, do
18 you not?
19 MR. SATTERWHITE: Objection, your Honor.
20 I believe we -- you asked counsel to
21 restate the question earlier because we are trying to
22 use depositions as evidence in this case. The record
23 will speak for itself. What the market monitor said
24 in the record is already there. This witness has
25 provided his understanding of what was said. If she

has a direct question, ask the direct question. But I object to the attempt to use depositions as testimony.

MS. BOJKO: Actually, your Honor, my question was different. I first established that he was in attendance at two depositions, and I asked if he recalled that statement. He can say whether he recalls that statement or not. I didn't ask him if that was stated in the deposition. I asked him if he recalled that discussion and statement by his counsel.

MR. SATTERWHITE: Still trying to take the deposition and put it into the context of evidence in this case, your Honor. It's improper.

MS. BOJKO: It actually goes to the credibility of the witness and what he knows and what he is leading this court to believe.

EXAMINER PARROT: Ms. Bojko, again, I am going to ask if you can rephrase the question, that's fine. Otherwise, I think we need to move on from the deposition.

MS. BOJKO: Okay.

Q. (By Ms. Bojko) So you -- you, sitting here today, do not recollect any statements by the PJM market monitor with regard to renewable energy PPAs

1 and how he believes they are similar to the PPA in
2 this proceeding and that they create subsidies; is
3 that correct?
4 A. As I indicated previously, I wasn't in
5 attendance that day of the hearing so I do not recall
6 those statements.
7 Q. I didn't ask if you were in attendance at
8 the hearing. I asked you sitting here today if you
9 had no recollection of the market monitor -- monitor
10 ever saying these types of statements in any form.
11 MR. SATTERWHITE: Your Honor, at this
12 point I'll object. She is trying to go around the
13 Bench's ruling and I'll object to the overall
14 questions at this point. This witness is here to
15 testify to what he thinks. Random statements that
16 might or might not have been made in some context
17 that we don't know about are inappropriate for this
18 extended courtesy the Bench has provided counsel to
19 ask these questions.
20 We're more than happy to have the witness
21 answer questions about what he thinks and I think we
22 have gone too far at this point asking about
23 possibility of statements and what those mean.
24 Please ask OMA to ask the witness questions about
25 what he believes.

1 MR. SETTINERI: I would just note for the
2 record, your Honors, the motion to intervene was not
3 ruled on until just a little bit ago. That knowledge
4 that it -- if it was denied before we started
5 cross-examination might have switched questioning for
6 many of us here today. So to the extent Ms. Bojko --
7 I don't think there is anything improper about
8 Ms. Bojko's line of questioning given the ruling that
9 came out today on the motion for intervention.
10 MS. BOJKO: And, your Honor, it's
11 historically been allowed that a witness would be
12 able to explain their knowledge from their
13 experience. If the witness has knowledge or heard a
14 statement from experience or had discussions,
15 anything of the like, if he knows, he can explain it.
16 Regardless of where he obtained that
17 knowledge, that is his, and it goes -- relates to his
18 experience as a regulatory personnel and it also goes
19 to his credibility as a witness in what he is or is
20 not telling this court and whether he is being
21 truthful with that.
22 We can -- well, right here. I've just
23 found the hearing transcript if you would like to go
24 through this exercise, we can do it this way.
25 MR. SATTERWHITE: Just to the first point,

I mean, we are happy to go on to the next question, but to Mr. Settineri's point, these are questions about the market monitor, not PJM.

MR. SETTINERI: The same points though.

MS. BOJKO: And I would just note for the record that this whole line of questioning was broken off yesterday based on the judge's ruling, and I was happy to talk about PJM, but I was asked not to, so we kind of got off --

EXAMINER PARROT: That's my understanding that's what we are here to be talking about now is PJM's part in all of this, and that's distinct, I see it anyway, from PJM market monitor positions which I think we could have covered that, and I think we did to some extent cover that already, and I think you could have done that yesterday, so I think we are getting a little far afield from what I see the purpose of this continuation of your cross, Ms. Bojko, so.

MS. BOJKO: Okay, your Honor.

EXAMINER PARROT: If we can get back to PJM.

MS. BOJKO: I'm sorry. Answers lead you down a path and I follow it.

EXAMINER PARROT: I understand.

Q. (By Ms. Bojko) Okay. Let's just end this one final. You are aware that he did testify -- the PJM independent market monitor did testify, there is a transcript of his testimony and we can all go read that for his opinions on both renewables, PPAs, as well as FRR entities, as well as the PPA regarding this proceeding; is that your understanding?

A. I think we can read the transcript about the statements that the market monitor has made in this proceeding. But what I think is more important is to understand the actions of the market monitor as it relates to similar transactions. And in those cases and the experience that I have is that the market monitor has not expressed the same views as he expressed in any hearing here or in his testimony in those other proceedings.

MS. BOJKO: Okay, your Honor. I am either going to have to ask to strike everything but what is -- that starts "but what is important," or be given leeway to challenge his statements that he just asserted.

EXAMINER PARROT: I will grant the motion to strike.

MR. SATTERWHITE: Your Honor?

EXAMINER PARROT: Go ahead,

Mr. Satterwhite.

MR. SATTERWHITE: The Bench instructed her to move on from this topic. I didn't object because it was a roundabout question from the confusion that's been laid all over this record, so I asked you not to strike that answer because it was a conclusion to bring some semblance of organization back to this point, so I think it's appropriate to do this because she opened the door, and then move on.

EXAMINER PARROT: Thank you. Noted on the record. Motion to strike is granted.

MS. BOJKO: Thank you.

EXAMINER PARROT: Let's move past this, Ms. Bojko.

MS. BOJKO: Thank you.

Q. (By Ms. Bojko) You also mentioned the Maryland and New Jersey cases in one of your responses to my questions, and just so the record is clear, you do understand that the -- the purchase power arrangements or the subsidies that were in those cases have both been struck down by the federal court, right?

A. I don't recall responding to the Maryland and New Jersey cases, but I recognize that those cases, which I think were very different cases than

1 the case we have here today, were struck down by --
2 in Appeals Court, but that they are now before the
3 U.S. Supreme Court.
4 Q. Thank you.
5 And going back to PJM, you are aware, sir,
6 that PJM has produced studies about the reliability
7 of the grid, and PJM's position is that the grid is
8 reliable currently and would be without any kind of
9 purchase power agreement.
10 MR. SATTERWHITE: Your Honor, I'll object.
11 This is beyond the scope of the settlement
12 proceeding. These sound like issues that were
13 involved in the over-month-long hearing we were
14 involved in before. It doesn't tie to the
15 stipulation at all.
16 MS. BOJKO: It does tie to the stipulation
17 because the stipulation is actually recommending
18 approval of the PPA rider which we did not have
19 before us, and then it also changes the application
20 by adding provisions in the PPA rider that are very
21 relevant. So, you know, I respectfully disagree. I
22 think they provided cost estimates and WAA-2 provides
23 cost estimates. We went through yesterday how they
24 are picking and choosing which estimates they use at
25 what point in time. And this goes to the market and

1 how it's working and whether those forecasts may or
2 may not be accurate.
3 MR. SATTERWHITE: Your Honor, the
4 implication of the retail side of this, which is
5 before the Commission, and what those numbers may or
6 may not be in a credit, are different than the scope
7 of the questions she asked about reliability and, in
8 general, what PJM has produced reports upon. That
9 was an issue that was ripe and open and discussed in
10 the initial phase of this proceeding. It doesn't
11 relate to the stipulation.
12 MS. BOJKO: Well, your Honor, on page 7 of
13 the stipulation as well as page 9 of the stipulation,
14 there are two provisions regarding PJM markets and
15 PJM markets are the wholesale market. It's not the
16 retail costs that Mr. Satterwhite just referenced.
17 So when we are talking about improving the
18 PJM market on page 9 and we are talking about bidding
19 strategies and reviewing those with performance
20 requirements in PJM markets, we're talking about the
21 PJM markets. That is all new. That language was not
22 in the amended stipulation.
23 MR. SATTERWHITE: Your Honor, I'll grant
24 that PJM, as an entity, was mentioned in both phases
25 of this, but the question she is asking about is a

1 global PJM view on reliability. And that clearly was
2 discussed in the previous section. Just because
3 there is a reference to PJM and the stipulation gives
4 more clarity on something doesn't address this issue
5 about the reliability concerns of PJM. That was part
6 of the initial part of this case. And I would point
7 out could have been done in her regular cross. It
8 wasn't tied at all to the motion. If she thought it
9 was all over the stipulation before, she could have
10 asked those questions in the absence in her initial
11 cross.
12 MS. BOJKO: Your Honor, I actually did
13 start asking these in the context of the PJM
14 testimony and intervention, and I was asked to ask
15 them more broadly and not refer to the intervention
16 and the testimony and that's exactly what I was
17 doing.
18 MR. SATTERWHITE: But, your Honor, this
19 doesn't require at all the PJM testimony. This is a
20 broad subject talked about extensively.
21 EXAMINER PARROT: I agree,
22 Mr. Satterwhite. I think this particular question,
23 Ms. Bojko, is past the purpose for what we are
24 engaged in right now.
25 MS. BOJKO: Sure. It was just foundation.

I will ask my next question.

Q. (By Ms. Bojko) You are familiar with the -- are you familiar with PJM, sir?

A. Generally, yes.

Q. Have you participated on any committees at PJM?

A. I have not.

Q. Are you familiar with the markets and reliability committee?

MR. SATTERWHITE: Objection, relevance to the stipulation proceeding.

EXAMINER PARROT: Response?

MS. BOJKO: It's a foundation.

MR. SATTERWHITE: I thought we were past the foundation. I thought she was going to ask a question.

MS. BOJKO: First, I had to back up and ask if he was familiar with PJM and asked if he ever participated on a committee, and now I am asking if he knows a particular committee.

MR. SATTERWHITE: I believe your Honor ruled this was outside the scope of what she was talking about. So if she has a question, ask the question, and we can see if we can go from there.

EXAMINER PARROT: Yeah, I think I am there

too. I think we had a whole lot of foundational questions in the last phase -- the prior hearing, so I think let's get to the point. Tie it into the stipulation, please.

MS. BOJKO: Okay.

Q. The stipulation provision 5.a and provision 7 has -- it's your understanding those provisions concern activity in the PJM wholesale market; is that correct?

A. Paragraph 5.a. deals with the Commission review of the prudence of or the reasonableness of the action of AEP Ohio in the PJM market.

Q. And provision 7 talks about improvements that AEP is committing to attempt or advocate for in the whole -- PJM wholesale market, correct?

A. I think you are referring to Section B on page 9. Is that the section you are referring to?

Q. Yes, thank you.

A. Section B on page 9 addresses, in paragraph 1, advocacy efforts of AEP Ohio before PJM and FERC.

Q. Is it your understanding, sir, that since the stipulation has been filed the -- there are committees at PJM that are now looking at the issue regarding PPAs and how they will, in fact, affect, or

if they do, in fact, affect the wholesale market?

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

Q. Okay. And, sir, have you done any studies regarding the impact of these provisions 5.a. on page 7 and Section B on page 9 will have on PJM's wholesale markets?

A. First, with regard to 5.a., that's a Commission review related to retail cost recovery. That will have no impact on the PJM wholesale markets. The federal advocacy section on page 9, Section B, talks about advocacy. The act of advocating will have no impact on the PJM market. To the extent that those advocacy efforts result in a change in the PJM markets, those changes would be approved by FERC and, as such, would be deemed in the public interest and appropriate.

Q. And you do know, sitting here today, that there are parties and entities that disagree with your conclusions.

MR. SATTERWHITE: Objection. Awfully broad question.

MR. SETTINERI: That's a fair question, your Honor.

MS. BOJKO: He can answer if he knows.

EXAMINER PARROT: The objection is

overruled, Mr. Allen. Please answer the question to the best -- to your best ability.

A. There may be parties that disagree with my position but they're wrong.

Q. Okay. And I want to go back to my real question that you never answered. I asked if you did studies. I don't want to know your conclusion. I want to know if you actually performed studies regarding the impact whether it will or will not have on the PJM markets in response to those that do disagree with you.

MR. SATTERWHITE: Your Honor, I will object to the form of the question. Trying to berate the witness is not answering her question. He provided an answer. If she wants to follow up, she can do that, but I ask her not to try to speak to the witness as if it's her child.

MS. BOJKO: I won't respond to that. My child would never evade my question like that.

MR. SATTERWHITE: Objection, your Honor.

MS. BOJKO: I asked if he performed studies, your Honor.

MR. SATTERWHITE: That question is fine.

EXAMINER PARROT: That question is fine. Let's answer that one, Mr. Allen.

A. No study was necessary to come to those conclusions.

Q. And, sir, did you speak with PJM before signing the stipulation that contained these two provisions?

A. No. I don't believe it was necessary.

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

MR. SATTERWHITE: Could we just have 5 minutes before we do redirect?

EXAMINER PARROT: Yes. Let's take a short break.

(Recess taken.)

EXAMINER PARROT: Back on the record.

Mr. Satterwhite.

MR. SATTERWHITE: Thank you, your Honor.

- - -

REDIRECT EXAMINATION

By Mr. Satterwhite:

Q. Good morning, again, Mr. Allen.

A. Good morning.

Q. Do you remember discussing application of the competition incentive rider credit to customers in a hypothetical with Mr. Michael on Monday?

A. I do.

Q. That example you used a 50 cent proxy that ran through the collection of 30 percent of the load on SSO, correct?

A. A 50 cent per megawatt-hour, yes.

Q. Okay. That was my question. The conclusion you discussed, an allocation back to the residential class would be approximately 18.4 cents per kilowatt-hour. Was that the correct unit you intended?

A. No. That should have been per megawatt-hour.

Q. Okay. What's the difference? What's the impact of that?

A. The impact is a factor of 1,000 and so it's putting it on the same terms as the original number that I started the calculation out with.

Q. Okay. And you also had some discussions in that same -- and that same time about the impact on nonshopping customers. Do you remember that?

A. I do.

Q. And this relationship between incentives between nonshopping and shopping customers with incentives for the market, is that something new?

A. No. The Commission has provided shopping incentives over a number of years in Ohio. The first

1 time that the Commission implemented a shopping
2 incentive related to AEP Ohio was in the original ETP
3 case around 2000, and then once again as part of ESP
4 II, the Commission approved the provision of
5 discounted capacity to CRES providers to incent
6 additional shopping.
7 The goal of provisions like that is to
8 grow the market for shopping customers and to allow
9 more opportunity for CRES providers to enter the
10 market and to provide more innovative offerings to
11 customers as a market is developed.
12 Q. Okay. Let's -- you had some questions
13 dealing with the -- what's been I think termed the
14 "OPAE provisions" on pages 15 and 16 of the
15 stipulation. Do you remember those discussions?
16 A. I do.
17 Q. And one question you were asked was if you
18 knew what the administrative fee was that would
19 come -- let me rephrase that.
20 Do you remember being asked yesterday
21 about whether the OPAE administrative fee would come
22 from the $8 million budget for the CAP program?
23 A. I do.
24 Q. Okay. And yesterday you didn't know,
25 correct?

A. That's correct.

Q. Okay. What -- what is the answer to that question? Do you know now?

A. The answer is that the 5 percent management fee would be included in the $8 million such that the total budget would be $8 million, and of that 8 million there would be a $400,000 management fee included in that, subject to the condition that it's a budget of up to $8 million, and it only applies to 2017.

Q. And is that any different than how the program is normally applied regardless of who administers it?

A. No. That's the way it's currently applied and has historically been applied.

Q. And do you remember when you were asked if you knew what the CAP program budget was when OPAE oversaw it and administered it -- administered the program previously?

A. I do.

Q. Okay. What is that? What was that budget?

A. The budget for that program in 2014 when OPAE administered the program was $9 million. And the current level that the company has budgeted for

1 the current calendar year is $6.7 million.
2 Q. And you also had a couple of conversations
3 on the application of the 2017 program being
4 administered by OPAE, both from Mr. Smalz and
5 Mr. Settineri. Do you remember that?
6 A. I do.
7 Q. Okay. And do you recall talking to
8 Mr. Settineri on Monday about the continuation of the
9 funding in future years?
10 A. I do recall that discussion.
11 Q. Okay. And how does that relate to the
12 conversation you had with Mr. Smalz about the funding
13 being for 2017?
14 A. I think as we started the discussion with
15 Mr. Settineri, it was a follow onto a discussion we
16 had had during my deposition. And so I want to make
17 clear that the funding provided in the stipulation
18 for OPAE only applies to 2017 and OPAE will have the
19 ability to seek to participate in future years but
20 it's not a commitment that OPAE will be the
21 administrator of this program in years beyond 2017.
22 Q. Let's talk about the conversation you had
23 yesterday dealing with the IRP credit. Do you recall
24 that?
25 A. I do.

Q. When I say "IRP credit," I am talking about on pages 10 and 11 of the stipulation just for those playing at home. Do you remember being asked to calculate a number, by OMAEG's counsel, associated with this provision that dealt with the maximum participation level?

A. Yes, I do.

Q. And you mentioned there would be offsets and benefits associated with this. Do you recall that?

A. I do.

Q. Could you please discuss what those are.

A. Sure. I can discuss the offset, so we'll go with the hypothetical that Ms. Bojko described yesterday where participation was at 275 megawatts. To the extent that those megawatts are bid into the PJM auctions as demand response resources, and cleared at a price, and I am going to use a hypothetical of $150 a megawatt-day which is relatively close to what the auctions have been currently clearing at, if you take those assumptions, the 275 megawatts would then be multiplied by $150 per megawatt-day, and then you would multiply that by 365 days in a year, and the offset, when do you that math, is just over $15 million.

1 Q. And you also had some discussion about the
2 impact of the automaker credit. Do you remember
3 that?
4 A. I do.
5 Q. And that's found at page 11, paragraph 8
6 of the stipulation, correct?
7 A. That's correct.
8 Q. In those responses, you stated that there
9 were expected benefits associated with implementation
10 of the provision. Can you please explain?
11 A. Yes. The benefits of implementing a
12 provision like the automaker credit provision is to
13 provide an incentive for automakers to utilize their
14 facilities in the State of Ohio, and it provides a
15 benefit as compared to other states that would allow
16 more production to move to the State of Ohio as
17 compared to a condition where such a provision did
18 not exist. So this is an economic-development tool.
19 MR. SATTERWHITE: Your Honor, I just have
20 a couple of housecleaning questions here that might
21 help the record.
22 Q. Mr. Allen, you have before you P3/EPSA
23 Exhibit 11 which is the IEU Global Settlement
24 Agreement?
25 A. I do.

Q. Does that document indicate that it was provided as part of an OCC discovery request?

A. Yes. The header in the upper right-hand corner of the document indicates that it was provided as a response to OCC set S1-Interrogatory 002 and it's Attachment 1 to that discovery response.

Q. And is the actual discovery response provided as part of that exhibit part of P3/EPSA Exhibit 11?

A. It is not.

MR. SATTERWHITE: Your Honor, I am not sure how you want me to mark this. I think it's helpful to the record to have the discovery response attached with the documents since this is an attachment. I talked to counsel for P3 about this yesterday. He was unwilling to put that in. I can mark it as an AEP exhibit, but that's separate from where the document is in the record, so I don't know what the Bench's preference is.

MR. SETTINERI: Your Honor, I will respond, if I may, once -- I will just yell it out here. My examination of Mr. Allen on the P3 -- or the EEU Global Settlement document yesterday did not involve anything with the interrogatory -- involving the interrogatory.

1 If you recall, I asked him questions, he
2 wanted to see the document. We marked the document
3 as an exhibit. On the transcript, which I believe,
4 the transcript at page 45 -- I will skip that. On
5 the transcript he -- he admitted that he was familiar
6 with the document. He agreed it was produced in
7 discovery, but I made no reference to that
8 interrogatory. It was a document that I crossed him
9 on.
10 For them to now put in an interrogatory
11 which is testimony for Mr. Allen, which is what an
12 interrogatory is, is improper. I did not introduce
13 the interrogatory with the attachment. He identified
14 the document. I crossed him on the document. I did
15 not reference the interrogatory whatsoever, other
16 than simply asking him was this document produced in
17 discovery after he identified it. So, with that
18 said, there is reason not to admit that interrogatory
19 which contains testimony from Mr. Allen.
20 MR. SATTERWHITE: Your Honor, I was just
21 going to ask when they were seeking to admit this,
22 that we, as we traditionally do, have the entire
23 discovery response provided. I asked ahead of time,
24 which I'm glad, because I was told that that courtesy
25 he wasn't going to be provided. So now, in redirect,

I can mark it as an AEP exhibit. I just didn't know if it was easier for the Bench's review of the record later, if that makes sense, or if you would rather have it as part of the whole exhibit.

EXAMINER PARROT: All right. Go ahead. Under the circumstances, mark it as a company exhibit.

MR. SATTERWHITE: I would like to mark AEP Company Exhibit 53 and I will -- that will be just the cover page to OCC Interrogatory S1-002.

EXAMINER PARROT: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MS. BOJKO: I'm sorry, what did you mark it?

MR. SATTERWHITE: AEP 53.

Q. (By Mr. Satterwhite) Mr. Allen, could you please identify what's been marked as AEP Exhibit 53?

A. AEP Exhibit 53 is the company's response to Consumers' Counsel discovery request INT-S1-002.

Q. And this is the cover page that also included an attachment to it, correct?

MR. SETTINERI: Your Honor, at this time I will object as outside the scope of redirect.

MR. SATTERWHITE: Your Honor, it is not just in P3. It's appropriate within P3's cross, but

1 it also was discussed by OMA and other counsel about
2 what was provided to the parties, the Global
3 Settlement that's the attachment here, so it's
4 clearly within the scope of the cross-examination by
5 multiple parties.
6 MR. SETTINERI: Your Honor, if I may, this
7 interrogatory was never referenced yesterday or
8 throughout his direct examination. Perhaps topics
9 related to it were. You can certainly redirect the
10 witness on those topics, but to now take an
11 interrogatory that is testimony and treat that as if
12 it was a subject of cross-examination is improper.
13 It is outside the scope of redirect.
14 MS. BOJKO: Your Honor, I would also note
15 Mr. Allen is not even listed as the responsible party
16 for this interrogatory, so the document lacks
17 foundation to be brought in under Mr. Allen for the
18 purpose that Mr. Satterwhite is attempting to do, and
19 it is also going to be objectionable for
20 legal-conclusion purposes.
21 Mr. Satterwhite is going to ask him
22 questions that were purely objections by legal
23 counsel, and as he has repeatedly stated throughout
24 the last three days, this witness is not an attorney
25 and he is not qualified to make legal opinions. He

1 can't have it both ways. He can't object to our
2 questions and then, in turn, ask him his own legal
3 questions.
4 MR. SATTERWHITE: Your Honor, I believe
5 the witness did establish a foundation that he has
6 reviewed this and has seen this and identified what
7 it was. And really the unfairness is to put part of
8 a document -- of a stipulation -- or, excuse me, a
9 discovery response into the record. This gives a
10 context of how it was provided to the parties in this
11 case which was a direct issue questioned yesterday by
12 counsel for OMA who knew what and when did someone
13 know it. And the discussion of this bears light on
14 that.
15 MR. SETTINERI: And that's the purpose of
16 redirect. You are allowed to ask questions related
17 to the cross-examination but not the document.
18 MR. SATTERWHITE: Thank you.
19 MR. SETTINERI: You are correct that
20 document was part of the stipulation.
21 MS. BOJKO: And just so we're clear, your
22 Honor, I never asked questions about the
23 interrogatory itself. I think that was a bit
24 misleading.
25 MR. SATTERWHITE: Just trying to get the

complete document in, your Honor. This was the cover letter of how it was provided.

EXAMINER PARROT: The objections are overruled.

EXAMINER SEE: Does counsel for AEP have an additional copy of what's been marked as Company Exhibit 53?

MR. SATTERWHITE: Absolutely.

Your Honor, can we see where we were on the question before we got to this?

(Record read.)

A. That's correct. And that's stated at the end of the company's response. And the attachment referenced was the document that has been marked as P3/EPSA Exhibit 11.

Q. So if you were to combine AEP Exhibit 53 and P3/EPSA Exhibit 11, you would get the entirety of the response for this discovery request; is that correct?

A. That's correct.

Q. Now, do you remember some questions on Volt/Var on page 26 of the stipulation?

A. I do.

Q. There is a reference in this section on the bottom of 26 and the top of 27, really it's on

page 27, the second line, to "Section III.D.16." Do you see that?

A. I do.

Q. Okay. And is that the correct reference to what this is referring to in this document?

A. No. If you'll notice, there is no Section III.D.16 to the stipulation. This is a typographical or indexing error in the finalization of the stipulation. The appropriate reference should be Section III.D.15. which is provided on page 28.

Q. And how do we know that by looking at the body of what's in 13.a. on 26, that "15" is the appropriate reference?

A. There's a discussion about how savings associated with Volt/Var will be counted in the determination of the company's shared savings. And, in fact, that they won't be included in the shared savings, but then it references, at the end of that paragraph, that it will be counted toward the company's overall achievement of EE-PDR above and beyond the agreed-upon savings benchmarks and those benchmarks are described in paragraph III.D.15.

MR. SATTERWHITE: And, your Honor, this is an indexing issue and I didn't want to file something later. I think it's self-explanatory, but I wanted

to ask this witness this while he was still on the stand. I don't know what your preference is how to address this, but I at least wanted to get it while the witness was here. There's one more of these.

EXAMINER PARROT: Okay.

Q. Mr. Allen, you had some questions dealing with Section III.D.9.c. on page 20. Would you go there for me.

A. I'm there.

Q. And do you see the reference in c. and d., it's in the very last sentence in c. to "Roman Numeral III.D.10 (Conesville co-firing costs)"?

A. Yes, I see those references in both Section c. and d. on page 20.

Q. Is that another indexing error in the stipulation?

A. It is. The correct reference should be III.D.9.

MR. SATTERWHITE: And, your Honor, we are happy to have the witness notate that in Joint Exhibit 1, so that when it's entered, it's accurate, if that's the Bench's preference, or we can do a letter filed later. Like I said, I just wanted to ask the witness while he was still on the stand. I think everyone asked questions on these and it was

completely understood. I just want to make sure the document is accurate moving forward, so I am not sure what the Bench's preference is.

EXAMINER PARROT: A letter is fine, Mr. Satterwhite.

MR. SATTERWHITE: A letter is fine? Okay. Should we mark the exhibit or wait for the letter to come in to change the Joint Exhibit 1? And I did notify all the signatory parties, so they would know about this already.

MR. SETTINERI: I think we would prefer to have a letter on the docket. I think that would be appropriate.

EXAMINER PARROT: A letter is fine.

MR. SATTERWHITE: For posterity sake, I didn't know what the best way the Bench preferred. So, with that, that completes my redirect.

EXAMINER PARROT: Any recross, Ms. Spinosi?

MS. SPINOSI: No, your Honor.

EXAMINER PARROT: Mr. Oliker.

MR. OLIKER: No questions.

EXAMINER PARROT: Mr. Kurtz.

MR. KURTZ: No questions, your Honor.

EXAMINER PARROT: Mr. Darr.

MR. DARR: No, your Honor.

EXAMINER PARROT: Or Mr. Settineri.

MR. SETTINERI: Don't forget FirstEnergy Solutions.

EXAMINER PARROT: I don't think they are here. I think you're up.

MR. SETTINERI: Thank you, your Honor.

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RECROSS-EXAMINATION

By Mr. Settineri:

Q. Good morning again, Mr. Allen.

A. Good morning.

Q. Going back to the OPAE fee, then, based on the redirect, you're testifying that the $8 million in funding that's been earmarked to OPAE in the stipulation is only for 2017; is that correct?

A. That's correct.

Q. Okay. And when did you make that determination?

A. In reviewing the document, it's clear that it applies to 2017.

Q. You didn't answer my question though. I asked you when you made that determination.

A. It's been my understanding that that's what the provision states as we developed the -- as

1 the stipulation was developed.
2 Q. That was your understanding in your
3 deposition that took place last week, correct?
4 A. Yes.
5 Q. Okay. That was your understanding when
6 you testified here on Monday, correct?
7 A. It was.
8 Q. Okay. And in regards to the 5 percent
9 management fee of $400,000, correct, that amount is
10 correct, right?
11 A. That's correct.
12 Q. Okay. When did you determine that that
13 $400,000 management fee was part of the annual budget
14 of the $8 million that's been earmarked for 2017 to
15 the OPAE CAP program?
16 A. Yesterday evening.
17 Q. Okay. And how did you come to that
18 conclusion that it was part of the $8 million?
19 A. In discussions with the company's EE
20 manager, AEP Ohio's EE manager.
21 Q. And who was that?
22 A. John Williams.
23 Q. Anyone else involved in that discussion?
24 A. No.
25 Q. Okay. Have you communicated that

conclusion to OPAE as -- as you sit here today since last night?

A. Since this is the same approach as has historically been used and was applied to OPAE previously when they managed this program, it's my expectation that it's their understanding as well.

MR. SETTINERI: Okay. I move to strike the answer. It was completely unresponsive to the question. The question is did he communicate it to OPAE. He didn't answer the question. So I move to strike and ask him to answer the question that I asked.

MR. SATTERWHITE: Your Honor, he gave the reason why it wasn't necessary. That's the same issue. It's appropriate.

MR. SETTINERI: Certainly not the same question.

EXAMINER PARROT: I will grant your motion to strike, Mr. Settineri. Let's try it again.

MR. SETTINERI: If we could have the question reread for the witness, please, I would appreciate it.

(Record read.)

MR. SATTERWHITE: Objection, relevance.

MR. SETTINERI: It's certainly relevant.

1 It goes to the understanding of this provision and
2 the signatory party's understanding and we just found
3 out he didn't understand where that administration
4 would be from until last night, so I think it's
5 certainly relevant if he's communicated it to OPAE.
6 MR. SATTERWHITE: Your Honor, his
7 understanding of the workings of the EE/PDR and how
8 things are allocated in a budget, that's really
9 irrelevant to this point of the question he is asking
10 right now. Mr. Rinebolt and OPAE are not here,
11 confused at all. Whether Mr. Settineri and P3
12 understand is irrelevant to what Mr. Rinebolt
13 understands. It is not relevant to this case and the
14 package as a whole that we are trying to review.
15 MS. BOJKO: Your Honor, I object to
16 counsel's question or implication. OPAE is not here,
17 as he indicated. It would be improper to explain
18 what OPAE believes or doesn't believe or whether they
19 are under the same understanding as counsel or not
20 under the same understanding of counsel. This
21 directly goes to a provision of the stip. It does
22 affect the value that is given to one of the
23 signatory parties so it is appropriate.
24 MR. SATTERWHITE: It doesn't make it
25 relevant at all, your Honor. And this witness has

1 testified before that this is how the program is
2 applied. That OPAE was involved before. OPAE
3 understands how the budgets work because they deal
4 with this program every day.
5 This witness talked to the expert,
6 verified what that was because there were questions
7 by intervening parties, and thought it would be
8 helpful to provide that to the record so they would
9 know. It doesn't make it relevant to what
10 communications he has had with OPAE since then.
11 EXAMINER PARROT: The objection is
12 overruled. Mr. Allen, please answer the question.
13 A. OPAE was made aware of the workings of
14 this provision as part of the negotiations around the
15 stipulation.
16 MR. SETTINERI: Okay. I'm sorry, but,
17 Karen, if you would please reread that question again
18 that I had originally asked that the
19 administrative -- or Attorney Examiner asked to be
20 answered. Thank you.
21 (Record read.)
22 A. I have not communicated with OPAE since
23 last night.
24 Q. Okay. And prior to last night, you
25 weren't certain -- strike that.

1 You did not know -- strike that.
2 Prior to last night you did not know that
3 the 5 percent management fee would be paid out of the
4 annual budget of $8 million, correct?
5 A. I was not aware of that prior to last
6 evening, that's correct.
7 Q. Now, the current EE/PDR plan expires in
8 2016; is that correct?
9 A. At the end of 2016, that's correct.
10 Q. Okay. So let's look at the language at
11 page 16 of the stipulation, if we can. The paragraph
12 right above part 4. Let me know when you are there.
13 A. I'm there.
14 Q. Okay. Looking at the phrase -- you see
15 the phrase "continued approval and existence of an
16 AEP Ohio EE/PDR Plan"?
17 A. Yes.
18 Q. Okay. Just for the record I'll just note
19 the paragraph starts with "OPAE's partnership and
20 rights to administer the program...."
21 Continued approval and existence of an AEP
22 Ohio EE/PDR plan, you have said that the OPAE's
23 partnership and rights to administer the program and
24 receive funding under this clause will be contingent
25 upon continued approval and existence in an AEP Ohio

1 EE/PDR plan. I will correct it, you did not say it,
2 the stipulation states that. Is that continued --
3 does that continued approval existence language apply
4 to only 2017?
5 A. It would apply to 2017, yes, and the
6 ability of OPAE to participate in the future would
7 also be contingent upon continued approval by the
8 Commission. So it applies to 2017 but it also
9 applies to future years to the extent that OPAE
10 participates in the program and manages the CAP
11 program.
12 Q. Okay. Let's go back then and look at the
13 initial words of that paragraph. "OPAE's
14 partnership." What does "partnership" mean in the
15 stipulation?
16 A. What that means is OPAE is partnering with
17 AEP Ohio to administer the CAP program.
18 Q. And what does -- and what about "rights"?
19 What does that mean to you?
20 A. Rights to administer the program. I think
21 the word "right" has a common dictionary definition,
22 but it's their ability to administer the program.
23 Q. Now, for example, one person may have an
24 ability to walk, right? Is that what you are saying?
25 They have the ability to administer this program, the

capability to administer this program? Is that what you are saying "rights" means to you in this paragraph?

A. I think we are trying to parse words beyond where they need to be parsed, but when you put the sentence as a totality together, it's OPAE's ability to manage the program. Is OPAE going to be allowed to manage the program, and that is contingent upon funding and continued approval and existence of AEP-Ohio's Ohio EE/PDR program.

Q. Okay. Absent the stipulation approval, can OPAE -- can Ohio Power, today, designate OPAE to administer the CAP program?

A. It's my understanding that they can, yes.

Q. Okay. Without Commission approval; is that your understanding?

A. I don't think it requires explicit Commission approval.

Q. Okay. And so the phrase "rights" here, am I correct in that that does not relate to the paragraph right above?

A. It would apply to the paragraph above as well.

Q. All right. Well, I know we spent time in your deposition -- time on Monday, and I'll be frank,

1 I'm still confused. Mr. Satterwhite may say that's
2 easy to happen to me. But, regardless, I believe in
3 your answers to me just previously you indicated that
4 OPAE could continue to administer this program and
5 receive the $8 million so long as the AEP plan --
6 portfolio plan continues, correct?
7 A. So let me make it clear. Under the
8 stipulation in 2017, OPAE will manage and administer
9 the program.
10 Q. Okay.
11 A. In future years, OPAE may be able to
12 continue to manage and administer the CAP program.
13 But they'll have to be looked at in conjunction with
14 other entities that may be able to provide those same
15 types of services. But the thing to recognize is
16 that OPAE is uniquely situated as an entity that has
17 strong relationships with the community action
18 agencies that identify -- or that help to identify
19 the customers that can benefit most from those
20 programs.
21 Q. So there is -- so, in other words, there
22 is a commitment by Ohio Power to OPAE in this
23 paragraph that's above part 4 on 16, correct?
24 A. There is a commitment and it's described
25 therein.

Q. Okay. And that commitment is that OPAE's partnership -- I should say OPAE's administration of the program, its ability to get earmarked $8 million, its ability to get $400,000 paid as a management fee, will be contingent upon, one, the continued approval and existence of the portfolio plan, two, approved cost recovery, and, three, any other necessary mechanism to assure the continued recovery of net lost distribution revenues, correct?

A. Those are the conditions that apply if OPAE is chosen as the entity that would continue to manage the CAP program after 2017.

Q. Okay. Now, there's nothing in this paragraph that says OPAE will not -- as to -- nothing -- there is nothing in this paragraph that discusses OPAE being chosen going forward, correct?

A. You have to read the two paragraphs in conjunction, the paragraph prior to that states that for 2017 OPAE will manage -- will manage and administer the CAP program. It doesn't state in that sentence that for 2017 through 2024 or provide any other year.

So when you read them together, the commitment is that OPAE will manage it in 2017 and they will have the right to administer it in the same

fashion in future years subject to these conditions, but also subject to OPAE being chosen as the entity that manages that program.

Q. Okay. But that "also subject to OPAE being chosen," that language is not in the stipulation anywhere, correct?

A. I think the concept is clearly included in the stipulation by the fact that the first sentence of the prior paragraph describes that OPAE's management and administration of the CAP program only applies to 2017 as a commitment.

Q. But that's not what I asked. I asked you that language which you said "also subject to OPAE being chosen," that language is not in this stipulation at all, correct?

A. The words that you're referring to are not included in the stipulation, but the concept is clearly included in the stipulation when you read the paragraphs in conjunction with each other.

Q. And that's your belief, correct?

A. It is.

Q. Okay. Would you have an objection if the Commission modified this stipulation to make clear that fourth condition into the stipulation?

A. I think that the company's testimony about

1 how this is intended to work clearly defines the
2 intent of this section, so I don't think it's
3 necessary for the Commission to include additional
4 language or a modification to the stipulation.
5 Q. But you did feel it necessary to clarify
6 some references in the stipulation that I pointed out
7 in your deposition last week, correct? You just did
8 that today on your redirect, correct?
9 A. I think it was appropriate to clarify
10 those references, yes.
11 Q. You had also, I believe, mentioned that
12 there was a 2014 budget for the CAP program through
13 the portfolio plan; is that correct?
14 A. That's correct.
15 Q. Okay. And what was that budget amount?
16 A. The budget that OPAE managed was $9
17 million.
18 Q. Okay. Was there an administration fee
19 paid to OPAE?
20 A. Yes, there was.
21 Q. Sorry. In 2014.
22 A. Yes, there was, and that administration
23 fee was 5 percent, the same administration fee as
24 included in the stipulation.
25 Q. Okay. And was that budget administration

fee approved by the Commission?

A. The overall program would have been approved by the Commission. I don't know if there is an explicit approval by the Commission of the management fee.

Q. Okay. And when you say "the overall program," you mean that would have been -- are you saying the overall portfolio plan would have been approved by the Commission?

A. The company presents an overall portfolio program that includes different elements, the CAP being one of those. And the Commission would be approving the overall plan subject to any conditions that would be included in that order.

Q. Okay. Is OPAE administering -- am I correct that OPAE is not administering the CAP program in 2015?

A. That's correct.

Q. So fair to say then in the portfolio plan, the Commission would not have approved any administration fee to be paid to OPAE, if, during the term of the portfolio plan, it's not any -- in 2015 versus 2014?

A. Well, OPAE is not administering a program in 2015, OPAE would not have an administrative fee

1 associated with that, but there would be costs for
2 administering the programs that would be included in
3 the EE program costs that are incurred by AEP Ohio
4 that is currently managing that program.
5 Q. But in terms of designating OPAE as the
6 administrator of the CAP program in the current
7 portfolio plan, that provision does not exist,
8 correct?
9 A. For calendar year 2015, that's correct.
10 Q. All right. And 2014, it also does not
11 exist in the portfolio plan, correct?
12 A. In 2014, OPAE was the administrator of the
13 program.
14 Q. I understand they were, but in regards to
15 being expressly designated in the portfolio plan, the
16 current portfolio plan, as being the 2015 CAP
17 administered, that language isn't there, correct?
18 A. I don't know what's listed in the order.
19 Q. Okay. So we could look at that order and
20 determine, correct?
21 A. You could look at the order in conjunction
22 with the other filings in that docket, yes.
23 Q. Thank you.
24 Going back to the interrogatory that you
25 discussed with your counsel, that's Company Exhibit

53.

A. I'm there.

Q. Who prepared the response to this interrogatory?

A. It would be prepared by counsel.

Q. Okay. Not you, correct?

A. That's correct.

Q. Okay. When did you review this interrogatory?

A. I don't recall the specific date that I reviewed this interrogatory the first time.

Q. Okay. Did you review it last night?

A. I've seen it. I looked at it again this morning. But I went through the entire set of interrogatories before the hearing began. I had my staff put together an entire book of all the interrogatories so I could go through them to make sure I was aware of what the company had filed, but there were a lot of them so I looked through them.

Q. And isn't it true that the company didn't provide the Global Settlement, which I believe has been marked as P3/EPSA Exhibit 11, isn't it true that the companies didn't provide that document until -- I should say the company did not produce that document until it was served with the discovery request?

A. And if you refer to the discovery request, I think the way we've stated the response is we don't believe that it was necessary to provide this in response to this specific discovery request, but that in the spirit of full disclosure that the companies did provide it to all of the parties in the proceeding.

Q. Right. But to answer -- to answer my question, though, my question was isn't it true that the company did not provide the Global Settlement of IEU, which has been marked as P3/EPSA Exhibit 11, until after the company was served with a discovery response, correct?

A. The companies provided the Global Settlement Agreement to the parties in response to a discovery response because we believed it was the most expeditious way to provide it to the parties. It was the right vehicle to make sure we were providing full disclosure to all the parties.

Q. Okay. And you didn't produce that settlement agreement the day you served and filed the stipulation, correct? When I say "you," I mean the company.

A. That's correct.

MR. SETTINERI: I have no further

1 questions, your Honors. Thank you.
2 EXAMINER PARROT: Mr. Michael?
3 MR. MICHAEL: Thank you, your Honor.
4 - - -
5 RECROSS-EXAMINATION
6 By Mr. Michael:
7 Q. Mr. Allen, I wanted to follow-up on your
8 counsel's question regarding the CIR in the
9 stipulation, if I could, please.
10 A. Okay.
11 Q. And in response to your counsel's question
12 you mentioned that ETP case. Do you recall that?
13 A. I do.
14 Q. And do you recall that the year of that
15 case was approximately 2000?
16 A. Yeah. I think it may have had a '9
17 caption, yes.
18 Q. '99, 2000, correct?
19 A. That's correct.
20 Q. And you would agree with me that currently
21 in AEP Ohio's territory there's been 30 percent
22 participation in shopping, correct?
23 A. No. I think it's 70 percent of the load
24 is shopping and on a customer-count basis
25 approximately 50 percent of the customer count is

1 shopping today.
2 Q. Okay. Thank you.
3 And then I wanted to follow-up on your
4 conversations with Mr. Satterwhite regarding the
5 automaker credit. Do you recall that discussion you
6 had with Mr. Satterwhite?
7 A. I do.
8 Q. And I wanted to understand what exactly is
9 an automaker. So would that include a parts
10 manufacturer?
11 A. No. It would include what I would refer
12 to as automakers like Ford, GM, the like.
13 Q. Okay. How many plants in Ohio does Ford,
14 GM, and the like have?
15 MR. SATTERWHITE: Objection, your Honor.
16 This is beyond the scope. This should have been
17 asked before to understand what an automaker was.
18 The question was very limited that I asked dealing
19 with the expected benefits. This is beyond the scope
20 of redirect.
21 MR. MICHAEL: Well, this is foundational,
22 your Honor. What I am going to try to get to is
23 whether or not the witness did any analysis of
24 automakers' total electric bills. He clearly
25 testified that he felt a $500,000, quote-unquote,

automaker credit was an incentive, and I'm simply exploring the degree to which he has done any analysis as it relates to the impact of that purported incentive. It's foundational questions.

MR. SATTERWHITE: The question on redirect simply was very focused on the expected benefits associated with implementation. Broad questions dealing with what does it mean, what studies have you done, all could have been done in the initial cross.

MR. MICHAEL: He said it was an incentive just now in response to Mr. Satterwhite's questions, and if the automakers in Ohio have electricity bills, depending on what the answer to his question is, that $500,000 cap may or may not have any incentive on the automakers coming to Ohio or ramping up their production at Ohio plants.

EXAMINER PARROT: I am going to sustain the objection with respect to the question that's currently pending anyway, Mr. Michael. I think you need to get to the point you were --

MR. MICHAEL: Okay.

EXAMINER PARROT: Intending to ultimately get to.

MR. MICHAEL: I will get to the point and skip the foundation.

EXAMINER PARROT: Yes, exactly.

MR. MICHAEL: Thank you, your Honor.

Q. (By Mr. Michael) Mr. Allen, had you done any analysis on automakers' total electricity bills in AEP's territory in the year 2015?

A. I haven't done an analysis with regard to calendar year 2015, but I have evaluated the impact for other time periods.

Q. Okay. Have you done any analysis of the year 2014?

A. I can't recall if it was calendar year 2014, but it would have been a recent-month period. I apologize. There are a lot of analyses that we run and I just don't recall the exact dates that we used for that analysis.

Q. And as part of that analysis, did you analyze the aggregate automakers' electricity bill in the State of Ohio?

A. I evaluated the total automaker electricity bills within the AEP Ohio service territory.

Q. And what number was that?

A. I don't have that value off the top of my head.

Q. Okay. Thank you.

1 And I wanted to discuss with you,
2 Mr. Allen, the OPAE provision, and I believe that is
3 included on page 16 of the stipulation and follow up
4 some questions that Mr. Satterwhite asked you, if I
5 could, please.
6 A. Okay.
7 Q. In connection with the discussion on that
8 provision, I believe you had stated that you felt it
9 was appropriate to clarify certain references in that
10 OPAE provision during your testimony in this
11 proceeding; is that correct?
12 A. I don't think my discussion was that we
13 needed to clarify the provisions. The intent of the
14 answer that I provided to my counsel was to clarify
15 the testimony that I provided in the proceeding,
16 because in reviewing the statements to Mr. Settineri
17 and as they followed onto a deposition set of
18 questions, it became clear that the testimony that I
19 gave to Mr. Settineri was unclear and the testimony
20 that I had provided to Mr. Smalz was clear. So we
21 wanted to remove the ambiguity from the testimony,
22 not the stipulation.
23 Q. Okay. And there was some questions,
24 Mr. Allen, particularly on page 16, related to the
25 first full paragraph on that page and its relation to

1 the second full paragraph on that page. And I
2 believe you asserted that the intent of those
3 provisions was clear based on the testimony in this
4 proceeding, correct?
5 A. It's clear based upon the words of the
6 stipulation.
7 Q. Okay. So your -- just so I understand
8 your response, Mr. Allen, you are now saying that in
9 contradiction of what you told Mr. Settineri that the
10 provisions aren't clear and there is no need to look
11 at the intent of those two provisions --
12 MR. SATTERWHITE: Are you done?
13 MR. MICHAEL: No, I wasn't. May I finish?
14 MR. SATTERWHITE: Absolutely.
15 MR. MICHAEL: Thank you.
16 Q. Okay. Just to get to the point,
17 Mr. Allen, I understood you to tell Mr. Settineri, in
18 connection with the questions that your counsel asked
19 you about those provisions and that he asked you
20 about those provisions, you to say that the intent of
21 those provisions is clear based on the testimony in
22 this hearing.
23 A. I don't think I stated that. What I
24 stated is I think the words of the stipulation are
25 clear, and as I just provided to you in the last

1 answer, I wanted to clarify the testimony so there
2 was no ambiguity in the testimony. But the document,
3 I believe, is clear.
4 MR. MICHAEL: Okay. Thank you. I have no
5 further questions, your Honor.
6 EXAMINER PARROT: Ms. Bojko?
7 MS. BOJKO: Yes, your Honor, thank you.
8 - - -
9 RECROSS-EXAMINATION
10 By Ms. Bojko:
11 Q. Just a few questions regarding the IRP
12 information that you provided us this morning. Do
13 you know what the company reported as PJM revenues
14 associated with bidding the IRP into the PJM market
15 last year?
16 A. No.
17 Q. Do you recall that you provided the
18 discovery to that effect in the proceeding earlier,
19 the first hearing?
20 A. I don't recall that discovery response.
21 Q. And with regard to your estimation of the
22 amount, just so we're clear, I think yesterday there
23 were a couple of numbers that were off, but you ended
24 up telling me yesterday that the total maximum credit
25 that could be available, assuming full participation,

was 178.2 million; is that correct?

A. I think the number I talked about was approximately $27 million a year.

Q. And then you actually did 27.1. I did the math because I didn't understand where you got 178.2. I think it was 27 million, 600-some thousand. I think you rounded that up to 27.1 to get $162.6 million?

A. Okay. I will let the testimony stand.

Q. Okay. I just wanted to make sure the record was clear that when you stated that the maximum participation credit available is 178.2 million yesterday, that the 15 million you explained to us today would be an offset to the 178.2 million; is that correct?

A. It would be $15 million on an annual basis, so you would need to multiply that by the same number of years, so it would be 15 million as compared to the 27 million. And to the extent that the price in the capacity performance auctions is higher than $150 per megawatt-day, then the value of the offset would be greater.

Q. Right. And your estimate is based on, I am assuming it's based on today's participation in PJM markets and is not taking into consideration any

1 effect that the capacity performance model might have
2 on those bids into the market?
3 A. It's based upon -- the $150 per
4 megawatt-day is based upon the approximate clearing
5 price of the most-recent auctions that were related
6 to the capacity performance product.
7 Q. Well, didn't we talk yesterday that there
8 may be some eligibility issues that may have to be
9 worked out in the transition, starting in 2017, with
10 regard to demand response participating in the PJM
11 auction?
12 A. For demand response to participate in the
13 PJM auction, it needs to be able to interrupt
14 throughout the year during the critical hours in PJM.
15 Q. And that would require modification to
16 your current tariff; isn't that true?
17 A. Yeah. As the rules change, there are some
18 modifications to the tariffs that may be necessary.
19 Q. Okay. And your 15 million number is also
20 based or assuming that all 275 megawatts is actually
21 bid into the PJM market through AEP; is that correct?
22 A. That's correct.
23 Q. Does AEP have a contract with each IRP
24 customer to be the -- to provide their demand
25 response into PJM?

A. This is based upon a future tariff that we're discussing that would apply in the future. So any contracts that are necessary wouldn't be entered into until the Commission ultimately approved this stipulation. Or the subsequent ESP, which I think that's what we're talking about in paragraph C.7 that you are discussing, that's a portion of the next ESP. So until that happens, signing a contract related to participation in that tariff wouldn't occur.

Q. Well, does AEP currently have a contract with each IRP customer or are some of those IRP customers bidding it into PJM themselves or through the CSP provider?

A. My general understanding is that on a transitional basis some of those IRP customers are bidding their own capacity into the capacity auctions or through a CSP provider as a result of the fact that -- partly as a result of the fact that the company didn't propose in our last ESP to include continuation of the IRP credit, but ultimately the Commission, in its ruling in the last ESP, determined that the IRP credit was in the public interest.

Q. Thank you for elaborating on that. So the answer to my question is no, AEP does not currently have contracts with each IRP customer to be the

bidder and to bid that into the PJM market and then to take the revenue and offset against the IRP credit.

A. I don't know if we have contracts with all the current IRP customers.

Q. But you do know some IRP customers do it on their own; is that correct?

A. I think that's what I described, on a transitional basis some of those members may have done that.

Q. And for those that do it on their own, those revenues are not offsetting the IRP credit; isn't that true?

A. I'm not certain of all of the details of the transitional elements of the IRP. What we are discussing here in this stipulation and what I was discussing with my counsel on redirect is the offset related to paragraph C.7, not the current workings of the IRP that have already been approved by the Commission.

Q. Right. But if an IRP customer retains their ability to bid the IRP, the demand response from the IRP tariff, into PJM on their own, then they retain the revenues associated with the PJM market participation and those would, thus, not flow back

through the IRP as you alluded to earlier; isn't that correct?

A. No. It's my understanding that on a going-forward basis that the company would be bidding those into the PJM market and providing those as an offset.

Q. But you're sitting here today not knowing whether those IRP customers have current contracts with other providers to do that -- just that or whether they will be forced to enter into a contract with you; is that correct?

A. I don't think the current status is subject to the discussion here and I don't know all of the contracts that currently exist.

Q. And the tariff that's in existence today does not currently require a contract between the IRP customer and the AEP Ohio in order to allow them to obtain their attributes and bid those into PJM; isn't that correct?

MR. SATTERWHITE: Your Honor, I will just object. I think this involves some rehearing issues from this case so the treatment of this as black and white, I think, is inappropriate.

MS. BOJKO: Well, I asked what the current tariff says, so the treatment of the current tariff

is not -- it's pretty black and it's actually in effect currently.

EXAMINER PARROT: Overruled.

A. Without looking at the tariff, I don't know the specific provisions and requirements of the IRP tariff. The tariff looks quite large.

Q. And isn't it true, sir, that AEP Ohio currently receives a shared -- shared savings incentive on the revenues collected associated with the IRP tariff?

A. Yes. To the extent that the company sells capacity into the market related to the IRP, the company retains 20 percent of those revenues and shares 80 percent of those revenues with customers.

Q. And isn't it true, for 2012, AEP Ohio received -- excuse me, Ohio Power alone received $1.4 million in shared savings incentives?

A. I don't know.

Q. And isn't it true, in 2013, Ohio Power received $1.5 million in shared savings incentives?

A. I don't know.

Q. And isn't it true, in 2014, Ohio Power received almost $1.6 million in shared savings incentives?

A. I don't know.

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

EXAMINER PARROT: Mr. Dougherty.

MR. DOUGHERTY: No. questions.

EXAMINER PARROT: Ms. Fleisher.

MS. FLEISHER: Thank you, your Honor. There we go. Thank you, your Honor.

- - -

RECROSS-EXAMINATION

By Ms. Fleisher:

Q. Just a few follow-up questions quickly on the IRP tariff. Just to clarify because I am not sure it's clear from your testimony. Your calculation of the $15 million annual offset, does that include the 20 percent revenues that would go to AEP?

A. It would be the total revenues from the markets. So the function of the -- so 80 percent of that $15 million would flow back to customers.

Q. Okay. And for the record what's 80 percent of 15 million?

A. To stick with the example I had provided, 80 percent of that would be $12,045,000.

Q. Thanks for using your calculator there.

And, Mr. Allen, are you aware that PJM

1 conducted transitional -- transitional incremental
2 capacity auctions for the 2016-2017 and 2017-2018
3 years to incorporate a capacity performance product
4 in mid to late 2015?
5 A. I recall the auctions. The specific date
6 I'm not certain of, but, yes.
7 Q. Certainly not entirely relevant, merely a
8 reference point for you. And do you know whether AEP
9 bid any of the demand response resources from its IRP
10 tariff into those auctions?
11 A. I don't know.
12 Q. Okay. And between your testimony
13 yesterday and today, did you consult with anyone
14 within AEP regarding whether products under --
15 whether demand response under the IRP tariff would be
16 eligible to bid into the PJM capacity market as a
17 capacity performance resource?
18 A. Yes.
19 Q. And what were you told regarding that?
20 A. I was told that subject to meeting the
21 conditions of the PJM tariff, that demand response
22 resources could be bid in the capacity performance
23 auctions.
24 Q. Okay. And was it explained to you what,
25 if any, changes would be necessary to meet the

1 conditions of the PJM demand response definition?
2 A. Generally the conditions are that the load
3 needs to be able to be interrupted throughout the
4 year, not just during a limited set of summer months.
5 Q. And is AEP committing to amend its tariff
6 to ensure that any demand response resources under it
7 will qualify as capacity performance resources?
8 MR. SATTERWHITE: Objection. Now, we
9 are -- let me know when you are done. I apologize.
10 MS. FLEISHER: I'm done.
11 MR. SATTERWHITE: That's beyond the scope
12 of the redirect.
13 MS. FLEISHER: Your Honors, he offered
14 calculations based on an assumption that the demand
15 response resources would be bid into PJM and would
16 clear the auction. A key part of that assumption is
17 that these resources will qualify in order to be bid
18 in.
19 MR. SATTERWHITE: Your Honor, I believe he
20 gave an example, provides some numbers how that would
21 relate to the maximum number that was raised by OMA.
22 Now counsel is trying to get him to negotiate to a
23 future commitment which is far afield from the
24 example he was using.
25 MS. FLEISHER: I am merely testing whether

the example he used reflects what will actually happen pursuant to the stipulation.

EXAMINER PARROT: Overruled.

A. The company is not making such a commitment in this proceeding.

Q. Okay. And is the company committing that participation in the IRP tariff would be contingent on demand resources being eligible to be bid into PJM?

A. Recognize that what we're describing here are provisions that the company will be including in an ESP extension that is yet to be filed. The company is not in a position to make any such commitments at this point in time.

Q. Okay. So we can't tell at this time whether the IRP tariff will, in fact, produce resources that are eligible to be bid into the PJM capacity auction; is that correct?

A. Similar to the hypothetical scenario that Ms. Bojko provided yesterday, we can't know what the impact of this tariff is until it's ultimately approved by the Commission.

MS. FLEISHER: Okay. That's all I have, your Honors. Thank you.

EXAMINER PARROT: Mr. Beeler?

MR. BEELER: No, thank you.

EXAMINER PARROT: Mr. Allen, Ms. See has some questions for you.

EXAMINER SEE: Mr. Allen, I am going to be jumping between the stipulation and the PPA agreement, so bear with me. Mr. Michael asked you some questions about the automaker credit.

THE WITNESS: Yes.

MS. BOJKO: I'm sorry, your Honor. Is there any way you could use the microphone? Thank you.

EXAMINER SEE: There we go. Is that better, Ms. Bojko?

MS. BOJKO: Thank you.

EXAMINER SEE: Mr. Michael asked some questions about the automaker credit.

THE WITNESS: Yes, I recall those.

EXAMINER SEE: Okay. Do you have any idea currently how many automakers within AEP Ohio's service territory there are within AEP Ohio's service territory?

THE WITNESS: We currently have one automaker within the service territory.

EXAMINER SEE: Does AEP have a belief that there would be other automakers eligible for this

1 credit?
2 THE WITNESS: If another automaker was
3 located within the AEP Ohio service territory, it
4 would be eligible for this provision, yes.
5 EXAMINER SEE: Okay. There was a lot of
6 discussion about the CAP program. Can you give me a
7 brief description of what that program involves?
8 THE WITNESS: Sure. The CAP program
9 includes programs such as low-income weatherization,
10 refrigerator buybacks, and CFL light bulbs, those
11 types of consumer EE programs.
12 EXAMINER SEE: You said "those types."
13 Are there other programs within the CAP program
14 that -- currently?
15 THE WITNESS: There are other programs
16 within the CAP program. Those are the ones that come
17 to mind. I think there's six or seven, but those
18 would be laid out in the company's EE filings.
19 EXAMINER SEE: Okay. Describe the
20 alternative feed service.
21 THE WITNESS: Sure. Alternative feed
22 service is where an entity like a hospital that has a
23 need for additional reliability because the nature of
24 their business is such that it's critical to have
25 continuous electric service.

A customer can request to have two separate and distinct feeds into their facility such that if the -- if there is an outage on one of those feeds such as a -- there is an outage to a substation that's serving that hospital, that the hospital can then be served instead by a separate substation which greatly enhances the reliability for those types of entities that are -- where reliability is critical.

EXAMINER SEE: Okay. Looking at your testimony on page 13.

THE WITNESS: I'm there.

EXAMINER SEE: You discuss the purpose of the stipulation and how it supports economic development, job retention, and adequate, safe, reliable, and predictably-priced electric service.

THE WITNESS: Yes.

EXAMINER SEE: Since the PPA rider will be trued up, I believe you stated quarterly based upon how the market performs, how does it provide customers with predictable pricing? How does the PPA provide customers predictable pricing?

THE WITNESS: Sure. The PPA is served by baseload generating assets that have fairly -- fairly stable cost structures. And so as we look at traditional regulation for integrated utilities, the

1 service to those customers is fairly stable in price
2 because of the fact that they are served by physical
3 generating assets.
4 Now that we are in a market paradigm in
5 Ohio, those same customers are now served by a market
6 that is significantly more volatile in its costs than
7 the costs coming from these units. And so it's the
8 countercyclical nature, as we sell the outputs of
9 these units into the market, that produces stability
10 and certainty that looks more akin to a regulated
11 environment than a full market-based environment.
12 So we're trying to enhance the stability
13 by putting this in place. We're not eliminating the
14 volatility, but we are making it somewhat more
15 stable; approximately 30 percent based upon the size
16 of the PPA.
17 And with regard to the quarterly true-up
18 aspect of it, one benefit of doing that, especially
19 for our residential customers that are more weather
20 sensitive, to the extent that they are seeing large
21 bills due to high usage and extreme weather in
22 subsequent quarters, the PPA units will be more
23 profitable than they would be in a low-usage period
24 or a low-usage year, and there will be credits
25 provided back to customers. So when they are looking

at their annual electric bill, it's more stable than it would have been and more predictable than it would have been in the absence of the PPA.

EXAMINER PARROT: Mr. Allen, I think you said these particular generating assets are -- back up. I will get the quote right. Fairly -- that they have "fairly stable cost structures." Why do you believe that?

THE WITNESS: The reason I believe that is these are baseload generating units. And as such, a large portion of the costs for those units is related to the depreciation, debt costs, and equity cost, the carrying costs on units, as well as the operation and maintenance costs of those units which is related to the staffing at those facilities.

And so the staffing levels are fairly stable. So those are the -- a large portion of the costs do not vary significantly over time. The fuel costs associated with these units are related to coal contracts that the company enters into which provide stable pricing for the commodity that's burned at those facilities. So the fact that we have longer-term coal contracts provides stability for the main consumables at those facilities.

COMMISSIONER HAQUE: Mr. Allen, can I

1 follow-up? So I just wanted to get a further
2 extrapolation on the market true-up function and how
3 that provides predictable pricing. I understand what
4 the units are. I understand what the differences
5 between coal-fired generating units and gas-fired
6 generating units and volatility of the commodity. I
7 get all that, okay?
8 But when we talk about providing
9 predictable pricing, how is it when the PPA rider is
10 trued up, based upon how the market performs, how is
11 the PPA providing any more predictability -- how does
12 the PPA rider provide any more predictability to any
13 of these consumers that it otherwise would if there
14 was no PPA rider and consumers were just subject to
15 market prices?
16 THE WITNESS: So when we look at the
17 function of the PPA and the PPA rider in conjunction,
18 we have to look at the totality of a customer's bill.
19 And the predictability is when we look from one year
20 to the next and try to understand how those customer
21 bills are changing, looking at both the cost of
22 procuring energy from a CRES or receiving energy from
23 the SSO and then looking at how the PPA rider works
24 in conjunction with those.
25 So we provided some pretty informative

1 information in the earlier phase of this proceeding
2 where we showed -- and it's in my testimony, where we
3 showed the significant volatility in offers in the
4 SSO auction as well as the offers that are available
5 to customers through CRES offerings, where you'll see
6 that price changes in the market can easily swing by
7 10 to 20 to 30 percent, depending on whether you are
8 looking at SSO auction bids or CRES offerings.
9 So when we look at the market, we see that
10 customers are going to experience significant
11 volatility from year to year in the absence of the
12 PPA, and what we're trying to do with this provision
13 is to reduce that volatility from year to year.
14 We also provided an example, in my
15 testimony in the last phase of the proceeding,
16 showing how a residential customer that had
17 significant usage in the -- in the period we will use
18 the example we used, the polar vortex period, and
19 then looking at how the PPA rider would have
20 functioned in that period, and it offset a
21 significant amount of the increased cost due to usage
22 that the customer saw during the first quarter.
23 So we -- when we are looking at reducing
24 volatility, the company is not looking at just
25 quarter-to-quarter volatility, but we are looking at

1 the volatility over the longer term.
2 We proposed a quarterly true-up because
3 there was concern raised by certain parties that in
4 the absence of a quarterly true-up, the amount of the
5 true-up could be large, either as a credit to
6 customers or as a charge to customers, and it could
7 be moved to a period significantly beyond when the
8 customer experienced those increased costs or
9 decreased costs.
10 And so by going from an annual true-up to
11 a quarterly true-up, we are trying to more closely
12 align the costs and benefits associated with the PPA
13 rider with the period of time that those customers
14 are seeing increases in costs due to usage.
15 COMMISSIONER HAQUE: Thank you.
16 EXAMINER SEE: Mr. Allen, as part of the
17 full information sharing provision on page 7 of the
18 stipulation.
19 THE WITNESS: I'm there.
20 EXAMINER SEE: There are -- there is a
21 reference to providing staff information as it
22 conducts a reasonable review of specific cost
23 components, correct?
24 THE WITNESS: Yes.
25 EXAMINER SEE: Explain to me your

1 understanding of what the company would consider an
2 unreasonable request?
3 THE WITNESS: I think that's a tough one
4 to define completely without seeing what the
5 circumstance would be, but an example may be a
6 request where the staff asked for the -- the time
7 sheets of every individual at those facilities to
8 ensure that the costs were assigned to the units in a
9 proper manner or reviewing the exact hours an
10 employee worked there. The company may state that we
11 believe that's an unduly burdensome question because
12 the company has audit proceedings in place to ensure
13 the accuracy of the allocation of employees's time.
14 But the important part of this paragraph
15 is that parenthetical that describes "as determined
16 by the Commission." So if the company believed a
17 request was unreasonable, we could seek Commission
18 determination. And if the Commission believed that
19 that was information necessary for the staff to do
20 its review, the company would comply with that
21 request.
22 And so it's really no different than the
23 standard discovery concepts that I think of where we
24 may have a dispute about whether a certain level of
25 detail or a certain piece of information is necessary

for a review to be done, but, ultimately, the Commission or an Attorney Examiner makes that decision.

EXAMINER SEE: Okay. So either staff -- if this was a disagreement between staff and the company, that issue would ultimately have to go to the Commission.

THE WITNESS: Yes.

EXAMINER SEE: Under your interpretation; is that correct?

THE WITNESS: Yes. Generally we do work with the staff to provide the information that they need.

EXAMINER SEE: Okay. There were some questions posed to you by Mr. Settineri about provision a. on page 7. Do you recall those?

THE WITNESS: I do.

EXAMINER SEE: If I understood your interpretation of this provision correctly, base residual auction results, for example, that included 2016, would not be reviewed by the Commission until 2020; is that correct?

THE WITNESS: The bids that the company puts into PJM for planning years such as I think it would be '19-'20 we would be bidding in 2016, the

1 Commission wouldn't be reviewing those decisions as
2 part of a -- as part of this reasonableness review
3 until after those costs or revenues were incurred.
4 And the reason for that is that the
5 decision-making related to bidding units into a base
6 residual auction include a series of decisions and
7 actions that occur with the first base residual
8 auction for a planning year, and then the company
9 makes consequent decisions in each one of these
10 supplemental auctions, leading up to the year that
11 the capacity is provided in PJM.
12 And so after that year occurs, so after
13 2019 occurs in the scenario we are describing, the
14 Commission then would be able to look at the totality
15 of the decision-making of the company as it related
16 to bidding units in and providing capacity in 2019.
17 EXAMINER PARROT: So would the Commission
18 have the opportunity to look at any of the costs
19 before that point? Or are you envisioning this is
20 just sort of one -- a one-time review of all sides of
21 the equation?
22 THE WITNESS: I would expect that as we
23 move through the process, if staff requested to see
24 how the company had bid units in to specific
25 auctions, the company would be open to those

discussions. But as far as the final review that the Commission would do, I think it would happen after the period is over when they can look at the totality of the decisions to see if the totality of those decisions was reasonable.

EXAMINER SEE: So it would be approximately three to four years before the Commission reviewed any aspect of the company's decision -- decisions, that are cost, profit, or expenses?

THE WITNESS: The -- the discussion just related to the bidding in the capacity performance auctions. The other costs that the company incurs or that are charged to the company through the PPA rider would be reviewed by the Commission in the year subsequent.

So there would be a very tight time around when costs are incurred and when -- or revenues are received and when the Commission makes its review. It's just that certain of the decisions related to the capacity performance occur many years prior to the revenues being received by the company and there are subsequent decisions that relate to those as well.

EXAMINER SEE: Okay.

1 COMMISSIONER HAQUE: Your Honor, can I ask
2 a follow-up really quickly?
3 So, Mr. Allen, I am just trying to
4 understand the mechanism. So when then -- when
5 you -- I think you described yesterday also the
6 likely timeline for true-up. And I believe you said
7 that the first true-up would be in 2017, if granted,
8 based upon the AEP Ohio timeline.
9 THE WITNESS: No. And I apologize if I
10 wasn't clear. The first true-up proceeding, the
11 first quarterly true-up proceeding, would occur in
12 the third quarter of 2016, and the impact of that
13 true-up would be reflected in the fourth quarter of
14 2016. So we would have four months of actuals
15 through June, and then sometime the year after that
16 we would make a filing in the third quarter that
17 reflected those first four months of the PPA results,
18 the PPA rider results, and then we would true it up
19 in the fourth quarter.
20 COMMISSIONER HAQUE: Then can you
21 reconcile the two different timelines then, the
22 true-up, and then we are not able to -- the
23 Commission staff would not be able to review what's
24 been done in the capacity market until four years
25 after? Can you just reconcile those?

1 THE WITNESS: Sure. The way I think it's
2 easiest to look at them, they're two separate review
3 processes. The quarterly reviews are really just
4 like the FAC quarterly updates we have done
5 historically where we provide information to staff
6 about -- and through a filing but to all the parties
7 about our expected -- where we sit in an over/under
8 balance and we set a new rate going forward, and it's
9 very much a mathematical exercise just to set a new
10 rate. It's not making decisions around prudence of
11 the actions and it's not making any decisions around
12 disallowance of any costs at that point in time.
13 And then subsequent to the -- a complete
14 year, so, for instance, after 2013 was completed, in
15 2014 there was a larger case filed that showed all of
16 the costs that were incurred during 2014, and the
17 parties and the Commission were able to review those
18 for prudence. And the decisions that related to
19 those.
20 And so just like what we are talking about
21 with the capacity decisions, to the extent that there
22 was a new decision affecting costs in 2014, so if the
23 company had entered into a coal contract -- I think I
24 missed my years here, if the company entered into a
25 coal contract in 2012, and the first time those costs

1 impacted rates was in 2013, the Commission would be
2 doing a review of the prudence of that contract. So
3 it's separate from the decision. We space it out a
4 little further, but the Commission typically reviews
5 the prudence of decisions at the point in time that
6 the first cost related to that decision impacts
7 customer rates.
8 And so like we described with fuel, it may
9 happen two years after the decision is made, but it's
10 related to the costs that were incurred in the year
11 just prior to that.
12 COMMISSIONER HAQUE: Okay. And so I think
13 I understand the mechanism you are describing. The
14 true-ups that would occur would essentially be sort
15 of mathematical filings and then the actual, you
16 know, "rigorous review," as set forth in the
17 stipulation, would not take place until the example
18 that was provided, the first '16, the '19-'20
19 delivery year is when the "rigorous review" from
20 Commission staff and the Commission would occur to
21 actually say take a look back and say these were --
22 these were costs prudently incurred or not.
23 THE WITNESS: So when the Commission is
24 doing a future review of costs, and we'll use the
25 decisions in 2016 that caused costs to be incurred or

1 revenues to be received in the '19-'20 planning year,
2 the Commission would be reviewing those costs in 2020
3 and the decision-making around those, but the costs
4 and revenues would have been incurred by customers in
5 2019. And so the Commission's prudence review would
6 be occurring during the year subsequent to customers
7 incurring costs related to the decisions of the
8 company.
9 This separation in years is that the
10 Commission would be then looking at decisions of the
11 company that occurred over a series of years leading
12 up to 2019. But we're not delaying the Commission's
13 review of costs or revenues incurred in 2016 until
14 2020. Customers don't bear the costs or revenues
15 until 2019 and the Commission would be making a
16 ruling in the year subsequent.
17 COMMISSIONER HAQUE: Got it. Thank you.
18 EXAMINER SEE: Mr. Allen, I want to look
19 at the PPA agreement.
20 THE WITNESS: Okay.
21 EXAMINER SEE: Provision -- part of
22 provision 5.7 on page 16 paragraph (B).
23 THE WITNESS: Yes.
24 EXAMINER SEE: Is it -- is it intended
25 that the early termination fee set forth in this

1 paragraph will be recovered through the PPA rider?
2 THE WITNESS: If you refer back to
3 paragraph 2.3, that relates to the Commission denying
4 retail cost recovery or discontinuing retail cost
5 recovery. So the PPA rider would no longer exist
6 when the company was required to make this payment
7 under the early termination provision of paragraph
8 (B).
9 EXAMINER SEE: But if I look back at
10 provision 2.3, it requires notice of 365 days,
11 correct?
12 THE WITNESS: That's correct.
13 EXAMINER SEE: So is it the company's
14 understanding that the PPA rider would be -- would
15 continue to exist for a year?
16 THE WITNESS: No. The PPA rider would be
17 discontinued and it's really dependent upon how it's
18 discontinued. But if the Commission discontinued the
19 rider on January 1 of 2020 and the company received
20 that order at the end of 2019, then the company would
21 be obligated to receive power under the contract for
22 an additional year, but the PPA rider would not be in
23 place in that example. And so the company would have
24 the -- and "the company" being AEP Ohio, would be
25 able to sell that power into the market to offset the

1 costs of the contract.
2 And just to be clear, the reason that
3 there's -- that a term like a 365-day notice
4 provision is important is that the seller, AEPGR,
5 is -- has the expectation that it is providing power
6 under the contract to AEP Ohio, and so they are
7 unable to go out and seek other alternatives to sell
8 that power.
9 So to the extent that the Commission or a
10 Court terminated the rider and it was in a future
11 period such that AEPGR knew in advance, then that
12 365-day clock, in my understanding, would start upon
13 that notification.
14 EXAMINER SEE: Okay. So the power -- if
15 we -- if the Commission elects to terminate the PPA
16 and for that interim year the power from the PPA
17 units is sold into the market, the net revenue
18 associated with those sales would be credited into
19 the PPA rider?
20 THE WITNESS: If the PPA rider had been
21 terminated effective January 1, no net revenues would
22 flow through the rider during that year because the
23 rider no longer existed. It would really be
24 dependent upon how the rider was terminated and the
25 provisions of that. But once the rider is terminated

there's no net revenue collected under that rider.

EXAMINER SEE: Okay. You mentioned that it depends on how the rider was terminated, correct?

THE WITNESS: Yes.

EXAMINER SEE: Well, what is your understanding of when and under what circumstances the Commission could terminate the rider? Let's just start there.

THE WITNESS: One condition that the Commission could terminate the rider is if the court determines -- if a court of competent jurisdiction determined that the PPA rider was not legal and the Commission was directed to respond to that and, as such, terminated the rider. So that's one scenario in which the Commission could terminate the rider. And I am not sure what other events could occur that would cause the Commission to terminate the rider.

EXAMINER SEE: Okay.

THE WITNESS: I am not limiting it. I just can't think of any other events.

EXAMINER SEE: Okay. Under that circumstance it would terminate, in your understanding, and none of the fees associated with paragraph (B) on page 16 would flow through the PPA rider. There is no rider for it to flow through,

correct?

THE WITNESS: Dependent upon the timing of the termination that the Commission determines. So this is a scenario where a court could say this rider is illegal and the Commission has it terminated six months hence, but it would be -- once the date comes into play where the Commission terminates the rider, then no net revenues would flow through that rider.

COMMISSIONER HAQUE: Your Honor, can I ask it another way?

EXAMINER SEE: Sure.

COMMISSIONER HAQUE: So in the event that the Commission terminated the PPA rider and the sum in this Section 5.7(B) is invoked, that sum would not be recovered through consumers?

THE WITNESS: I don't know that the company can make that commitment. It would be subject to a future proceeding. The company, under this provision, doesn't have a guarantee to those costs. What the company would have is a right to request those costs and the Commission could determine whether or not those are prudent costs and whether or not those costs were appropriate to recover from customers. But it would be a decision of the Commission.

1 COMMISSIONER HAQUE: Thank you.
2 EXAMINER SEE: Mr. Allen, would your
3 answer be the same if the PPA unit -- units or any
4 particular unit was sold? Would that invoke --
5 first, would that invoke paragraph (B)?
6 THE WITNESS: I apologize. You have to
7 look at the stipulation as well in combination.
8 EXAMINER SEE: Not a problem. And if you
9 are referring to the stipulation, indicate which
10 section you are referring to.
11 THE WITNESS: So I am referring to
12 paragraph c. on page 8. And paragraph c. on page 8
13 addresses the retail rate recovery if a generating
14 unit is sold and it's limited to the Commission's
15 right to exclude that unit from the PPA rider.
16 So if a unit is sold and the Commission
17 decides to exclude that unit from the PPA rider, that
18 does not terminate the retail rate recovery of the
19 rider in total. And so it's just a partial exclusion
20 that would not invoke the provision of the power
21 purchase and sale agreement that we were discussing.
22 COMMISSIONER HAQUE: What, Mr. Allen, what
23 if you sold all of the units?
24 THE WITNESS: If the company sold all of
25 those units -- all of the units, it would not be my

1 expectation that paragraph (B) would be invoked.
2 EXAMINER SEE: We sell -- if all of the
3 units are sold -- if all of the units had sold, what
4 happens as a result of paragraph (B) of the power
5 purchase agreement?
6 THE WITNESS: So all of the units are sold
7 and the Commission chooses not to terminate recovery
8 of those through the PPA rider, then provision (B)
9 would not apply, and if the units were all sold and
10 as a result of that sale the Commission chose to
11 terminate the PPA rider, it's my expectation that
12 paragraph (B) also would not apply.
13 EXAMINER SEE: Okay. Would your answer be
14 the same if a unit -- if a PPA unit is retired?
15 THE WITNESS: A unit retirement would not
16 result in paragraph (B) being implemented.
17 EXAMINER SEE: Okay. Because --
18 THE WITNESS: It's only related to a
19 complete termination of the PPA rider. So it's a
20 very limited circumstance that paragraph (B) would
21 ever apply.
22 COMMISSIONER HAQUE: So, Mr. Allen, but
23 the expectation I believe you stated in testimony
24 yesterday is that if a unit retires, the -- the costs
25 associated with those retired -- that retirement

1 would flow through the PPA rider.
2 THE WITNESS: It would flow through the
3 PPA rider subject to the Commission's approval that
4 the decision to retire the unit or the actions that
5 led up to the retirement of the unit were reasonable.
6 So the Commission still has the ability to evaluate
7 the company's decisions that caused those costs to be
8 incurred to determine whether or not they were
9 reasonable.
10 COMMISSIONER HAQUE: I hate to do this to
11 you. When in the timeline -- we have got these -- we
12 have got the true-up piece. We've got the analysis
13 based upon delivery year of three years later. You
14 know, when in the timeline --
15 THE WITNESS: So if a unit --
16 COMMISSIONER HAQUE: -- would the
17 Commission get that review? So the Commission -- a
18 hypothetical. So the Commission grants the PPA
19 tomorrow, okay, you -- one of the Cardinal units
20 subject -- or one of the units subject to the PPA
21 retires mid '17, okay? When does the Commission get
22 to review the reasonableness of that retirement in
23 order to determine whether your expenses associated
24 with that retirement should flow through the PPA
25 rider?

1 THE WITNESS: It would be in 2018. In the
2 year immediately after. And just to be clear though,
3 if the company were making a decision around the
4 retirement of a unit, the company would come before
5 the Commission prior to making such a decision to
6 discuss with the Commission the rationale behind
7 making such a significant decision.
8 So we wouldn't -- the first time the
9 Commission would hear about it would not be the year
10 subsequent. The company is planning to make a
11 decision to retire the unit, the company would come
12 to the Commission ahead of that to have some pretty
13 detailed discussions.
14 COMMISSIONER HAQUE: So the actual
15 retirement decision, there would be some discussion.
16 The actual charge to consumers, though, if the
17 Commission reviews years subsequent, the actual
18 charge to consumers for the costs associated with
19 retirement would have happened by that point in time.
20 THE WITNESS: Well, we have to think about
21 how we set the rates. We are going to be setting a
22 rate based on a forecast for that subsequent year.
23 So we would be presenting a forecast for 2017.
24 And if the Commission -- if the company
25 had not made a decision around retiring a unit in

2017, and we anticipated the unit would operate through 2017, the rider would reflect the expectation of continued operation. And there would be no retirement related costs included in that forecasted year.

COMMISSIONER HAQUE: Okay.

THE WITNESS: So when we make a retirement decision, those dollars could possibly flow into -- into an over/under calculation that would still be subject to Commission review and approval of that.

And so to the extent there were costs like that, if the Commission wanted to wait until it made its final decision, the Commission could approve that in the reconciliation rider to say you are only collecting the normal cost, none of the retirement costs are going to flow through to customers, until we make our final decision.

But during that year of 2017, we would be talking with the Commission about that decision to retire the unit, so we would have the discussion with the Commission before any costs could flow through to customers.

MR. KURTZ: I don't know if this is in the form of an objection or a clarification, but the settlement agreement specifically provides that no

retirement costs will flow through the PPA rider, on page 21, with respect to Cardinal, and page 26 with respect to the co-owned units. So the settlement agreement says that no retirement costs will go through the PPA rider.

MR. SETTINERI: Just move to strike. Mr. Kurtz is not on the stand.

MS. BOJKO: Yeah, and, your Honor, I would also move to strike as there are discovery responses and testimony yesterday that directly contradict the statement that Mr. Kurtz just made.

MR. KURTZ: Page 21 of the settlement agreement, the first full sentence at the top, "Except as provided in Section III.A.6 (potential depreciation rate change) no costs to retire, refuel, or repower Cardinal Unit 1 shall be recovered through the PPA Rider." Same exact language on page 26, paragraph j., with respect to the Conesville units.

MR. SETTINERI: Move to strike and ask Mr. Kurtz be asked to refrain from testifying.

MR. SATTERWHITE: And just for the record, if we are striking something, but I think that's in the context of early retirement, just so in case there's questions out there.

EXAMINER SEE: Thank you, all.

Mr. Allen.

THE WITNESS: Yes.

EXAMINER SEE: Are there circumstances under which a PPA unit could continuously fail to provide energy?

THE WITNESS: There are circumstances that could result in that. One scenario would be a catastrophic turbine failure. That doesn't mean that it can never come back but it could be unable to produce power for a long period of time.

EXAMINER SEE: And under those circumstances, what is your understanding of how -- if paragraph (B) on page 16 would be invoked -- I'm sorry, paragraph (B) of the power purchase agreement?

THE WITNESS: Under that scenario, paragraph (B) would not be implemented.

COMMISSIONER HAQUE: Mr. Allen, when we talk about Commission jurisdiction over retail cost recovery associated with the PPA rider, in the event that one of the units in the PPA rider continues to not deliver -- not deliver energy, would that be a -- would that be, in your opinion, a condition whereby the Commission could review the PPA rider and decide whether or not to terminate that particular unit from -- from the rider?

THE WITNESS: It's my understanding, based on the stipulation, that the Commission's review would be related to the prudence of the actions of the company as it relates to decisions that are made that would have influenced the underlying cause of such an outage.

COMMISSIONER HAQUE: Okay. So it's -- the Commission has the ability to review sort of the facts and circumstances surrounding why that didn't -- why the consistent failure of delivery occurred and then make a decision as to whether or not the company was acting, you know, reasonably, prudently, whatever the standard is, and then the Commission would make decisions from there.

THE WITNESS: That's right, regarding retail recovery of those costs.

EXAMINER SEE: Mr. Allen, go to Settlement Exhibit WAA-2.

THE WITNESS: I'm there.

EXAMINER SEE: If I understood the testimony correctly, looking at the weather normalized case -- let me go at it this way, do your forecasts in WAA-2 reflect any costs for allowances to operate the PPA units in the --

THE WITNESS: When you say "allowances,"

like CO-2 allowances and the like?

EXAMINER SEE: Yes.

THE WITNESS: They do. From a CO-2 perspective they include a $15 per ton CO-2 tax in this scenario, starting in 2022.

EXAMINER SEE: Is that the only allowance that is reflected in the scenaries in BAA-2?

THE WITNESS: Those include any emission allowances that are required to operate the units and projections of those costs.

EXAMINER SEE: So that the purchase of those allowances for environmental compliance is built into the price and subsequently recovered through the PPA rider?

THE WITNESS: It would be included in the line "Agreement Costs" and then it would be a component of the net charges or credits included in the PPA rider, that's correct.

EXAMINER SEE: And the -- and the staff initially is going to have an opportunity to review the prudence of those emission -- of those allowance expenditures in the rigorous review section -- as a part of the rigorous review noted in the stipulation? Go ahead.

THE WITNESS: Sorry. As part of the

1 rigorous review that occurs and was described in the
2 initial amended application of the company, the
3 Commission staff would have the ability to review
4 those costs and the decision-making that resulted in
5 the -- in those costs.
6 EXAMINER SEE: And just so I'm clear,
7 provide an example of when those costs would flow
8 through the PPA rider and when it would be reviewed
9 by staff.
10 THE WITNESS: Sure. So for 2016, the
11 allowance costs incurred by the company, we would
12 include them in our projection, and then when -- and
13 the actuals would flow through the books in 2016, the
14 Commission staff would review those in 2017.
15 COMMISSIONER HAQUE: Mr. Allen, assumedly,
16 though, there would be -- if that's the case,
17 assumedly there would be some math done on behalf of
18 the company on your end to determine whether or not
19 you should actually acquire allowances to run. Or is
20 the presumption that you will always acquire
21 allowances to run?
22 THE WITNESS: Part of the -- part of the
23 dispatch calculations that are done evaluate the cost
24 of those allowances that are necessary to operate the
25 units. And so we incorporate those in the costs just

like we do the cost of coal. So we don't dispatch the unit if we believe that over the minimum run time for the unit that the costs including allowances, all the variable costs including allowances, exceed the expected market price when we are bidding those units in.

And just to be clear for these units, these units are scrubbed and they are environmentally compliant. The allowance costs are greatly reduced as compared to the allowance costs that companies incurred in prior periods where you may have had a couple of units in a fleet that had scrubbers on them and other units that didn't have scrubbers, so those units were using lots of allowances to emit, so the allowance costs have gone down dramatically.

COMMISSIONER HAQUE: Well, to be fair, I don't know how CO-2 allowance prices are going to be created as we sit here today.

THE WITNESS: That's with regard to the traditional allowances. The CO-2 allowances, we will have to wait and see what the rules are for the State of Ohio.

COMMISSIONER HAQUE: Sure. But I guess the distinction that I am looking at here is so, okay, you would note -- I understand what you are

1 saying about based upon the totality of the costs you
2 may choose whether or not to -- to, you said,
3 dispatch, so I am assuming bid in order to be
4 dispatched, but let's leave that aside for now.
5 The -- the -- I mean, the whole point of
6 the Clean Power Plan is to reduce coal burn, right?
7 And so when we are talking about the acquisition of
8 allowances, really the question arises as to whether
9 or not for these PPA units you are going to just
10 consistently be acquiring allowances which will then
11 flow through the PPA rider, or you will actually make
12 a decision about whether or not, because of pricing
13 or all of the factors that the company goes back to
14 in the control room and thinks about, whether or not
15 you are actually going to make a decision about
16 whether or not you would actually acquire the
17 allowance or -- so do you understand the question I
18 am asking you?
19 Is it going to be the case you are
20 constantly going to be buying allowances in order to
21 run these plants or is it going to be the case that
22 you will actually make an evaluation of whether or
23 not to buy allowances? Because I think -- I think in
24 a post -- a post-CPP world, this is an important
25 distinction to make.

1 THE WITNESS: And these are the kind of
2 decisions that the company has made in the past as we
3 dealt with other emissions regimes around SO-2 and
4 NOx.
5 And so when there's an overall goal for a
6 state or a region to reduce the emissions of a
7 specific item like CO-2, the market price for those
8 allowances, if it's based on a limitation of mass
9 that can be emitted, number of tons of CO-2, those
10 allowances will be acquired by the entity that can
11 gain the greatest value from utilizing those
12 allowances.
13 So to the extent that you've got a unit
14 with a very low fuel cost and it's relatively
15 efficient, it makes more sense for that unit to
16 acquire some of the limited emissions allowances so
17 that it can continue to operate.
18 And then units that have lower efficiency
19 or higher fuel costs, those units, when they look at
20 the totality of the cost when combining their
21 variable costs with the cost of a CO-2 allowance,
22 those units will choose not to buy the allowances and
23 to curtail production.
24 So we will be making a decision on an
25 economic basis. And so to the extent it makes

1 economic sense for these units to run, there are
2 other units that are less efficient or have a
3 higher-cost structure that would not be running, and
4 the net effect is a reduction of CO-2 emissions in
5 the most economic manner possible across a region,
6 and that's what we would be looking to do.
7 The scenario we have described here has a
8 CO-2 tax assumption where there is a tax on each ton
9 emitted and the effect of that tax, it's not an
10 allowance you have to buy ahead of time, it's just a
11 tax, but that tax makes it less economic to operate
12 or dispatch a high CO-2 emitting unit and it would
13 cause a reduction in the output from some of these
14 units. And so that's the two different ways to model
15 it. But if we are doing allowances, the prior
16 discussion would explain how we're able to make the
17 economic decision that produces the greatest CO-2
18 reductions for the lowest cost.
19 COMMISSIONER HAQUE: Okay. Thanks.
20 EXAMINER PARROT: Mr. Allen, if AEP Ohio
21 incurs costs due to Generation Resources' failure to
22 deliver energy under the PPA agreement, would the
23 company -- would AEP Ohio, I should say, seek to
24 recover those costs through the PPA rider?
25 THE WITNESS: Under the PPA rider, the

1 company would seek to recover those costs. The
2 expectation is that the costs are the result of the
3 prudent acts of the utility. To the extent that the
4 Commission determined that those actions were
5 imprudent, then the company would not recover those
6 costs.
7 And the way we are describing this, it's
8 the same model that exists basically in all of the
9 regulated states we operate in, as well as in Ohio,
10 as we deal with our distribution assets, that the
11 presumption is that the actions of the utility are
12 prudent, and the company, to the extent that it's
13 getting recovery through a rider, the company passes
14 those through a rider, and then the Commission makes
15 a determination ultimately about whether those
16 actions were prudent.
17 EXAMINER PARROT: Does the company, and by
18 "company," I mean AEP Ohio, have an opinion as to
19 whether there are means for the company to contain
20 the costs -- the overall costs, the rate impacts that
21 are associated with all of the many provisions in the
22 stipulation?
23 THE WITNESS: With regard to the PPA rider
24 itself, the company is a member of the operating
25 committee, and as part of that operating committee

the company will be looking to find ways to most economically operate the units and so that's a manner of reducing cost.

With regard to other elements of the rider, the company would engage in the same process that we generally follow where it's our objective to provide service to our customers in the least costly manner possible. So we are always evaluating, when we look at things like the Volt/Var optimization, how can we implement that in a more cost-effective manner and how can we maximize the benefits to customers.

So throughout each phase of this stipulation and various elements, the company will continue to look at ways to deploy those elements in the most cost-effective way while providing the greatest benefits to customers. That's the standard model that AEP engages in as we do business in the many states we operate in.

EXAMINER PARROT: All right. At this point, let's break for lunch. We will reconvene at 2 o'clock. Thank you.

(Thereupon, at 1:00 p.m., at lunch recess was taken until 2:00 p.m.)

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Wednesday Afternoon Session,
January 6, 2015.

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

All right. I think you've heard all you are going to hear from the Bench, Mr. Allen.

Mr. Satterwhite, if you want to move your exhibits.

MR. SATTERWHITE: Thank you, your Honor. At this time AEP Ohio would move for the admission of AEP Ohio Exhibits 52 and 53 and Joint Exhibit 1.

EXAMINER PARROT: Are there any objections?

All right. Hearing none, Company Exhibits 52 and 53 as well as Joint Exhibit No. 1 are admitted.

(EXHIBITS ADMITTED INTO EVIDENCE.)

MR. SATTERWHITE: I would just note for the record we are going to file a letter clarifying those indexing issues with Joint Exhibit 1. I just want to make sure that we went over them on the record with the witness on the stand in case there was a question.

EXAMINER PARROT: Thank you.

Mr. Settineri.

MR. SETTINERI: Thank you, your Honor. At this time I would move for the admission in the record of P3/EPSA Exhibit 10 and P3/EPSA Exhibit 11.

EXAMINER PARROT: Are there any objections?

MR. SATTERWHITE: No objection.

EXAMINER PARROT: All right. Hearing none, P3/EPSA Exhibits 10 and 11 are admitted.

(EXHIBITS ADMITTED INTO EVIDENCE.)

EXAMINER PARROT: Mr. Michael.

MR. MICHAEL: Thank you, your Honor. I would first request that we have the stipulated responses to OCC's discovery requests marked as OCC Exhibit No. 30.

(EXHIBIT MARKED FOR IDENTIFICATION.)

EXAMINER PARROT: All right. Would you tell us what those are, please, Mr. Michael?

MR. MICHAEL: Certainly, your Honor. They are Interrogatories 8 including the workpapers --

EXAMINER SEE: Could you give us a copy before you start?

MR. MICHAEL: Yeah. I was on my way.

MR. OLIKER: I want to see them before I make a decision whether to object. How do I know

before I have seen them.

MR. MICHAEL: They were served upon you.

MR. OLIKER: I don't know which ones they were.

MR. SATTERWHITE: And this is something I guess the company is stipulating to it. He doesn't have to have it right at this moment. I think he could review them. There is nothing tied to this moment in time to put this in the record.

MR. OLIKER: That's all my point is. I didn't want to make a practice of having people stipulate and not having a chance to review it before it goes into evidence.

MR. MICHAEL: Your Honor, do you want me to go ahead and read them into the record?

EXAMINER PARROT: Yes, please.

MR. MICHAEL: Your Honor, they would be Interrogatories No. 8 including the workpapers, 12, 16, 17, 18, 19, 20, 21, 22, 23, 25, 43, 47, 48, 49, 51, 52, 53, 54, 55, 56, 57, 66, 68, 70, 72, 75, 77, 79, 83, 85, 87, 89, 92, 94, 96, Request for Admission 8, 10, 12, 13, 14, 15, 16, 17, and 18.

MR. SETTINERI: If I could, I apologize, but before 15, I'm sorry, I missed. Between 13 and 15, was that 14?

MR. MICHAEL: Yes, sir, it was.

MR. SETTINERI: All right. I was just making sure it was.

MR. MICHAEL: And Request for Production of Documents 4 and 9.

EXAMINER PARROT: 9 or 19?

MR. MICHAEL: Apologize, your Honor, 19.

MR. SATTERWHITE: Note these are OCC S1 before each of these numbers. It doesn't indicate these. I know we had some in the initial phase so.

MR. MICHAEL: They are clearly identified on the documents that way. Pending Mr. Oliker's review, I will just go ahead and move into evidence, your Honor, if I could, OCC Exhibits 25 through 29.

EXAMINER PARROT: Any objection to the admission of OCC Exhibits 25 through 29?

MR. SATTERWHITE: None by the company, your Honor.

MR. OLIKER: Pending the right to object later, no objection now.

EXAMINER PARROT: I am asking about 25 through 29, is there an objection? Not 30 that you seem to be looking at.

MR. OLIKER: Okay. Thank you.

EXAMINER PARROT: All right. With that,

OCC Exhibits 25 through 29 are admitted.

(EXHIBITS ADMITTED INTO EVIDENCE.)

EXAMINER PARROT: Go ahead and move, Mr. Michael.

MR. MICHAEL: I would like to move OCC Exhibit 30, pending Mr. Oliker's review.

MR. DARR: Could we request this be held overnight since I don't have a copy of that in my hot little hand at this moment?

EXAMINER PARROT: Look into -- any problem with that, Mr. Satterwhite or Mr. Michael?

MR. SATTERWHITE: Yeah. We stipulated to it. If OCC has provided copies to people so they can look at it, like I said I think this could happen any time during this hearing.

MR. MICHAEL: I don't have any objection, your Honor.

EXAMINER PARROT: That's fine. We will wait on that one. It has been moved. All right.

Ms. Bojko.

MS. BOJKO: Thank you, your Honor. At this time I would like to move OMAEG Exhibits 24 through 28.

EXAMINER PARROT: All right. Are there any objections?

MR. SATTERWHITE: No objection.

EXAMINER PARROT: All right. OMAEG Exhibits 24 through 28 are admitted.

(EXHIBITS ADMITTED INTO EVIDENCE.)

MS. BOJKO: Thank you.

EXAMINER PARROT: Ms. Fleisher.

MS. FLEISHER: Yes, your Honor. I would like to move the admission of ELPC Exhibit 18.

EXAMINER PARROT: All right. Any objection?

MR. SATTERWHITE: No objection.

EXAMINER PARROT: All right. ELPC Exhibit 18 is admitted.

(EXHIBIT ADMITTED INTO EVIDENCE.)

MS. FLEISHER: Thank you.

EXAMINER SEE: Next witness is Ms. Fleisher's.

MS. FLEISHER: Your Honor, we would like to call Karl R. Rábago.

(Witness sworn.)

EXAMINER SEE: Thank you. Have a seat. Ms. Fleisher.

MS. FLEISHER: Thank you.

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KARL R. RÁBAGO

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

DIRECT EXAMINATION

By Ms. Fleisher:

Q. Mr. Rábago, do you have a copy of your direct testimony filed in this case on December 28th?

A. Yes, I do.

MS. FLEISHER: And if we can have that marked ELPC Exhibit 19.

EXAMINER SEE: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. And, Mr. Rábago, if I asked you all those same questions today, would your responses be the same?

A. Yes, they would.

MS. FLEISHER: I move for admission of ELPC Exhibit 19.

EXAMINER SEE: Ms. Fleisher, I believe you moved for the admission of ELPC Exhibit 19?

MS. FLEISHER: Yeah, or, sorry, pending completion of his testimony.

MR. NOURSE: And, your Honor, if we could briefly address the parties, signatory parties worked out that the company would go last for these opposing

witnesses, and I think there is an order that's agreed to by the other signatory parties for cross-examination.

EXAMINER SEE: And you said the signatory parties?

MR. NOURSE: Yeah.

EXAMINER SEE: Okay. What was that order?

MR. KURTZ: As a general matter, your Honor, I think I am going to go first.

EXAMINER SEE: Beyond that, was there some agreement to the order?

MR. KURTZ: I don't think there was.

MR. NOURSE: Okay.

EXAMINER SEE: Okay. So we have the beginning and the end, and we will figure out the middle?

MR. NOURSE: You can decide the middle.

EXAMINER SEE: Okay. Mr. Kurtz.

MR. KURTZ: Thank you, your Honor.

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CROSS-EXAMINATION

By Mr. Kurtz:

Q. Good afternoon, Mr. Rábago.

A. Hi.

Q. How long were you a Commissioner in Texas?

A. '92 to '95, a little over two and a half years.

Q. Okay. Was Texas a fully regulated state at that point?

A. We were at that time, yes, fully regulated, and co-ops and munis as well, on the electric and telephones side.

Q. As I understand your testimony, you are not rendering an opinion as to whether or not the PPA should be approved or not approved?

A. That's exactly right. I am trying -- I didn't participate in all of that, so I'm not offering an opinion on the PPA itself, just the PPA in the context of the stipulation.

Q. Okay. Thank you. One of the big concerns, I guess you have through your testimony, is the "non-core issues" as you describe them?

A. Yeah, it was a term I came up with to try to distinguish those two batches of issues.

Q. And essentially you think that those are non-core distractions, shouldn't really be used to evaluate the stipulation since they are not core to the PPA itself.

A. There's two aspects to it. First is the process of the settlement doesn't do the normal kind

of evidentiary consideration, so we don't really know those non-core issues. We don't know much about those non-core issues, what they are designed to address, how effective they will be in addressing that issue, how they interact with the predicted consequences of the PPAs, that's the first part of the concern.

And then the second part of the concern is that given that, that we don't really know all those interactions and then, of course, a lot of the issues are contingent upon subsequent filings in other actions, that we -- there's no way to really assess any weight for them. So we really can't tell -- they really don't tell us anything about the underlying PPA.

Q. Well, and you've mentioned in your answer that they are subject to future Commission decisions.

A. Yes.

Q. A lot of these. So let me list or discuss a list or list a list of non-core issues that are subject to future Commission proceedings --

A. Okay.

Q. -- and see if you agree. The 500-megawatt wind project?

A. Right.

Q. That will be subject to a future Commission decision where the Commission can say, yes, no, maybe part, based upon the record of that case.

A. That's my understanding, yes.

Q. Okay. So given that why, why would that -- why would just including a provision that AEP will ask or pursue, why would that be a problem for you?

A. It's -- it's a problem if it is treated as having any weight impacting the public interest determination, the second prong, you know, of the three-prong test, in evaluating the core issue, the PPA, because it doesn't have any weight. So it's that kind of concern.

Q. Okay. And you recognize that the 400 megawatts of solar, likewise, will be subject to a future Commission decision. So nothing here is going to bind the Commission as to that.

A. Right. I don't -- any of those future renewable resource things are subject to a number of contingencies.

Q. Including the IRP expansion, the auto incentive rate, the pilot transmission rider, the competitive incentive rider, the pilot supplier

consolidated billing, pilot call center transfer process, the Conesville 5 and 6 gas co-firing, and the 160 circuits of Volt/Var optimization are all subject to future Commission decisions.

A. And review and the evidentiary development.

Q. Okay. As I read your testimony, the only environmental aspect I could find was on page 12.

A. Okay. I'll go there.

Q. Where you are asked a question on page -- well, beginning on line 10, as I understand this portion of your testimony, you say that the PPA could have the effect of -- let me say it this way, I think what you are saying energy efficiency could have an effect of lowering wholesale market prices through a price supression effect?

A. Right.

Q. And that would be bad for the PPA because low wholesale prices mean the PPA is more likely to be a charge.

A. Yes, sir.

Q. So basically you are saying that the energy efficiency in the PPA are sort of working at cross purposes?

A. They could. They could have kind of a

1 conflicting interaction in the real world.
2 Q. Okay. Now, are you aware that these units
3 are intended to either be put into a PPA or sold
4 through to a third party or continue to be operated
5 by AEPGR with or without the PPA?
6 A. I understood there was that potential, you
7 know, depending -- I guess it would be colored by the
8 existence of the opportunity of the PPA, the ultimate
9 financial sort of evaluation, but, yes, those are
10 options.
11 Q. Would you agree if the units continue to
12 operate with or without the PPA, the effect on market
13 pricing would be the same with or without the PPA?
14 A. I'm not sure of that. I would have to
15 think about how all the pieces fit together. I'm
16 sorry, the effect on market pricing, the effect of
17 the market -- the wholesale market price or the
18 effect of efficiency on that wholesale market price?
19 Q. The wholesale market price. If the units
20 are going to operate, one way or the other, with or
21 without the PPA, then how could there be an effect on
22 wholesale pricing with or without the PPA?
23 A. I think the concept is that with the
24 security of the PPA to collect costs that are in
25 excess of the revenues that can be earned in the

1 market, in bidding the units into the market, that
2 will change their dispatch behavior. So your
3 inclination might be to run the plant, environmental
4 credit costs and other things aside, the inclination
5 would be to run the plant because you know you can
6 get all your costs through a combination of the
7 market and the rider. So I think it could be, that
8 conflict we were talking about earlier could arise.
9 Q. If the plants were dispatched differently,
10 with or without the PPA, there could be an effect?
11 A. Yeah. I'm sorry, I'm not sure.
12 Q. If the plants would be dispatched
13 differently, with or without the PPA, there could be
14 an effect on wholesale pricing is what you're --
15 A. Right. Yeah. Without going into it in
16 really great detail, I can imagine that there's
17 something we need to think about there in terms of
18 what -- how much they'll run and -- well, let me be
19 more precise. They will get what they get in the
20 market, right? And then the rider makes up for the
21 rest of it. The issue is that the rider is
22 nonbypassable. It ends up showing up in the same
23 place for the customers.
24 So one of the strong motivations of energy
25 efficiency is if you do a lot of efficiency

distributed resources you get the strike effect, the price suppression effect, and there's sort of payback for your investment, right, but the payback is undercut by the PPA rider charge because you did that.

So if I am getting you right, I'm -- I think I am agreeing with you that the wholesale price will be what the wholesale price is because the market's not paying the PPA -- the rider. The customers are paying the rider. There is going to be a costs process that comes through.

Q. Or they are receiving the credit under the rider.

A. Or receiving a credit if that's what it ends up being, yes, sir.

MR. KURTZ: Thank you, Mr. Rábago. Sorry. Rábago.

THE WITNESS: That's okay. It took me six years just to learn how to write it, so. Thank you, sir.

MR. DARR: No questions, your Honor.

EXAMINER SEE: Okay. Mr. Oliker.

MR. OLIKER: No, thank you, your Honor.

EXAMINER SEE: Ms. Spinosi.

MS. SPINOSI: No questions, your Honor.

EXAMINER SEE: Company? Mr. Conway.

MR. CONWAY: Thank you, your Honor.

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CROSS-EXAMINATION

By Mr. Conway:

Q. Good afternoon, Mr. Rábago. I understand the way you do write your name, the accent is on the first syllable; is that correct?

A. Right. Just like that little town in Spain where it came from. You have to do that in Spanish.

Q. Again, my name is Dan Conway. I am a lawyer for Ohio Power Company. I just have a fairly short list of questions for you this afternoon.

A. Yes, sir.

Q. At page 4 of your testimony.

A. I have got it in front of me.

Q. At lines 5 to 7 of page 4.

A. Right.

Q. You indicate there that it's your view that the stipulation cannot be found to be in the public interest absent a careful review of each of its terms individually.

EXAMINER SEE: I'm sorry, Mr. Conway. Let's go off the record for a second.

(Discussion off the record.)

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

Mr. Darr, I believe you already indicated you have no questions.

MR. DARR: That's correct.

EXAMINER SEE: Ms. Bojko.

MS. BOJKO: No. Yes, thank you.

EXAMINER SEE: Mr. Michael.

MR. MICHAEL: No questions, your Honor. Thank you.

EXAMINER SEE: Mr. Dougherty.

MR. DOUGHERTY: No.

EXAMINER SEE: Okay. I'm having a good day. All right. Let's try this one more time. Mr. Settineri is not here, so.

Okay.

MR. CONWAY: Thank you, your Honor.

Q. (By Mr. Conway) When we left off earlier, Mr. Rábago, I was asking you to turn your attention to page 4 of your testimony. At lines 5 through 7 where I believe you state that "the Stipulation cannot be found to be in the public interest absent a careful review of each of its terms individually, in addition to as an interactive whole."

A. Yes.

Q. Do you have that before you?

A. Yes, sir.

Q. Okay. And then on page 6 of your testimony, you touch, I believe, on a -- the same topic at lines 14 through 15, where you say -- you indicate that each proposal in the stipulation should be "fully evaluated" and "the settlement terms benefit Company Customers as a whole, both individually and as a package." Do you see that?

A. Yes, sir.

Q. So your recommendation is that each proposal of the stipulation should be evaluated on an individual, stand-alone basis, in addition to being evaluated collectively as a package; is that right?

A. Yes, sir. In other words, might be holistically on that second prong.

Q. But the first part of it is, your recommendation is that each of the individual provisions should be evaluated --

A. Is this a good idea. Is there some evidence to say this component is a good idea. Yes, sir.

Q. Now, you are also familiar with the Commission's three-part test for evaluating

1 settlements, correct?
2 A. Yes, sir.
3 Q. And the second criterion of that
4 three-part test is, I think you recite it in your
5 testimony at some point, the second criterion is
6 "Does the settlement, as a package, benefit
7 ratepayers and the public interest?"
8 A. Yes, sir.
9 Q. And that's your understanding of what the
10 Commission has routinely and for quite a period of
11 time stated as the second prong of its three-part
12 test, right?
13 A. Yes, sir. And I noticed several parties
14 cited it.
15 Q. So your recommendation, as I understand
16 it, I am asking you to confirm, is that the
17 Commission should enhance that second part of the
18 three-part test by including an additional level of
19 evaluation which looks at the individual provisions
20 of the stipulation to see whether each one benefits
21 the ratepayers and the public interest; is that
22 correct?
23 A. I wouldn't use the word "enhance." I
24 guess I would argue that looking at whether or not
25 the component elements of the stipulation are, in

1 themselves, good ideas, is inherent in evaluating the
2 package that is the stipulation.
3 Q. So you think that the evaluation of the
4 settlement, as a package, includes a holistic review
5 of the package. That's one part of it, right?
6 A. Yes, sir.
7 Q. And then a second part of it you would
8 recommend or you would understand to require a
9 provision, by provision analysis, of the stipulation;
10 is that right?
11 A. Yes. To support that -- the second to
12 support the first.
13 Q. And are you aware of any proceedings at
14 this Commission where that second prong of the
15 three-part test was implemented in the fashion that
16 you are recommending it be --
17 A. No, sir, I am not.
18 Q. -- it be in here?
19 Now, with regard to the -- a few questions
20 regarding the process we have already undertaken
21 here. You are aware that the process didn't start
22 this Monday. It start sometime ago, right?
23 A. Yes. I could see that from the record,
24 yes, sir.
25 Q. So is it your understanding that we've

1 spent, before this week, 17 hearing days in
2 September, October, and November, addressing the
3 merits of the company's amended application?
4 A. Yes, especially as regards to the PPAs on
5 which I don't offer that specific opinion, but I will
6 say that I am concerned there are some provisions of
7 the stipulation that look like they weren't actually
8 addressed before. That was my concern.
9 Q. That's a fair point. My question --
10 A. Yes. On your question.
11 Q. -- my question is, is it your
12 understanding that there have been somewhere in the
13 neighborhood of 17 hearing days already devoted to
14 litigation over commentary on discussion of the
15 company's amended application in this case which is
16 an application for approval of the amended or
17 expanded PPA rider and the related PPA to be
18 included --
19 A. I would agree.
20 MS. FLEISHER: Sorry, Mr. Rábago.
21 Objection. He has already said that he's not
22 offering an opinion about the merits of the PPA
23 itself or the amended application and he has said
24 that he has not reviewed all of the evidence in this
25 case. So it's outside the scope of his testimony to

1 ask him what happened in those 17 days of prior
2 hearing about something that he's not offering an
3 opinion on.
4 MR. CONWAY: Well, your Honor, I'm happy
5 to take that -- that reassurance from counsel. He
6 did say that he had reviewed testimony in this case
7 and other material. He said he reviewed the
8 original -- the original application and the amended
9 application. I am just trying to confirm what is his
10 understanding of the extent of the process that's
11 already been undertaken in this case, particularly
12 with regard to the PPA rider and expanded PPA rider
13 as well as the PPA itself.
14 THE WITNESS: Here --
15 EXAMINER SEE: Mr. Rábago --
16 MR. CONWAY: The Examiners need to tell us
17 when we can continue.
18 THE WITNESS: Okay.
19 EXAMINER SEE: -- we will direct you when
20 you can go ahead and answer the question or that you
21 are not allowed to answer the question, okay?
22 The objection is overruled. You can
23 answer the question, Mr. Rábago.
24 THE WITNESS: Yes, ma'am.
25 A. Here is what I would say without deviating

1 from my testimony which is that I don't have an
2 opinion on the PPA and the substance of the PPA. I
3 will tell you that it is clear to me that there is an
4 extensive record in this proceeding discussing the
5 application and addressing the application, and
6 containing evidence and information submitted by the
7 parties addressing the application.
8 Q. Okay. Thank you. And you just answered
9 the second question I had for you on this topic which
10 is I believe you just said, which is, is it your
11 understanding that there have been many and diverse
12 points of view presented regarding the rider's costs
13 and benefits and the prudence of the affiliate PPA in
14 the process that's taken place up to this point?
15 MS. FLEISHER: Your Honors, I have to
16 object again. I mean, it's one thing to go a little
17 bit into what his understanding of the prior process
18 is, but given that I think it's pretty clearly
19 established he is not opining on the prior process, I
20 don't think it's relevant to have him talking about
21 whether there were diverse viewpoints in that
22 process, you know, what might have been said
23 substantively in that process. That's just not
24 within the scope of his testimony.
25 MR. CONWAY: And, your Honor, I am just

simply asking him on an overview, say, 40,000 foot level overview, what his understanding of the extent of the process is and the types of points of view that have been presented. And, again, I would refer you back to his testimony that he did review the testimony previously filed in the case as well as the application filed in the case.

And so I don't think it's outside the bounds of his testimony to confirm with him the extent to which he is familiar generally with the -- with the -- with the extensive process that's already been devoted to this case.

EXAMINER SEE: And the objection is overruled. You can answer the question, Mr. Rábago.

A. I tried to set out my understanding of the case and the posture of the case in -- on pages 7 and 8 of my testimony and that's really kind of the 40,000 foot understanding that, you know, there's potential benefits and potential consequences associated with the affiliate PPA proposal and that -- and I have sort of taken that as a given and don't offer an opinion on it, and then what I am really focused on was the -- these other -- what I call the "non-core issues" that I previously discussed.

1 Q. In any event -- thank you.
2 In any event, the stipulation was then
3 negotiated -- negotiated among a number of the
4 parties and filed with the Commission, correct?
5 A. And it contains an assertion that it
6 satisfies the first prong.
7 Q. Yes. And then after the stipulation was
8 filed, the Commission provided another opportunity to
9 the parties, both those in support and those in
10 opposition to the stipulation, to again provide their
11 views regarding the stipulation, correct?
12 A. We are doing some of that now.
13 Q. Right. And so there's -- would you agree
14 there has been a lot of attention paid, a lot of
15 opportunity provided for the parties to present their
16 positions on the PPA rider proposal that the company
17 has made, as well as the affiliate PPA that the
18 company has proposed be included within that rider.
19 A. It appears to be the case. There has been
20 a lot of process around those issues.
21 Q. Now, let me just switch gears for a moment
22 and I -- I may be treading ground that Mr. Kurtz has
23 already gone over, but at I believe page 4 of your
24 testimony you refer to the grid modernization
25 provisions of the stipulation. Do you see that down

at lines 15 to 16?

A. Yes, sir.

Q. And in that reference there, are you referring to the specific section of the stipulation and the provisions within that section which is Section III.G at pages 29 and 30 of the stipulation?

A. So let me just confirm. I have got the stipulation up in front of me and I'll make sure of that. Yes. Yes, sir.

Q. And do you include within the reference to grid modernization proposals that are part of the stipulation, the company's commitment to include, as part of its extended ESP III application, proposals concerning the distribution investment rider or is that outside of what you were contemplating when you made that reference to grid modernization?

A. Well, I think the rider is the mechanism for implementing some of the things that were discussed in Section III.G, so they would be related.

Q. Okay. And then how about the Volt/Var optimization provisions of Section III.D.13 at pages 26 and 27? Do you regard those as part of the grid modernization provisions of the stipulation that you are referring to in your testimony on page 4, or not?

A. I think they must be linked. The grid

1 modernization in Section III.G appears to be
2 generally the Volt/Var initiative, to use a broad
3 word, that may not necessarily be the company's. And
4 then what this Section C is, as I understood it, is
5 part of a prioritization and analysis, more detailed
6 analysis on that program I guess I would say, and
7 so -- but I think they must be, by definition,
8 related. I don't think it's two separate Volt/Var
9 initiatives.
10 Q. Okay. Fair enough. And I am just trying
11 to understand your testimony to find out what it is
12 you had in mind when you are referring to the grid
13 modernization proposals.
14 A. Okay.
15 Q. And is it your understanding that each of
16 those three buckets of grid modernization provisions
17 within the stipulation, the ESP III extension,
18 distribution investment rider proposals, the Volt/Var
19 optimization proposals, and the proposals --
20 commitments or proposals that are described in
21 Section III.G, that each one of those buckets of
22 proposals is going to be subjected to the processes
23 that the Commission reviews, whatever the company
24 comes up with, in its effort to implement its
25 commitment in those provisions?

A. That's a -- yes, yes.

Q. So in those proceedings, all the parties here that are interested in those proposals and want to provide the Commission with their -- their insights into what's appropriate or inappropriate, they will have an opportunity in those proceedings to do that, would you agree?

A. I can't -- I don't know exactly what the nature of those proceedings will be, but I assume they will be afforded the regular course of due process opportunity to do that. I just don't know what the posture of those particular reviews will be.

Q. And I believe that, again, I am now duplicating, I apologize to everyone for doing this, you mentioned in your conversation with Mr. Kurtz that there were some other -- a number of other provisions in the stipulation dealing with renewables, dealing with several other topics that will be implemented, the commitments the company has made under those provisions will be implemented under process, proceedings, that the Commission will oversee.

A. There is, yes, in many cases in my testimony those are things I labeled as "contingent commitments."

1 Q. Let me turn your attention to page 10 of
2 your testimony. And at this point in your testimony
3 you discuss what I understand you to regard as
4 non-core provisions of the stipulation that are found
5 in III.C and then also III.T -- I'm sorry, III.D, and
6 their relationship with the PPA and PPA rider related
7 provisions of III.A and III.B. Do you see that?
8 A. Yes, sir.
9 Q. Now, with regard to Roman numeral -- Roman
10 numeral III.C of the stipulation which deals with the
11 company's commitment to file an application for an
12 extension of its ESP III, you regard that as being a
13 disparate set of provisions separate from the -- what
14 you would regard as the core provisions regarding the
15 PPA and the PPA rider, right?
16 A. Yes, I included them in that
17 categorization.
18 Q. Okay. I want to ask you a few questions
19 about your understanding of the extended ESP III
20 commitment that the company has made in part III,
21 Section III of the stipulation, Division C of that,
22 part 3, is it your understanding that through the
23 extension of that ESP, AEP Ohio is committed to
24 proposing to continue the ESP III's term through May
25 of 2024?

A. Yes, May 31, 2024.

Q. So that would extend the ESP III by six years from its current end day which is May of 2018 through May of 2024?

A. Yes, sir.

Q. Okay.

A. Six years.

Q. So it is your understanding that the existing ESP III, as it stands now, has a term that ends May of 2018, right?

A. And that it would be then extended in this agreement. That's my understanding.

Q. And if -- okay. Fair enough. Now, the term of the PPA rider, do you know what that term is currently?

A. Well, I thought -- no, I do not know what its current term is.

Q. Do you know when the current PPA rider was approved on a placeholder basis in the original ESP III case decision?

A. I do not know.

Q. Okay. Would you accept, subject to check, that the current rider has a term that expires at the end of the current ESP III?

A. I'll accept that.

Q. Which would be May of 2018, okay?

A. I'll accept that.

Q. Okay. Now, is it your understanding or do you have an understanding that the term of the proposed PPA rider, according to the stipulation, would also be extended through the end of May of 2024?

A. It's my recollection they were intended to be congruent, yes.

Q. Okay. So the rider -- if the stipulation is approved and adopted, the rider will have a term that continues through the end of May of 2024 and the ESP III term will be extended through the end of May of 2024.

A. That's my understanding.

Q. Okay. And so if the -- if the stipulation provides for the rider to continue -- continue in effect until May -- May of 2024, and as part of the stipulation the company also commits to extending the underlying ESP that provides for the rider itself to extend through May of 2024, would you agree that there is a relationship between the commitment to extend the ESP III term so that -- so that it continues until the time when the rider will also terminate?

A. Yes. They would share a common termination date. That would be the relationship, yes.

Q. Okay. So that would be one manner in which the provisions of Section III.C do have a relationship with the provisions of Section III.A and III.B of the stipulation then, correct?

A. Yes, sir.

Q. Okay. And then would you agree with me that if you are going to go ahead and extend the ESP III term to the end of 2024, you are going to need to have some kind of a proposal or commitment for how the terms of that ESP III during that extended period will perform, what they will be -- how they will be established? It's a necessary consequence of agreeing to an ESP term that goes out to 2024, is it not?

A. If that term is going to be included in the stipulation, in order to sync up those things, you would expect a comprehensive document to have something, even if it said leave it the way it is, but extend its term to 2024, I agree with you, yes, yes. You would have some sort of group decision in a settlement stipulation.

Q. Let me turn your attention to page 13 of

1 your testimony.
2 A. I'm there.
3 Q. At page 13 at lines 13 through 20, you
4 discuss the customer credit provisions that the
5 stipulation provides in Section III.A.3, correct?
6 A. Yes, sir.
7 Q. And the credits that that provision
8 addresses, and to which you refer, they are
9 applicable in the last four years of the PPA rider,
10 roughly the 2021 delivery year through the '23-'24
11 delivery years?
12 A. Yes, sir.
13 Q. Okay. And, in aggregate, those credits
14 amount to a maximum of $100 million over that
15 four-year period, correct?
16 A. Yes, that's my understanding of that
17 section.
18 Q. They might be less than 100 million but
19 they could be as much as $100 million.
20 A. Right. It says not -- sorry. Not to
21 exceed the term that appears in that section.
22 Q. Would you agree that the stipulation has
23 more value for customers with this customer credit
24 provision included in it than it has without the
25 provision? So what I want you to do is just roughly

compare the stipulation without Section III.C -- I'm sorry, III.A.3, okay, so the stipulation without III.A.3 and then the stipulation with that section, would you agree that with it the stipulation is more valuable to customers?

A. Everything else being equal, it appears so. The only thing that gives me hesitation is I don't know where the money actually comes from.

Q. Well, assume that it comes from the company.

A. It comes just from the company and it is not ultimately collected back through the customers, just in a different distribution, then 100 million, up to 100 million is better than up to nothing, yes. So it is -- it is a positive element, all other things being equal, yes.

Q. And all other things being equal, it's a material or significant positive, correct?

A. I can't judge that. I can't judge the materiality or significance of it. It's a big number to me, but in the context of the case I can't offer an opinion.

Q. And then if you could turn to page 16.

A. I'm there, sir.

Q. And then at lines 9 through 12, and the

1 question starting at line 9 and then the first
2 sentence in the answer at line 12, you state -- and
3 I'm paraphrasing somewhat, but you state there that
4 the stipulation offers the potential opportunity to
5 secure many positive outcomes for the parties, the
6 public, and electric service customers, correct?
7 A. Yes, sir. That's a fair paraphrasing.
8 Q. Okay. Is it fair to say your opinion is
9 that while the stipulation has the potential to
10 provide many benefits, it could be improved?
11 A. My biggest problem is with the baseline.
12 I don't actually know are these things good in and of
13 themselves. In some cases some of these terms may be
14 the best you can do on that issue. In some cases
15 they could be improved. My problem is with the fact
16 that we don't have the tools to evaluate them in the
17 stipulation. That's may biggest concern.
18 Q. So you do --
19 A. Does that answer your question?
20 Q. Well, I am not sure. It's helpful but let
21 me follow-up. So you believe the stipulation could
22 be improved; is that correct? Or do you not have an
23 opinion about whether it could be improved?
24 A. If I -- if I was a party with a point of
25 view -- yeah, I'm sorry, yes, the stipulation could

be improved in the ways in which I suggest by developing more of an evidentiary record for it.

Q. And at the same time you also are of the view that the stipulation does have the potential to provide significant benefits; is that right?

A. There are many good ideas in there, yes, sir.

MR. CONWAY: Just a second, your Honor.

Q. And would you agree or would you understand that even though while you may not have the -- the information or have spent the time necessary to come to a judgment on whether the stipulation provides significant benefits to customers in the public interest, that it still might be possible for another point of view, perhaps the Commission's point of view, to be brought to bear and for that -- for the Commission to conclude that, yes, it does?

A. You have a couple of concerns. First, the posture of a settlement is a lot of parties will leave if it doesn't get approved as it was submitted, so there is a fragility associated with it which may constrain the discretion that the Commission enjoys.

Second, not every party and not necessarily every aspect of the public interest is

1 represented in settlement negotiations even with the
2 staff doing mightily what they can in that, and the
3 process is not opened to everyone in the normal
4 course of sort of participation intervention.
5 So that's why I mentioned earlier on in my
6 testimony that a lot of times these things are taken
7 up in big IRP-type or rulemaking-type, a lot of these
8 what I call the "non-core issues" are taken up in
9 bigger issues.
10 And then finally, because of the rate
11 impact of this, my concern is that there's potential
12 for the term I've always understood is piecemeal
13 ratemaking, that you are going to have something that
14 looks good to one party, but without testing its
15 impact on other customers, it's, you know, it's the
16 interactive whole thing that we were talking about
17 early on. So subject to those cautions, there's a
18 chance to air these things out, and that's, in fact,
19 what I recommend the Commission do, is air this out a
20 little better.
21 Q. So you are not offering an opinion or
22 taking the position that these individual provisions
23 regarding which you have some uncertainty about, that
24 they are not good provisions?
25 A. Right. That's -- and, in fact, quite the

1 opposite. I am saying several of these positions --
2 these positions, these terms, components, offer the
3 potential for benefit.
4 Q. Okay. Thank you.
5 MR. CONWAY: Just a moment, your Honor.
6 Those are all the questions I have. Thank
7 you very, Mr. Rábago.
8 THE WITNESS: Thank you.
9 EXAMINER SEE: Mr. Beeler?
10 MR. BEELER: Nothing, thank you.
11 EXAMINER SEE: Ms. Fleisher?
12 MS. FLEISHER: If I could have just one
13 moment to check in with Mr. Rábago?
14 EXAMINER SEE: Certainly. We will take a
15 brief recess.
16 (Recess taken.)
17 EXAMINER SEE: Ms. Fleisher, sorry about
18 that. Thanks for your patience.
19 MS. FLEISHER: No problem, your Honor.
20 Your Honors, I have no redirect questions.
21 EXAMINER SEE: All right. Thank you very
22 much.
23 THE WITNESS: Thank you. And thank you
24 for being accommodating on the schedule. I really
25 appreciate it.

EXAMINER SEE: Thank you.

Ms. Fleisher.

MS. FLEISHER: Your Honors, I move for the admission of ELPC Exhibit 19.

EXAMINER SEE: Are there any objections to the admission of ELPC Exhibit 19?

MR. CONWAY: No objection.

EXAMINER SEE: ELPC Exhibit 19 is admitted into the record.

(EXHIBIT ADMITTED INTO EVIDENCE.)

EXAMINER SEE: Next witness for the day is OMAEG's witness. I believe Mr. Hill.

MS. BOJKO: Yes, your Honors. Thank you. At this time OMAEG would like to call Dr. Edward Hill to the stand.

(Witness sworn.)

EXAMINER SEE: Thank you.

Ms. Bojko.

MS. BOJKO: Thank you, your Honor.

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EDWARD W. HILL, Ph.D.

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

DIRECT EXAMINATION

By Ms. Bojko:

Q. Dr. Hill, could you please state your name and business address for the record.

A. Edward W. Hill. My business address is Page Hall, 18 -- now I have to look it up. 1810 College Road, Columbus, Ohio.

Q. Are you the same Dr. Hill that previously testified in this proceeding?

A. I am.

Q. Did you file or cause to be filed additional testimony opposing the joint stipulation that was filed in this proceeding?

A. The material we are discussing today?

Q. Yes.

A. Yes.

MS. BOJKO: Your Honors, at this time I would like to mark as OMAEG Exhibit 29, a document titled "Direct Testimony of Edward W. Hill in Opposition to AEP-Ohio's Settlement Agreement" filed on December 28, 2015, in this proceeding.

EXAMINER SEE: The exhibit is so marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Dr. Hill, do you have in front of you what has been marked as OMAEG Exhibit 29?

A. I do.

Q. Do you recognize this document as your

1 testimony?
2 A. It is.
3 Q. Was this testimony prepared by or under
4 your direction?
5 A. It was.
6 Q. On whose behalf are you testifying today?
7 A. Ohio Manufacturers' Association Energy
8 Group.
9 Q. Since the filing of your testimony, do you
10 have any changes to make to your testimony?
11 A. I do. An errata sheet was prepared with
12 four items.
13 MS. BOJKO: Your Honor, at this time I
14 would like to mark as OMAEG Exhibit 29A, an errata
15 sheet to Dr. Hill's testimony.
16 EXAMINER SEE: So marked.
17 (EXHIBIT MARKED FOR IDENTIFICATION.)
18 Q. Besides the changes presented on the
19 errata sheet, do you have any additional revisions to
20 your testimony today?
21 A. I do not.
22 Q. With the changes delineated in the errata
23 sheet, if I were to ask you the same questions today
24 as they appear in your testimony, would your answers
25 be the same?

A. Yes.

MS. BOJKO: At this time, your Honor, I would like to move OMAEG Exhibit 29 and 29A, subject to cross-examination. And I tender the witness for cross.

EXAMINER SEE: Thank you, Ms. Bojko. We are going to start with Mr. Kurtz.

MR. KURTZ: Thank you, your Honor.

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CROSS-EXAMINATION

By Mr. Kurtz:

Q. Good afternoon, Dr. Hill.

A. Good afternoon.

EXAMINER SEE: Okay, I'm sorry, Mr. Kurtz. There's been a preference stated otherwise.

MR. NOURSE: No, I'm sorry, your Honor, if you misunderstood what I said earlier. We were assuming any nonsignatory parties that could justify cross-examination would go first, and then among the signatories was the order that we had proposed, starting with Mr. Kurtz. Thank you.

EXAMINER SEE: Okay.

Mr. Settineri?

MR. SETTINERI: No questions, your Honors.

EXAMINER SEE: Mr. Michael?

MR. MICHAEL: No question, your Honor.

EXAMINER SEE: Ms. Fleisher?

MS. FLEISHER: No questions, your Honor.

EXAMINER SEE: Mr. Oliker?

MR. OLIKER: Nothing, your Honor.

EXAMINER SEE: Ms. Spinosi?

MS. SPINOSI: No questions, your Honor.

EXAMINER SEE: Mr. Kurtz.

MR. KURTZ: Thank you, your Honor.

Q. (By Mr. Kurtz) Good afternoon, Dr. Hill. Would you turn to page 4 of your testimony. Line 10, you say "I believe that AEP-Ohio's proposal is misguided," and the Commission should reject it. Is the PPA, in particular, misguided, or the whole concept of a PPA misguided? I mean, is there any form of a cost of service PPA that would make sense to you?

MS. BOJKO: Objection, your Honor. The question is compound. I think he asked about three questions in there.

MR. KURTZ: Your Honor, my question --

THE WITNESS: Can you repeat?

MS. BOJKO: No, I'm sorry. There is a objection pending, Dr. Hill.

MR. KURTZ: I will rephrase.

1 EXAMINER SEE: Thank you.
2 Q. Are you opposed to the concept of a
3 cost-based PPA or are you opposed to this particular
4 cost-based PPA?
5 A. There are privately-executed PPAs in the
6 marketplace on a regular basis, so when independent
7 companies go and execute a power purchase agreement
8 with an energy provider and they are arguing their
9 own benefits. There is nothing wrong with
10 essentially a long-term contract that's a PPA between
11 private parties. I have substantial difficulties
12 with an affiliate PPA that protects the merchant
13 generator from the effects of competing in the
14 marketplace.
15 Q. Let's talk about --
16 A. There's one other minor exception because
17 I did provide this exception in earlier testimony in
18 an earlier case that in the energy markets in
19 particular, there is a public benefit that can be
20 derived from industry scale, proof-of-concept
21 experiments, and that may require some form of
22 subsidy. Now, whether that's a PPA or whether it is
23 some form of allocation from the General Assembly,
24 that would depend on how it's executed.
25 Q. If the Commission turns down the PPA

1 proposal here, the stipulation, then customers would
2 have, as they have today, 100 percent of their
3 generation pricing at the FERC, regulated marginal
4 cost rate; is that correct? I will say marginal cost
5 energy, marginal cost capacity rates, as determined
6 in the PJM markets.
7 A. The way I would typify it is that the
8 customer would be paying an energy price or the base
9 price would be determined in the marketplace through
10 auctions that are conducted by PJM that would set the
11 marginal costs, and then there are a set of
12 regulatory add-ons to that price which constitutes
13 about half the price.
14 Q. Okay. What about capacity, they would be
15 paying the PJM determined marginal cost --
16 A. Correct.
17 Q. -- price for capacity also?
18 A. Correct.
19 Q. Okay. And there's a fundamental
20 difference between an average embedded cost PPA,
21 rate-based rate of return, versus marginal cost
22 pricing, isn't there?
23 A. I really haven't thought that one through,
24 but there will be a difference between marginal cost
25 pricing and regulatory pricing. I don't think that

1 the change in the price that's involved will be that
2 different between the PPA as described in the joint
3 stipulation and what would take place through a
4 capacity auction.
5 Q. Well, the marginal cost pricing -- let's
6 just start with energy or capacity. All generators
7 get paid the same price regardless of their cost
8 structure under marginal cost pricing, correct?
9 Clearing price for energy or capacity?
10 A. Correct.
11 Q. Versus traditional average embedded cost
12 pricing that's based upon the particular costs of
13 that unit for capacity, plus energy at cost with no
14 markup.
15 A. It could be formulaic. The marginal cost
16 pricing can produce something that's producer
17 surplus, which is an incentive to have other --
18 producers to enter the market.
19 Q. Right now it's your understanding that
20 marginal cost pricing in the PJM markets is below the
21 average embedded cost of the PPA units?
22 A. I have no data.
23 Q. Okay.
24 A. I'm sorry. I have tried to find
25 information on what plants haven't cleared and I have

tried to find data -- cleared the market, and I have tried to find data on what is the cost differential resource between the plants that have cleared and those that haven't cleared, and I haven't been able to find that.

Q. Okay. If the PPA rider is going to be a charge in the early year or years, then that would indicate that marginal cost pricing is less than the average embedded cost pricing, would you agree, and vice versa if the PPA rider was a credit?

A. Not necessarily. There could be plants and most likely are plants in the marketplace that have average costs that are below that of the plants in question here.

Q. Well, but under the structure of this PPA, the cost-based energy and capacity would be resold into the marginal cost markets.

A. Correct.

Q. So if the PPA units are losing money, their average embedded cost purchase price is higher than the marginal cost sale price.

A. I can agree with that.

Q. Okay. And vice versa if the PPA is a credit.

A. Correct.

Q. Okay. Do you have an opinion as to whether marginal cost pricing is more volatile than average embedded cost pricing?

A. I can really only comment on what has been presented in the application. And there's nothing in the application that indicates that pricing will be any less volatile than marginal cost pricing because the way in which the PPA itself is structured is that the cost that the utility can charge to its operating units is its cost -- its fixed cost plus its variable cost.

Variable costs will be determined largely by fuel pricing and everything else, so that there should be a very high correlation between the price that's charged through the PPA in terms of the rate of change and the rate of change of the price that's charged in an open market. The only major -- the only thing that could drive a wedge in that would be capacity charges. So that's one way of saying I don't agree with you.

Q. Okay. Were you here when Mr. Allen testified today?

A. I was here for Mr. Allen's testimony. I wasn't paying attention to all of it.

Q. Okay. Let me ask you, the PPA, the PPA

1 contract is for 3,000 hundred megawatts. Do you
2 understand that to be the case?
3 A. I do recall that number.
4 Q. Which is 30 percent of the AEP footprint,
5 AEP Ohio demand footprint?
6 A. Correct.
7 Q. So the PPA would be approximately
8 30 percent of the -- of the system of the AEP system?
9 Is that how you understood the 30 percent to be used?
10 A. That was my understanding of what he said.
11 Q. So it's your opinion that consumers
12 should -- should stick with this 100 percent marginal
13 cost, FERC-regulated pricing, instead of a hedged
14 product where, in effect, 30 percent of their price
15 would be average embedded cost at 70 percent at
16 market.
17 A. I disagree completely. The way in which I
18 interpret the pricing underneath the PPA, it is going
19 to be every bit as volatile as the pricing outside of
20 the PPA because the variable costs are fully involved
21 in the PPA pricing.
22 Q. Well, do you understand -- let me just ask
23 you this, under the PPA proposal, customers would
24 still shop for 100 percent of the physical generation
25 needs, either through a CRES or through the SSO

1 pricing.
2 A. Correct.
3 Q. Okay. And then there would be this
4 financial charge or credit on the side of the PPA
5 rider?
6 A. I wouldn't say it's "on the side." I
7 think it's in the basement.
8 Q. Well, it's on the bill that would have the
9 effect of, because it's 30 percent of the system, it
10 would have the effect of 30 percent of the pricing
11 being average embedded costs and 70 percent marginal
12 costs.
13 A. Respectfully that's what I think you have
14 got wrong. The 30 percent that is the floor of the
15 basement is not average cost pricing. The 30 percent
16 that is going to be in the basement consists of all
17 the fixed costs of operating the plants, plus a 10.38
18 percent rate of return on the fixed costs, plus all
19 the variable costs.
20 Q. You just described the average embedded
21 costs.
22 A. Well, variable --
23 Q. -- you just described -- excuse me, sir.
24 A. Variable costs aren't average.
25 Q. Well, you just described the regulated

1 component precisely, that that would be the
2 30 percent, that would be rate base rate of return,
3 plus taxes, plus depreciation, plus fixed O&M, plus
4 fuel costs. That's the regulated model. Isn't that
5 what you just described?
6 A. And my contention is that the rate of
7 change in that particular price is going to be highly
8 correlated with the rate of change in the market
9 price because of fuel costs.
10 Q. Okay. Well, but let's leave the
11 volatility question aside. It's your position, your
12 belief that having customers shop for 100 percent of
13 the physical supply, but then having this PPA hedge
14 where 30 percent would effectively be at the
15 regulated pricing either through a charge or a
16 credit, that's an inherent -- that's not a good
17 structure for consumers?
18 A. I guess let me try to answer your question
19 in my own words because I am not fully understanding
20 what you are saying. A customer, under the PPA, that
21 is actively -- and is a customer of a CRES or another
22 provider will be paying the market price and in
23 addition they will be paying part of the subsidy to
24 keep the plants open. So, by definition, they are
25 going to be paying above a market price. The market

1 price that they would have had in the absence of the
2 PPA. So there is no cost savings there.
3 Q. Well, if the PPA was a credit, then by the
4 same token they would be paying a below market price.
5 A. That is theoretically possible. I just
6 don't see that in the near term of the markets,
7 particularly given what's happening with natural gas
8 prices and oil prices.
9 Q. Well, that could be true and I don't
10 know -- I guess none of us know over the eight-year
11 term whether the average embedded cost will be above
12 and below marginal cost, but the structure is, as we
13 have described, 70/30, 70 percent market, 30 percent
14 cost of service, for better or worse, and that's the
15 structure you think is just inappropriate?
16 A. Correct. And the reason why I think it's
17 incorrect, it doesn't provide a pricing advantage to
18 the customer at the end of the day. So I think of
19 the world graphically. So if you just give me a
20 little bit of latitude and possibly a pen, that the
21 way I look at this is the same way a
22 supply-and-demand curve would work.
23 So if you have got "quantity" on the
24 X-axis and "price" on the Y-axis, what the market
25 price does is that that supply curve will hit the

1 Y-axis at some point. What you are referring to is
2 the average embedded price model. Because of the
3 fixed nature of it, it is going to have -- it's going
4 to intercept the Y-axis above where the market price
5 will be and the slope will be approximately the same.
6 Because both are being driven by variable costs and
7 that's what the call -- well, I actually have a model
8 in my testimony that describes the algebra.
9 Q. Well, haven't there been times when the
10 marginal cost of the PJM market was considerably
11 above the legacy average embedded cost of the
12 utilities throughout the entire State of Ohio?
13 A. My understanding is for very short periods
14 of time in terms of, I mean, if we are talking around
15 the polar vortex event, sometimes in the summer.
16 Q. Well, no. I was really actually referring
17 to the pre-Senate Bill 221 days, when marginal cost
18 pricing was well above the average embedded cost
19 pricing which served as the impetus for people like
20 OMA and others and my group saying --
21 A. That's deregulation.
22 Q. -- well, this is maybe not such a good
23 idea. Were you aware there were times when marginal
24 cost pricing can be above average embedded costs?
25 MS. BOJKO: Your Honor, at this time I am

1 going to object. I've given Mr. Kurtz quite a bit of
2 latitude but he's half testifying and half asking a
3 question. He just testified what he believed OMA's
4 position was in some legislative activity.
5 MR. KURTZ: I will withdraw that question.
6 EXAMINER SEE: And I am going to ask
7 counsel and the witness not to interrupt each other
8 and speak in between.
9 THE WITNESS: I apologize.
10 MS. BOJKO: Thank you.
11 Q. Are you -- are you -- do you agree there
12 are times when marginal cost pricing can be above
13 average embedded cost pricing?
14 A. I do.
15 Q. All right. Let's turn to your testimony
16 page 5 at the bottom. You are testifying that the
17 signatory parties don't represent a diverse set of
18 interests, that they did not bargain on behalf of
19 large classes of customers, so essentially the
20 signatory parties were bargaining for themselves and
21 not for the entire ratepayer group; is that a fair
22 characterization?
23 A. That's correct.
24 Q. Now, are you aware that PUCO staff was a
25 signatory party?

A. I am.

Q. And do you believe that they were negotiating on behalf of themselves or on behalf of all ratepayers?

A. I did not or do not characterize what PUCO staff did in this. I was referring to the signatory parties with that exception and that was written into the testimony.

Q. I didn't see this. Is staff excluded from your discussion of signatory parties?

A. In the testimony, I will have to find out exactly where, I refer to staff as not negotiating, necessarily negotiating in some form of self-interest like the other parties.

Q. So do you think that it's fair that staff might have been looking out for the interest of all consumers?

A. I'm not in a position to answer that.

MR. KURTZ: Okay. Thank you, Dr. Hill. No further questions.

EXAMINER SEE: Mr. Darr.

MR. DARR: No questions, your Honor.

EXAMINER SEE: AEP Ohio.

MR. NOURSE: Thank you, your Honor.

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1 CROSS-EXAMINATION
2 By Mr. Nourse:
3 Q. Good afternoon, Dr. Hill.
4 A. Good afternoon.
5 Q. We meet again. So you work for the Ohio
6 State University, correct?
7 A. Correct.
8 Q. And those who know me know I am a huge
9 Buckeye fan, so I will try not to hold that in your
10 favor.
11 A. I have seen you at a basketball game.
12 Q. Yeah, that's right. But the Ohio State
13 University is a publicly-funded university, correct?
14 A. Correct.
15 Q. And so the operations of OSU are
16 subsidized by taxpayer funding, correct?
17 A. Correct.
18 Q. Okay. Now, did you get a -- there was a
19 new engagement with OMAEG for the stipulation
20 testimony?
21 MS. BOJKO: Objection. First of all, my
22 objection goes to relevancy. Secondly, it
23 mischaracterizes Mr. Hill's prior letter as well as
24 discovery responses. There's no prior engagement;
25 thus, there could be no additional, so it

1 mischaracterizes many things on many fronts.
2 MR. NOURSE: That was a question, but I
3 think -- okay. So you've stipulated there is not an
4 engagement.
5 Q. Does that mean that you are donating your
6 time to do the testimony here today?
7 A. That's correct. I am a volunteer.
8 Q. Okay. And is that donating it on behalf
9 of Ohio State or are you --
10 A. As an individual.
11 Q. -- personal engagement? Okay.
12 A. As an individual.
13 Q. All right. Now, do you know how OMAEG --
14 I may refer to OMAEG as "OMA" at times and I am
15 trying to refer to the same entity, okay? Do you
16 know if OMAEG -- what the process was to -- that it
17 determined it would oppose the stipulation?
18 A. No.
19 Q. Okay. So you were told that OMAEG wanted
20 to oppose a stipulation and to then prepare testimony
21 that does that?
22 MS. BOJKO: Objection, your Honor, to the
23 extent it calls for confidential privileged
24 information, attorney-client privilege.
25 MR. NOURSE: Well, your Honor, he is an

1 outside expert. I think he has indicated he is
2 donating his time. You know, I am just asking him
3 how he went about preparing his testimony, what was
4 the genesis, what was the starting point.
5 MS. BOJKO: Your Honor, just as we have
6 honored for every other witness, it's the same
7 privilege.
8 MR. NOURSE: I don't know what you are
9 referring to. I think any outside expert can be
10 asked these kind of questions and I think it's
11 certainly a fair context for his testimony and in its
12 entirety. I am simply asking him whether he had
13 marching orders to oppose the testimony or oppose the
14 stipulation or that he -- did he have a part in that
15 decision prior to preparing his testimony.
16 EXAMINER SEE: And recognizing the way we
17 have handled this before, give him a little leeway
18 and allow the witness to answer the question directly
19 without divulging any . . .
20 A. I hesitate because I don't want to make
21 this a very long answer. Ohio Manufacturers'
22 Association, which we will use the same shorthand,
23 gave me no marching orders. My involvement in the
24 PPAs began a year ago November, not with yours but
25 with FirstEnergy's.

1 As I read the news accounts of the PPA
2 independently, thought they are anti-competitive and
3 were going to hurt the economic future of the State
4 of Ohio. I noticed that OMA was involved in opposing
5 this. I called OMA and asked them if I could be
6 involved to develop economic testimony to oppose the
7 proposals. I am an economist. I am not an attorney.
8 And I knew that in order to be effective and
9 respectful to the PUCO, I would need legal help in
10 preparing the testimony.
11 So in late November, after a conversation
12 with OMA, they agreed that they would submit
13 testimony on my behalf. And each -- and each stage
14 of the proceedings it has been the same thing. So in
15 the case of the joint stipulation, I read it,
16 believed it was flawed, and asked OMA if I could
17 submit through them directly.
18 So in many ways, while OMA is the conduit
19 for me to be here and is kind enough to provide legal
20 representation, all of this has been at my initiative
21 and I have not subjected the testimony to preapproval
22 on the part of OMA. They do get to decide whether
23 they want to submit it because of the -- because they
24 are -- they have standing in front of this body. But
25 they've not asked me to change a thing. And all of

1 this was started with a phone call by me.
2 Q. Thank you.
3 So is it fair to say your concerns and
4 objections to the PPA rider relative to the
5 stipulation are the same concerns and objections that
6 you had relative to the company's amended
7 application?
8 A. Well, no. The joint stipulation took a
9 different tact, made my concerns stronger. But there
10 are significantly new elements to the joint
11 stipulation. And so it drags the old PPA with it,
12 creates a new PPA, a new affiliate PPA, and it also
13 introduces what I refer to as a redistributive
14 coalition which extracted a series of benefits to
15 provide the facade of broad-based public support for
16 the joint stipulation.
17 Q. Okay. But stated differently, none of the
18 concerns and objections you had with the PPA rider
19 originally have been eliminated or reduced; is that
20 fair?
21 A. They have been made worse.
22 Q. Yeah. All right. So as a related matter,
23 none of your views about the ESP III decision have
24 changed or been -- well, have changed since we talked
25 last; is that true?

1 A. In philosophy they are the same. The
2 specifics around the redistributive coalition are
3 brand new.
4 Q. Okay. Well, that's not really related to
5 the ESP III decision. I am just trying to shortcut
6 some of the discussion we had a couple of months ago.
7 MS. BOJKO: Objection.
8 Q. And what I asked you was whether any of
9 your views about the ESP III decision have changed
10 since the time you testified before.
11 MS. BOJKO: Objection. I think he
12 mischaracterizes the prior testimony and I think that
13 he is making statements that are inaccurate. I think
14 he can ask Dr. Hill if he believes that the joint
15 stipulation affects the AEP factors, and his question
16 is quite vague, but we are all assuming he is talking
17 about the Commission's order in the ESP -- AEP ESP
18 III case. But you can ask Dr. Hill if he believes
19 that the stipulation affects those factors. He can't
20 assert that and then roll in a question with this
21 underlying assumption.
22 MR. NOURSE: Your Honor, I'm not sure how
23 that objection relates to my question and I think he
24 understood my question. I didn't characterize his
25 testimony at all other than to ask him if it had

1 changed.
2 EXAMINER SEE: Mr. Nourse, I am going to
3 ask you to try it again. Try your question again.
4 MR. NOURSE: Okay. Let me just do it the
5 hard way.
6 Q. Mr. Hill -- Dr. Hill, do you agree or
7 disagree with the ESP III's decision that -- the
8 statement on page 25 of the Opinion and Order that a
9 PPA proposal, if properly conceived, has the
10 potential to supplement the benefits derived from the
11 staggering and laddering of the SSO auctions and to
12 protect customers from price volatility in the
13 wholesale market?
14 MS. BOJKO: Objection.
15 A. I disagree with that.
16 MS. BOJKO: Objection.
17 Q. Are you familiar with --
18 MS. BOJKO: Your Honor, he is reading from
19 a document that --
20 A. I haven't seen.
21 MS. BOJKO: -- Dr. Hill does not have in
22 front of him. It would be proper, just as we
23 provided his witness with documents, that he could
24 provide Dr. Hill the document they are reading from.
25 MR. NOURSE: Well, I am reading from the

prior transcript and I was trying to ask him if he changed any of his opinions, so I think I tried to shortcut. We can do it the long way, but considering it a clear question, I think he already answered it.

EXAMINER SEE: The witness already answered the question.

MS. BOJKO: If he is going to ask questions from the pages of the order, that he provides the pages of the order, that's what my objection was to.

EXAMINER SEE: Okay. So noted.

Q. (By Mr. Nourse) Dr. Hill, do you recall when you read the ESP III Opinion and Order, a statement that rate stability is an essential component of an ESP?

A. I do recall that.

Q. And do you disagree with that statement?

A. No. I agree with it. The point of contention I have that I believe the PPA doesn't provide any additional rate stability.

Q. So you're agreeing today, as we sit here, that rate stability is an essential component to an ESP?

A. Well, I'll repeat something I know I have written somewhere. I can't tell you exactly where.

1 I have done a lot in this. Predictable rates are
2 good for business planning and they are good for
3 planning on the part of individuals. Stable rates
4 that are above-market rates, though, are not good for
5 business planning or for individuals. And as the PPA
6 and the amended -- I think the amended PPA and joint
7 stipulation and the additional PPA that's in there
8 will raise rates above-market rates, particularly in
9 the current fuel environment.
10 So whenever, through these proceedings and
11 the parallel proceedings, whenever the term "stable"
12 is used, to me it's a code word for "but higher than
13 market rates." In my testimony you have before you,
14 I do parse and make that difference between the term
15 "stability" and the desirability for lower market
16 competitive rates.
17 Q. Okay. Dr. Hill, have you performed any
18 quantitative projections or analysis of the PPA rider
19 retail rate impacts relating to the stipulation's
20 modified version of the PPA?
21 A. I've done an economic analysis of the
22 structure of the proposal but I have not done a
23 quantitative analysis.
24 Q. And have you done any quantitative
25 analysis study relating to the alleged impact of the

PPA on wholesale market prices?

A. I have been looking for such an analysis. I haven't been able to find one, and as I indicated with the question earlier, I have not been able to find data on plants that have cleared and what the clearing prices are, so I did not have the resources to do such an analysis.

Q. Let me ask you a couple of questions about the negotiations and the settlement. I don't want to get into the content of any settlement discussions that occurred prior to the stipulation, but since you talk about the structure and the outcome of the stipulation and the signatory parties, I want to ask you some questions about that. So do you have personal knowledge about the settlement negotiations that occurred leading up to the stipulation?

A. I have -- I have no knowledge outside of the data that's contained in the joint stipulation itself.

Q. Okay. So you were not present at any of the settlement meetings?

A. That's correct.

Q. And you didn't participate directly or indirectly in those meetings?

A. That is correct.

1 Q. Do you know whether OMA participated in
2 the settlement meetings?
3 A. I have no knowledge.
4 Q. Okay. Let me ask you to turn to page 5 of
5 your testimony.
6 A. I'm there.
7 Q. And I think as part of your discussion
8 with Mr. Kurtz you made reference to, I believe you
9 are referring to page 5, line 4 where you start this
10 discussion about the signatory parties and you say
11 "with the exception of the staff of the PUCO." Do
12 you see that?
13 A. Yes.
14 Q. Okay. So was that the reference you were
15 thinking of earlier?
16 A. That's it.
17 Q. And so what you're saying, to clarify
18 that, is that the observations that follow in your
19 testimony after page 5, do not apply to the
20 Commission staff as a signatory party?
21 MS. BOJKO: Objection. I think that
22 mischaracterizes his testimony.
23 MR. NOURSE: That's what I am asking him
24 to clarify, your Honor.
25 EXAMINER SEE: I will allow the question.

A. My interpretation with the PUCO staff being a signatory party, their signature indicates that they agree and support all components of the joint stipulation. That's my understanding of the way that -- what the signatory parties mean. And I also know that several of the signatory parties are footnoted as not agreeing with specific pieces or not going to contest. I don't know quite how to characterize the footnotes, and the PUCO staff is not footnoted.

Q. Right. Okay. But relative to your observations, okay, on page 5, you have a point, I think, that starts on line 13 and it's labeled as (a), point (a), that goes through the rest of the page on page 5, right?

A. Correct.

Q. And does point (a) -- part (a) of your answer apply to staff?

A. I believe not.

Q. Okay. Thank you.

If you could move to page 7, in the answer that starts on line 11 you talk about thee components of electricity service. Do you see that?

A. I do.

Q. And is it your understanding that only the

1 generation component is competitive under the Ohio
2 regulatory structure?
3 A. Yes.
4 Q. So transmission and distribution are
5 monopoly services?
6 A. They are regulated and are monopoly
7 services.
8 Q. Okay.
9 MS. BOJKO: I'm sorry, your Honor, may I
10 have that question and answer reread, please?
11 EXAMINER SEE: Sure.
12 (Record read.)
13 MS. BOJKO: Thank you.
14 Q. Okay. Dr. Hill, can you turn to page 8
15 then and at the -- near the bottom of the page, line
16 21, you are making an assertion that "the PPA
17 proposal prevents a completely free market from
18 evolving...." Do you see that?
19 A. I see it.
20 Q. Is it your understanding that the existing
21 Ohio regulatory framework requires a "completely free
22 market"?
23 A. My writing may be a little unclear as
24 referring to the generating market in that place, in
25 that part.

Q. Is it your understanding that the existing Ohio regulatory framework requires a completely free market for generation service?

A. Yes.

Q. Okay.

A. There is a state policy -- there is a state policy, that I didn't bring with me, that states that clearly.

Q. That's your understanding. That's all I asked you. Page 9 of your testimony, down in line 5, I believe you are making an assertion here that the PPA rider will deter entry and keep price -- keep prices higher than they would otherwise be in a competitive market, correct?

A. Correct.

Q. And which prices are you talking about there that you mean exactly?

A. What I am referring to there is the prices coming out of the wholesale market itself.

Q. Okay. So you believe that the PPA will cause wholesale prices to increase?

A. For the Ohio customer.

Q. Well, Ohio customers pay retail rates.

A. Well, they don't when they -- with the implicit subsidy, the subsidy that's part of the PPA.

1 Q. So, again, on line 5 when you say "keep
2 prices higher" are you talking about wholesale prices
3 or retail prices?
4 A. Thank you for clarifying. That it's a
5 compound, so we are saying it will only deter entry
6 meaning into the generating market, and by deterring
7 entry into the generating market, wholesale prices
8 will be kept higher than they otherwise would be in a
9 fully competitive market. I also believe, as a -- as
10 if I was writing another sentence, that they will
11 also keep prices higher in the retail market as well.
12 Q. Do --
13 A. This group of sentences that you are
14 referring to is the introduction to the model that
15 follows.
16 Q. Right. All right. Would you agree with
17 the general statement that higher wholesale prices
18 would help new entrants come in and compete?
19 A. Higher prices will help new entrants --
20 would encourage new entry as long as those new
21 entrants understood they were competing on a
22 unlevel-playing field.
23 And what the PPA does in Ohio, even though
24 this PPA is 30 percent of AEP's power, and the State
25 of Ohio is 3.1 percent of the United States' power,

1 can and will set a dynamic of more power plants that
2 lose money going -- executing similar PPAs.
3 If you have a market dynamic that doesn't
4 allow for high-cost, economically-uncompetitive
5 plants to exit the market, it lowers the incentive
6 for new plants to enter because what happens is the
7 wholesale price goes up, and as the plants covered by
8 the PPA can continue to underbid and make certain
9 their losses are carried into the marketplace, that's
10 going to deter entry.
11 So my testimony really speaks to the
12 dynamic that the PPA, particularly if both of them in
13 Ohio are executed, West Virginia has just come back
14 under a similar arrangement, will cause the dynamic
15 that will lead to competitive generators believing
16 that the risk has been increased because of this
17 mechanism and that there will not be an exit of
18 generating capacity that they could outcompete.
19 Q. Okay. So maybe this is what you are
20 referring to on page 14 when you, in line 6 through
21 8, basically say Ohio's issue will become what you
22 characterize "a national problem"?
23 A. Yes.
24 Q. And so you're assuming that other state
25 Commissions will follow suit, follow the PUCO if they

1 approve the PPA?
2 A. That would be -- short answer is yes.
3 Q. And does that scenario assume that other
4 states will determine the PPA construct has value and
5 conveys benefits in order to do that?
6 A. I believe that the political-economic
7 mechanism would be that other states would see that
8 plants in Ohio are protected from going out of
9 business which would increase the odds of plants in
10 their state from going out of business because of the
11 uneven playing field and they will be under political
12 pressure to protect their plants similarly, leading
13 to an overall increase in rates to consumers.
14 Q. Okay. And before you get to the national
15 scene, you make an observation or a prediction, I
16 guess, on page 10 that this would lead to all
17 generation plants located in Ohio getting this
18 treatment; is that correct?
19 A. That's incorrect. What I say is all the
20 plants in Ohio that are losing money. If I don't say
21 that, that was my intent.
22 Q. So on lines 10 through 12, on page 10.
23 You're saying not just the affiliated generating
24 assets would be affected, but all generating plants
25 located in the state of Ohio; it's fair for one, it's

1 fair for all.
2 A. If I can read a little bit beginning on
3 line 8. It says "then the Commission has established
4 a precedent that will be used to bring those
5 uncompetitive assets under regulatory protection with
6 an assured rate of return on equity.
7 Q. So this refers to other afill -- utility
8 affiliated generating assets in Ohio; is that what
9 you're intending to refer to?
10 A. Correct.
11 Q. And do you have any knowledge about
12 whether the PPA units historically have been price
13 makers or price takers in the PJM markets?
14 A. As I indicated before, I have not been
15 able to find any pricing data that's publicly
16 available.
17 Q. Okay. So you don't know if the PPA
18 plants, if they are priced at net cost, would move
19 the PJM market at all, do you?
20 A. There's no data that would help that --
21 help reach that conclusion. In fact, one of the
22 points of distress I had with the joint stipulation
23 in particular is the lack of data that made the case,
24 itself, made the case as to whether they are losing
25 money or not, the lack of data about the cost

1 shifting, and the incidence of who is going to be
2 bearing the price, the -- it is a very opaque
3 document that makes it very difficult to figure out
4 what the pricing conditions are in the marketplace.
5 Q. Okay. And on page 9, in lines 18 through
6 22, I believe you are making some assumptions here
7 about what you believe I guess the motivation or the
8 effect of the PPA could be and I think it breaks down
9 three things here. You are saying we can assume, on
10 line 19 that, No. 1, generating affiliate could
11 either not sell the output from the 20 units covered
12 by the PPA for a profit; No. 2, that AEP Ohio expects
13 it will soon be the case; or, No. 3, that it is
14 engaging in a regulatory hedge against that
15 eventuality, right?
16 A. That's what I wrote, yes.
17 Q. So you are saying that -- you are saying
18 that you believe the premise here, the problem is
19 that these units are -- are not profitable in the PJM
20 markets in the long run; is that the basic problem?
21 A. That's my premise, yes.
22 Q. Okay. And, again, you have not done any
23 quantitative projection to support that, correct?
24 A. Correct.
25 Q. Okay. So in your -- in your algebraic

1 formulation here of the issues starting on page 9,
2 one of the things in your sort of word formula here
3 is what you call the "tax" or "surcharge" which is
4 C subscript AEP, correct?
5 A. Uh-huh. I'm sorry, yes.
6 Q. And so that could -- that's really just a
7 delta to market, right? That's the delta of the
8 costs?
9 A. Correct.
10 Q. So it wouldn't necessarily be a surcharge.
11 It could be a credit at any given time, right?
12 A. If it was in a position to be a credit,
13 then you look forward and say why is this exercise
14 worth going through? But in theory it could be a
15 credit.
16 Q. Okay. And so would you apply these same
17 set of assumptions to any new capacity that's built
18 within PJM's markets within PJM's footprint under
19 regulation?
20 A. I have to ask what you mean by
21 "regulation"?
22 Q. In a state where the retail -- retail
23 customers are charged a cost-based rate.
24 A. I would say that this holds in any market
25 that has something along the lines of an affiliate

PPA.

Q. Would that include traditional regulation states that set retail rates based on the cost, cost of service?

A. I can't answer that definitively because I have to know -- learn much more about how that ratemaking takes place, but more importantly also what the frequency with which the losses and gains are trued up.

Q. Now, let me ask you --

MS. BOJKO: I'm sorry. Was Dr. Hill finished with his response?

THE WITNESS: I was.

MS. BOJKO: Okay.

Q. Let me ask you your understanding of the Ohio regulatory regime and how competitive generation service works. Do you know what I mean if I refer to "CRES providers" versus "retail electric suppliers"?

A. I do have some knowledge what a CRES supplier is.

Q. Okay. So a CRES supplier competes for generation service with -- to be provided to retail customers, correct?

A. Correct.

Q. And what does a CRES provider's pricing

1 compete against or what's the price to compare, if
2 you will, when they establish -- when they make
3 offers to retail customers?
4 A. The base of any offer they are going to
5 make is going to be whatever price they are paying in
6 the wholesale market with the -- whatever operating
7 market they believe they need, coupled with the
8 regulatory add-ons.
9 Q. Okay. But that's -- maybe your answer
10 sort of goes to the floor of what they would offer.
11 What I am asking is what -- how do they actually
12 determine the price that they offer to retail
13 customers. It is in reference to another competitive
14 offer, correct? Or the default service offer?
15 A. I haven't examined any documents that
16 would give me information as to how they build their
17 pricing.
18 Q. Let me ask you this, does your
19 understanding of the PPA rider include a scenario
20 where a CRES provider, offering competitive
21 generation service, is competing against the net
22 price under the PPA rider?
23 A. Competing against it?
24 Q. Yeah.
25 A. No. I don't believe it would be competing

1 against it directly.
2 Q. So would they set their price with
3 reference to the PPA net price at all?
4 A. They would be setting their price based on
5 the wholesale price in the marketplace. Part of
6 what's uncertain is that the mechanism for having the
7 customer recognize the tax that's imposed by the PPA
8 rider, how that gets reflected in their bill and how
9 that gets reflected in the offer. That's not made
10 clear in the joint stipulation.
11 Q. Okay. But do you understand what happens
12 to a retail customer if they choose not to shop for
13 generation service?
14 A. At a very special level, absolutely.
15 Q. So go ahead. What -- who provides their
16 service?
17 A. Well, I get the standard service offer
18 right now from AEP at my house.
19 Q. Okay. So would it be fair to say that the
20 CRES providers compete with the standard service
21 offer pricing and with each other --
22 A. Correct.
23 Q. -- when they offer retail? And would it
24 be fair then to say that the CRES provider's retail
25 price would not be dependent or related to the PPA

charge or credit?

A. I can't say that because it really depends on the way in which the CRES provider is going to interpret the price elasticity and demand on the part of the consumer. There may be some of the tax the CRES provider may want to absorb in terms of lower margin. Or they may try to pass it on.

Q. Okay. Try to skip the things we've covered already. Let me ask you to turn to page 14 and here on line 10 and following you talk about four overriding goals that shape the stipulation. Do you see that?

A. I do.

Q. Now, these are just your own personal, you know, post facto observations about what you believe the goals were from reading the face of the stipulation, correct?

A. This is my interpretation of this stipulation, right.

Q. Okay. All right. And then page 15 you -- in lines 8 through 11, you say that "generators are using." The generators which you are referring to are the three parties in the stipulation that own generation, correct?

A. Correct.

1 Q. Are using legally-permitted regulatory and
2 political mechanisms to protect their -- their
3 interests, I'm paraphrasing there; is that correct?
4 A. Correct.
5 Q. Okay. And is it your lay understanding
6 that the provisions in the stipulation are legally
7 permitted?
8 A. As I have stated several times in my
9 testimony, that there's nothing illegal in what's
10 taking place.
11 Q. Okay. Thank you. Let me just ask you one
12 additional line here real quick. Is it your
13 understanding that the Commission will review the
14 stipulation and consider whether to adopt it based on
15 a three-part test that's been discussed in these
16 proceedings?
17 A. Yes.
18 Q. Okay. And just to clarify that, so it's
19 your understanding that those three components are,
20 if not controlling, they are the standard by which
21 the Commission will judge the stipulation, correct?
22 A. It's my understanding that those are the
23 three components that have to be evaluated to see
24 whether the joint stipulation meets their criteria
25 that the joint stipulation gets measured against.

1 And I think I laid that out on pages 5 through 6 of
2 my testimony.
3 MR. NOURSE: Okay. Thank you, Dr. Hill.
4 That's all I have.
5 EXAMINER SEE: Mr. Beeler?
6 MR. BEELER: No questions, thank you.
7 EXAMINER SEE: Ms. Bojko, would you
8 like --
9 MS. BOJKO: Yes, I would like a recess.
10 EXAMINER SEE: A few minutes?
11 MS. BOJKO: Yes. Thank you.
12 EXAMINER SEE: Let's go off the record.
13 (Recess taken.)
14 EXAMINER SEE: Ms. Bojko.
15 MS. BOJKO: Thank you, your Honor. Just
16 briefly I do have some redirect for Dr. Hill.
17 - - -
18 REDIRECT EXAMINATION
19 By Ms. Bojko:
20 Q. Dr. Hill, do you recall, in response to a
21 question about page 15, line 8 through 11, you made
22 the statement that nothing illegal had taken place in
23 the stipulation. What were you referring to that has
24 taken place that is not illegal?
25 A. It's the formation of the redistributive

1 coalition, that's all I was referring to. So if you
2 go to my testimony, pages 18 to 19, it's clearly
3 stated, and I think in my response to AEP counsel, I
4 mentioned that this is in my testimony.
5 So starting at the top of page 19, line 1,
6 I write "There is nothing improper about forming a
7 redistributive coalition; it is a political coalition
8 designed to extract a favorable outcome from a
9 regulatory or legislative proceeding for its members.
10 It just has to be recognized for what is, and what it
11 is not. It is not a bargaining body that represents
12 all of AEP-Ohio's ratepayers or the public interest
13 at large. It's a self-selected group that is using
14 the regulatory process to extract benefits that are
15 in the interest of each member."
16 Q. So with that statement, you weren't making
17 any legal conclusions or any determinations as to
18 whether the PPA or the PPA rider or any provisions of
19 the stipulation were legal or not legal under Ohio
20 law.
21 A. No. My interpretation of AEP attorney's
22 question he was asking me was there anything illegal
23 about the redistributive coalition engaging in
24 bargaining, and quite clearly there's nothing illegal
25 about bargaining, that's a part of the regulatory

1 process. I guess it's also one of the reasons why I
2 like markets, but.
3 Q. Thank you.
4 And do you recall a discussion from AEP's
5 counsel about who the CRES suppliers would be
6 competing against or what they would be competing
7 against, either the SSO or the SSO plus the PPA?
8 A. Yes, I do.
9 Q. Why doesn't it matter who the CRES is
10 competing against with regard to this case with
11 regard to the PPA?
12 A. Well, I mean, the fundamental policy issue
13 is that the tax or subsidy that's going to be
14 extracted from the PPA is nonbypassable. So whether
15 you are buying directly from an affiliate of AEP or
16 whether you are buying from a CRES, as long as you
17 are connected to the grid and the footprint you are
18 paying it.
19 So for a -- for the CRES supplier to
20 induce people away from the standard service offer,
21 they have to come in at a price that's below the SSO
22 price with all the baggage that's included. And, in
23 fact, there are other components -- well, I will
24 leave this there. So what I was saying is that what
25 makes this difficult is that the subsidy itself is

nonbypassable.

The other challenge that's presented throughout the joint stipulation that there's also cost shifting that takes place such as when you take -- you're moving some funds from the energy efficiency rider and putting it into the economic development rider that's also going to increase the costs of -- of retail ratepayers.

So it's the pattern of cost and cost shifting that's distressing plus the fact that the PPA rider is nonbypassable.

Q. Do you recall counsel for AEP asking whether you've conducted a quantitative analysis regarding whether the plants are uneconomic or not?

A. I do.

Q. Why did you not conduct a quantitative analysis regarding the economics of the plants?

A. Well, there are two reasons. I thought I expressed them both so let me try again. The first is data availability is a problem. And I couldn't find data to build a quantitative model. But also as I said, and I do say it in my testimony, there is no real reason to. The proof is the allegedly long arduous proceeding we have all been through.

Why would the utilities engage in a

1 year-long process, a very expensive process if there
2 was not a financial or economic incentive to engage
3 in that process? So that, by itself, is proof enough
4 for one of the three reasons I lay out, including a
5 hedge against future fuel prices, that indicates that
6 there is a problem.
7 Q. Do you recall Mr. Nourse asking you a
8 couple of questions regarding page 5, line 4, where
9 you have excluded staff from the redistributive
10 coalition discussion?
11 A. I do.
12 Q. Then counsel asked you if you were
13 excluding staff from the components of the three-part
14 test. Do you recall that?
15 A. I do recall that.
16 Q. With staff's support of the joint
17 stipulation, do you think the stipulation meets all
18 three prongs of the three-part test?
19 A. No. I think it still fails -- it fails
20 all three. Largely because I don't know what staff
21 support means. There is no data as to why staff was
22 involved, you know, staff didn't support the amended
23 filing that went through the last regulatory set --
24 the hearings before the PUCO. And here they are on
25 as a signatory party.

1 So in looking at the redistributive
2 coalition, and you can say staff is a separate
3 entity, you try to find out by seeing what's
4 different between the two documents that enticed
5 people to sign on or organizations to sign on.
6 And I can honestly say you have no reason
7 why staff signed on because they aren't elected.
8 They don't represent anybody. And their rationale
9 for signing on isn't in any of the document anywhere.
10 I don't believe staff has personal, financial
11 economic interests involved. I rule that out and
12 that's the distinction I am trying to make.
13 All the other signatory parties had a
14 financial interest that could be identified in the
15 joint stipulation. You can't identify a financial
16 interest for staff and you shouldn't. So what --
17 whatever staff's reason for supporting this, if I
18 were to -- to make a statement as to what it is, it
19 would be pure speculation because there isn't any
20 evidence in the document.
21 So if you think about pages 5 through 6
22 where I lay out the rationale as to whether I
23 think -- whether the joint stipulation passes the
24 three-part test, I still contend the signatory
25 parties, as a whole, as a body, do not represent a

variety of diverse interests. Most of the signatory parties represents their own interests. I can't typify staff's.

If you go to (b) on page 6, I believe the stipulation violates a number of important regulatory principles and practices, it re-imposes an oligopoly in the electric generating market, it deters new entry, it introduces de facto price discrimination among large electricity users, and it relies on an opaque system of income transfer and cross-subsidies among consumers. That's my interpretation of the document. In part (c) I state that the stipulation, as a whole, does not benefit customers and the public interest. I am not going to go through what I wrote there because you all can read it.

MS. BOJKO: Thank you.

THE WITNESS: You're welcome.

MS. BOJKO: Your Honor, I have no further questions.

EXAMINER SEE: Recross, Ms. Petrucci?

MS. PETRUCCI: No, thank you.

EXAMINER SEE: Mr. Michael?

MR. MICHAEL: No questions, your Honor. Thank you.

EXAMINER SEE: Ms. Fleisher?

MS. FLEISHER: No questions, your Honor.

EXAMINER SEE: Mr. Kurtz?

MR. KURTZ: I do.

- - -

RECROSS-EXAMINATION

By Mr. Kurtz:

Q. Just regarding these -- regarding this redirect about why staff would sign on, and there is nothing in the document, your very last answer. Do you know what the return on equity built into the original PPA proposal was?

A. I think -- I know it was higher, 13 point something percent. I don't know the exact number.

Q. Would you -- do you recall that the maximum ROE requested was 15.9 percent?

A. I would have to -- I just know it was higher. I can't recall the exact number.

Q. Do you know what the return on equity in the settlement is?

A. In the joint stipulation?

Q. Yes.

A. Well, that's -- it's a really interesting question because the stated ROE is 10.38 percent.

Q. Right.

A. However, I tried doing the math to figure

1 out what the return on equity would be on the wind
2 and solar investments as well as the transmission
3 investments, and I couldn't do it. Now, this is an
4 important part.
5 Q. Go ahead.
6 A. Because the wind and solar are both being
7 paid for, if they go through, by an affiliated PPA.
8 So the company isn't investing any of its own capital
9 in those assets. So how can you calculate a rate of
10 return when there is no equity in the deal? You
11 can't generate a rate of return when the denominator
12 is zero.
13 Q. Well --
14 A. It's just a fascinating side part to all
15 this.
16 Q. Well, if the wind and solar projects go
17 forward, somebody has to pay for them, somebody has
18 to finance them, right?
19 A. Correct.
20 Q. And there will be a return --
21 A. The joint stipulation says that they are
22 going to be covered by an affiliate PPA.
23 Q. Well, somebody has to build the wind
24 facility.
25 A. So the risk is being borne by the

1 ratepayers, so does this then become -- does the
2 ratepayers' money count as a capital investment on
3 the part of the utility?
4 Q. Well, I don't want -- let's talk about the
5 PPA units. The return went from a maximum of 15.9 to
6 10.38 percent, is that --
7 A. I think that's a discoverable fact. It's
8 what the top rate was, it was higher.
9 Q. And do you know what the revenue
10 requirement effect of 1 percent return on equity is
11 in this -- in the PPA units?
12 A. No.
13 Q. If it was -- if you assume it was $12
14 million, the reduction, and return on equity, maximum
15 reduction of 5.52 percent, would reduce the revenue
16 requirement by $66.2 million?
17 A. With the offset of the subsidy that the
18 ratepayer is going to pay.
19 Q. Well, I am just trying to say could that
20 be a reason why staff signed on because the return on
21 equity was much lower?
22 A. There are a number of elements in the
23 document. I couldn't say, I don't know what staff's
24 utility function is, pardon the pun.
25 Q. Could the staff have signed on to the

1 stipulation because the life of the PPA units went
2 from a maximum of approximately 37 years for the
3 Zimmer life of the unit, to eight years?
4 MS. BOJKO: Objection. Your Honor, now --
5 THE WITNESS: I can't speculate.
6 MS. BOJKO: Objection. Dr. Hill.
7 I mean, that's my objection. Now
8 Mr. Kurtz is throwing out speculation about why
9 staff, so now Mr. Kurtz is apparently testifying for
10 staff about why they or may not have signed on to the
11 stipulation. It's completely inappropriate.
12 MR. KURTZ: It is absolutely appropriate.
13 In redirect he said he has no idea why staff would
14 sign on because he doesn't see how the deal got
15 improved and these are ways the deal got improved.
16 THE WITNESS: No, I did not.
17 EXAMINER SEE: I'm sorry. Excuse me.
18 Mr. Hill, sit back, relax for a few minutes.
19 Go ahead, Mr. Kurtz. Have you finished
20 with your response?
21 MR. KURTZ: Yes.
22 MS. BOJKO: Your Honor, may I respond?
23 EXAMINER SEE: Go ahead.
24 MS. BOJKO: That's actually not what the
25 recross was. The recross was about the question of

1 why he excluded staff from the signatory party
2 discussion regarding the redistributed coalition and
3 Dr. Hill stated that he couldn't determine in the
4 four corners of the stipulation the financial
5 interest that would have created or caused staff to
6 join, and he said everything else is speculation. My
7 objection still stands that it's speculation -- his
8 question calls for speculation on the part of
9 Dr. Hill.
10 MR. KURTZ: Well, if the witness doesn't
11 know what the PPA looked like as proposed and doesn't
12 know what it looks like as filed in the stipulation,
13 then he has no idea about the PPA.
14 Now, if he does know, then these changes
15 are relevant as to why staff signed on, to address
16 his concern that he doesn't know why staff would have
17 signed on. And if he doesn't know the before and
18 after of the core document we are talking about, then
19 I would suggest he's really not qualified to testify
20 on the PPA.
21 MS. BOJKO: Objection. I think the
22 questions can be asked without asking what staff's
23 opinion is and that's the objection I have.
24 MR. KURTZ: Okay.
25 Q. Do you think --

EXAMINER SEE: Are you going to rephrase, Mr. Kurtz?

MR. KURTZ: Yes.

Q. Do you think reducing the maximum term of the PPA from 37 years to 8 years is an improvement?

A. Yes.

Q. Okay. Do you think eliminating the requirement, at the end of the PPA, that AEP Ohio would have to pay the remaining net book value plus retirement costs, taking that out of the PPA, do you think that was an improvement?

A. That is a point that you were contending earlier in today's testimony, and I have to confess that I found that language so confusing that I couldn't interpret it.

Q. Do you think enhanced Commission review of the costs under the PPA from a prudence-only review to a prudence- and reasonableness-review is an improvement?

MS. BOJKO: Objection.

MR. MICHAEL: Objection.

MS. BOJKO: Assumes facts not in evidence and that is exactly contradictory to prior testimony today.

MR. KURTZ: It's not contradictory.

1 MR. MICHAEL: And also to form.
2 MR. KURTZ: Form?
3 EXAMINER SEE: Okay. Are you going to
4 respond to both of those, Mr. Kurtz?
5 MR. KURTZ: I'll rephrase.
6 Q. (By Mr. Kurtz) If paragraph -- if this
7 Commission's review under, Section 5.a, includes a
8 reasonableness review as opposed to a prudence-only
9 review, would that be an improvement to the PPA?
10 MS. BOJKO: I'm sorry. Are you referring
11 to 5.a of the stipulation?
12 MR. KURTZ: Yes.
13 MS. BOJKO: On page 7?
14 MR. KURTZ: Yes.
15 Q. Where it says reasonable, reasonable,
16 unreasonable, reasonable, four times. Would that be
17 an improvement?
18 A. The rigorous review of the PPA rider under
19 5.a?
20 Q. Yes.
21 A. My note here says this is good.
22 Q. Okay. Would, under the original PPA,
23 where AEP Ohio and AEPGR could unilaterally agree to
24 change the depreciation rate, but now they have to
25 get Commission approval, would that be an

1 improvement?
2 A. That is an improvement.
3 Q. Would the $100 million at the end of the
4 deal that AEP of Ohio is going to contribute the
5 maximum, would that be an improvement?
6 A. I can't comment on that because that also
7 is fairly confusing and I could not understand
8 exactly what was transpiring in that language.
9 Q. You don't understand that part of the
10 stipulation?
11 A. Correct.
12 Q. Okay. Would the -- did you hear any
13 reference in the earlier part of the case to the
14 poison pill provision? Where certain things would
15 happen, AEP Ohio would owe net book costs plus
16 retirement costs?
17 A. I did hear you making comment on that.
18 Q. Okay. Originally, if there was a
19 significant disallowance would trigger the poison
20 pill, but now the only thing that would trigger it is
21 Commission discontinuance of the PPA and it would
22 only be for the short order of three years of the
23 fixed cost net of -- net of capacity revenue. Would
24 that be an improvement?
25 A. It is.

Q. Okay. So I don't want you to speculate. Could those improvements have -- have been a rationale for staff to sign on?

A. I can state that those improvements -- I can state that the level of regulatory review improved dramatically between the prior filing and this one. The shortening of the time period was an improvement. The lowering of the rate of return was an improvement.

You can also make arguments, she's going to kill me for saying this, that the investments in transmission and distribution may have been things the staff was interested in. I just don't know.

So, again, if you are asking me is this an improved document, the answer is yes. Exactly what were the issues that staff was endorsing, I don't know, especially because of the lack of footnotes abstaining themselves from other parts of the agreement, so I can agree that I could see motivation for signing it, I just can't tell you why.

MR. KURTZ: Dr. Hill, thank you.

THE WITNESS: You are welcome.

EXAMINER SEE: Mr. Darr.

MR. DARR: A couple of questions.

- - -

1 CROSS-EXAMINATION
2 By Mr. Darr:
3 Q. Dr. Hill, in your redirect you noted that
4 there was an issue with regard to cost shifting
5 associated with the EE/PDR, the IRP-D, and the
6 economic development rider. Do you recall that?
7 A. I did say that.
8 Q. And just a couple of questions with regard
9 to that. Did you examine the customer group that
10 would be responsible for paying the associated costs
11 with the IRP-D credit under the current set of orders
12 that applied to that cost recovery?
13 A. I believe that my -- underneath the
14 interruptible power agreement there was an increase
15 in the number of megawatts that are -- that can fall
16 within it. And that there are -- and that the
17 structure of the cost recovery stays the same, but
18 there can be the potential for more cost to be
19 accounted for.
20 Q. I thought you said in your testimony you
21 were concerned about the shift of the cost recovery
22 from one rider to another rider and it's effect on
23 customers.
24 A. Yeah. I may have spoken too quickly or
25 indistinctly. I was referring to the shift from the

1 energy efficiency to the EDR because energy
2 efficiency is -- the EDR is spread out over the
3 entire rate base.
4 Q. Okay. And did you investigate at all the
5 effect of changes in the customer group that might be
6 caused by the implementation of provisions of Senate
7 Bill 310 as part of your work in preparing your
8 testimony for this case?
9 MS. BOJKO: Your Honor, may I have that
10 question reread, please?
11 EXAMINER SEE: Yes.
12 (Record read.)
13 Q. Let me reask the question. I will
14 withdraw it and start again because I think I left
15 something out. First of all, are you familiar with
16 the terms of Senate Bill 310 as they affect energy
17 efficiency?
18 A. I've read Senate Bill 310. I have read
19 summaries of Senate Bill 310. If I had to take a
20 test in all of it, in its detail at this point in
21 time, I probably would get, at best, a "C" and maybe
22 lower.
23 Q. Spoken like a true academic.
24 Is it fair to say then that you did not
25 consider the effects of Senate Bill 310 on the

1 responsibility of customers either to pay or not pay
2 the energy efficiency and peak demand rider beginning
3 in January of 2017?
4 MS. BOJKO: Objection. We are now well
5 afield of my redirect. Senate Bill 310 has nothing
6 to do with what Dr. Hill stated he meant by the cost
7 shifting statements, so I think we are way far afield
8 now.
9 MR. DARR: Your Honor, if I may?
10 EXAMINER SEE: Yes.
11 MR. DARR: The issue here that's been
12 identified by Dr. Hill that there's a cost shift
13 being affected here and to the extent that he
14 understands who's paying what costs when, it's a
15 legitimate question at this point since this
16 stipulation extends over 2017 and proposes to go out
17 through as far as 2024.
18 EXAMINER SEE: And I will allow the
19 question.
20 THE WITNESS: Excuse me?
21 EXAMINER SEE: You are allowed to answer
22 the question.
23 A. I did not reread Senate Bill 310 in the
24 preparation of this testimony.
25 Q. Is it fair to say you are not familiar

with the opt-out opportunities that are created by Senate Bill 310 in --

MS. BOJKO: Objection, your Honor. We are really far afield. We are talking about the piece of legislation.

MR. DARR: Again, I think it goes to the same issue, who pays what, your Honor.

EXAMINER SEE: The objection is overruled. You can answer the question.

THE WITNESS: Could you restate, please?

MR. DARR: Could I have it read back, please.

(Record read.)

MR. DARR: I think that was the end of the question. There was no "in." Let me reask the question.

A. Thank you.

Q. Sure.

Is it fair to say you're not familiar with the opt-out opportunities that were created by Senate Bill 310?

A. Yes.

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

EXAMINER SEE: Mr. Oliker?

MR. OLIKER: No, thank you, your Honor.

EXAMINER SEE: Ms. Spinosi?

MS. SPINOSI: No questions, your Honor.

EXAMINER SEE: Mr. Nourse?

MR. NOURSE: I'll pass.

EXAMINER SEE: Mr. Beeler?

MR. BEELER: Nothing, thank you.

COMMISSIONER HAQUE: Dr. Hill, how are you, sir?

THE WITNESS: Fine, Commissioner.

COMMISSIONER HAQUE: Okay. Thank you for coming in to testify today. You know, I just have one -- I have one question regarding the concept of social utility in the marketplace, okay? How do you incorporate the concept of social utility in an otherwise economic marketplace? And so I'm talking about environmental considerations, I'm talking about enhancements to potential retail competition. How do you, as someone who has done doctoral work in economics, evaluate the concepts of social utility in an economic marketplace?

THE WITNESS: Well, the easy answer is it's really hard. So there are -- there are a couple of ways in which you go about this. First, there is a large literature and benefit-cost analysis to try and price nonmarket benefits, particularly in the

1 environmental area. That literature is rich and the
2 literature also demonstrates the large number of
3 assumptions you need to make that operate.
4 The second issue, and it's demonstrated
5 within the actions of both the redistributive
6 coalition in this case and the mandates of the PUCO,
7 there are a set of social objections -- objectives, I
8 don't want to say objections, objectives that the
9 Commission considers and bundles into their rates.
10 And as an economist, I feel very -- I -- I
11 don't feel on this one, I think it's more important.
12 I think that it's very difficult -- it's wrong headed
13 to try to monetize all of it, to put it in a number.
14 That there has to be a qualitative judgment made
15 about the redistributive aspects within the ruling
16 itself. It's effectively political. It's one of the
17 reasons why in some of my submissions before the
18 Commission I state that I'm not supportive of the
19 State of Ohio taking its economic development, public
20 policy function, and investing it in a private
21 utility.
22 So I think that what you have to do -- or
23 the best way it's done is that you monetize what
24 could be honestly monetized and those other sets of
25 benefits get measured on their own and that a

1 political judgment about the utility of those
2 transfers takes place.
3 You know, I just moved two blocks from
4 Lake Erie and there is an economic benefit to a clean
5 lake and a lake that supports a fishery and visitors,
6 but there's also large noneconomic benefits that will
7 be trivialized if you try to monetize them.
8 So when I do my work in this area, what I
9 do is I keep the economics in a box by themselves and
10 then I also say these are the other considerations
11 with the metrics that are appropriate to those
12 considerations.
13 COMMISSIONER HAQUE: Okay.
14 THE WITNESS: I hope I was responsive.
15 COMMISSIONER HAQUE: Yeah, you were.
16 Thank you.
17 EXAMINER SEE: All right. Ms. Bojko.
18 MS. BOJKO: Thank you, your Honor. At
19 this time OMAEG would move for admission of OMAEG
20 Exhibit 29 and OMAEG Exhibit 29A.
21 EXAMINER SEE: Are there any objections to
22 the admission of OMAEG Exhibit 29 and Exhibit 29A?
23 MR. NOURSE: No, your Honor.
24 EXAMINER SEE: OMAEG Exhibit 29 and OMAEG
25 Exhibit 29A are admitted into the record.

MS. BOJKO: Thank you, your Honor.

(EXHIBITS ADMITTED INTO EVIDENCE.)

EXAMINER SEE: Thank you, Dr. Hill.

THE WITNESS: You're welcome, your Honor.

EXAMINER SEE: Ms. Bojko.

MS. BOJKO: Thank you, your Honor. At this time OMAEG would like to call Mr. John Seryak to the stand.

MR. OLIKER: I'm sorry, your Honor. Can we go off the record?

EXAMINER SEE: Yes. While he is approaching, we are off the record.

(Discussion off the record.)

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

(Witness sworn.)

EXAMINER SEE: Thank you.

Ms. Bojko.

MS. BOJKO: Thank you, your Honor.

- - -

JOHN A. SERYAK

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

DIRECT EXAMINATION

By Ms. Bojko:

Q. Mr. Seryak, could you please state your name and business address for the record.

A. John A. Seryak. My business address is 3709 North High Street, Columbus, Ohio 43214.

Q. Did you file or cause to be filed testimony opposing the joint stipulation that was filed in this case?

A. Yes.

MS. BOJKO: Your Honors, at this time I would like to have marked as OMAEG Exhibit 30, a document titled "Direct testimony of John Seryak" filed on December 28, 2015, in this proceeding.

EXAMINER SEE: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Mr. Seryak, do you have in front of you what has been marked as OMAEG Exhibit 30?

A. Yes.

Q. Do you recognize this document as your testimony opposing the stipulation that you filed on December 28?

A. Yes.

Q. Was this testimony prepared by you or under your direction?

A. Yes.

Q. On whose behalf are you testifying today?

A. The OMA Energy Group.

Q. Since the filing of your testimony, do you have any changes to your testimony?

A. Yes. There's an errata sheet with changes.

MS. BOJKO: Your Honor, at this time I'd like to mark as OMAEG Exhibit 30A, an errata sheet to Mr. Seryak's testimony.

EXAMINER SEE: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MS. BOJKO: Your Honor, also at this time I would like to mark an attachment, JAS-3, or mark a document as an attachment to JAS-3 to Mr. Seryak's testimony for explanation. This is a blown-up chart of a table that was included in Mr. Seryak's testimony at page 7. We realized after the filing of this document that it was not legible so we decided to provide it as an attachment to his testimony instead.

EXAMINER SEE: And you are not going to mark it as an exhibit?

MS. BOJKO: I guess we need to. Since it's not attached to his testimony and it's not filed in the docket, I guess at this time I would like to mark as OMAEG Exhibit 31, this table reproduced from

page 7 of Mr. Seryak's testimony.

EXAMINER SEE: Okay. So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MS. BOJKO: Thank you. I think in order so it's clear for the record and so people can read it, I think that's probably appropriate, your Honor. Thank you.

Q. Mr. Seryak, do you have any additions to your testimony aside from the errata sheet and the more clear presentation of Figure 1 on page 7 of your testimony?

A. No.

Q. With the changes delineated in the errata sheet, if I were to ask you the same questions today as they appear in your testimony, would your answers be the same?

A. Yes.

MS. BOJKO: At this time, your Honor, I would like to move OMAEG Exhibits 30, 30A, and 31, subject to cross-examination. And I tender the witness for cross.

EXAMINER SEE: Ms. Petrucci?

MS. PETRUCCI: No questions.

EXAMINER SEE: Mr. Michael?

MR. MICHAEL: I have no questions, your

1 Honor. Thank you.
2 EXAMINER SEE: Ms. Fleisher?
3 MS. FLEISHER: No questions, your Honor.
4 Thank you.
5 EXAMINER SEE: Mr. Kurtz?
6 MR. KURTZ: No questions.
7 EXAMINER SEE: Mr. Darr?
8 MR. DARR: Thank you, your Honor.
9 - - -
10 CROSS-EXAMINATION
11 By Mr. Darr:
12 Q. Mr. Seryak, could you turn to page 13 of
13 your testimony.
14 A. Yes.
15 Q. And I am pointing to line 5, one of your
16 criticisms of the stipulation is that it is, in your
17 view, not openly negotiated; is that correct?
18 A. That's correct.
19 EXAMINER SEE: Mr. Darr, could you use a
20 microphone, please?
21 MR. DARR: Certainly, your Honor.
22 Q. And you point to the Global Settlement
23 attached to your testimony as JAS-1, by which AEP --
24 in which AEP Ohio agrees to support expansion of the
25 streamed out opt-out provision that's currently

available to above-primary users as the basis for this criticism, correct?

A. Correct.

Q. And your concern with the expansion of the opt-out to include mercantile customers, if that were adopted by the General Assembly, is that a significant portion of load may choose to opt out effective January, 2019, correct?

A. That is one concern of many I would have with that, yes.

Q. Well, let's discuss first your understanding of the current opportunities to opt out under Ohio law. The expanded out-opt contained in Senate Bill 310 for customers taking service above primary voltage, correct?

A. I'm sorry, you said "expanded opt-out"?

Q. The current --

A. The current opt-out of the stipulation or the current opt-out bylaw?

Q. The current opt-out bylaw.

A. Okay. Could you ask me that again?

Q. Sure. The current opt-out contained in Senate Bill 310 for customers taking service above primary voltage, correct?

A. Correct.

1 Q. And these customers may elect to opt out
2 with energy efficiency requirements that are adopted
3 in Senate Bill 221, correct.
4 A. Direct benefits and direct costs, yes.
5 Q. And customers in the AEP Ohio service
6 territory can begin taking advantage of that opt-out
7 provision if they meet the requirement that they are
8 above-primary voltage beginning January 1, 2017,
9 correct?
10 A. That's my understanding.
11 Q. Now, your concern is that the expansion
12 will be to all mercantile customers, correct?
13 A. My concern is the effect of the expansion.
14 Q. And that expansion would be, as proposed
15 in the Global Settlement Agreement, that it be
16 expanded to all mercantile customers, correct?
17 A. That's correct.
18 Q. And "mercantile customers" is a defined
19 term under Ohio law to mean commercial or industrial
20 customers if the electricity consumed is for
21 nonresidential use and the customer consumes more
22 than 700,000 kilowatt hours per year or is part of a
23 national account involving multiple facilities in one
24 or more states, correct?
25 MS. BOJKO: Objection.

1 MR. DARR: He neither knows or he doesn't,
2 your Honor.
3 MS. BOJKO: Actually, your Honor, my
4 objection is purely that we are -- the recognition
5 that Mr. Seryak is not a lawyer and when he is asking
6 him about definitions of the law that it is from a
7 layperson perspective.
8 MR. DARR: Fine, with that qualification.
9 EXAMINER SEE: Go ahead. You can answer
10 the question, Mr. Seryak.
11 A. That's my understanding.
12 Q. And are you aware of whether or not
13 members of Ohio Manufacturers' Association Energy
14 Group are electric users or electricity users that
15 would qualify as mercantile customers either by usage
16 or because they participate in national accounts?
17 A. Yes.
18 Q. And are there members of OMAEG that would
19 qualify as mercantile customers?
20 A. Yes.
21 Q. You are aware that Ohio already provides
22 mercantile customers an opportunity to opt out if
23 they meet certain conditions and requirements,
24 correct?
25 A. Can you -- are you referring to the

1 self-direct mechanism?
2 Q. Yes.
3 A. Yes. I am aware of the self-direct
4 mechanism.
5 Q. And mercantile customers can also elect to
6 take a rebate, in some cases, for demonstrated energy
7 efficiency savings or peak load reduction savings,
8 correct?
9 A. That's right.
10 Q. And if the customer is successful in
11 demonstrating that it is eligible to opt out under
12 the current program, it no longer participates in the
13 EE/PDR programs offered by that utility, correct?
14 A. Can you clarify if you are talking about
15 the opt out with Senate Bill 3, so opt out or the
16 self-direct?
17 Q. The self-direct.
18 A. Okay. Can you ask me that again?
19 Q. Sure. If a customer qualifies under the
20 self-direct program for opt out, it no longer
21 participates in the energy efficiency payments or
22 other benefits, correct?
23 A. No.
24 Q. That's not correct?
25 A. That's not correct. They can choose a

1 cash payment or they can choose a rider exception
2 that can last for some period of time, but there's
3 the -- the trade of energy savings that a
4 manufacturer or another customer does on their own,
5 in exchange for a rider exemption, there are times
6 when a rebate is still different to that customer if
7 they do another project. They may file another
8 mercantile self-direct application. They may choose
9 at that time to take a cash rebate or extend their --
10 their rider exemption.
11 Q. Very good. Thank you for the
12 clarification.
13 During the period of the opt-out, they no
14 loaner pay for the EE/PDR charge, correct?
15 A. During the period of the self-direct?
16 Q. Yes.
17 A. Okay. They are different things. If we
18 use different terms, it keeps it clear they are
19 different mechanisms. During the period of the
20 self-direct, if they elect to receive a rider
21 exemption, then they would not pay the rider for the
22 period where they are granted that.
23 Q. Now, on page 1 of your testimony you state
24 that you are the lead analyst for RunnerStone; is
25 that correct?

A. That's correct.

Q. And in your testimony you also indicate you are the Chief Executive Officer of Go Sustainable Energy, correct?

A. Yes.

Q. You and your staff provide subject matter expertise on issues of what you would call customer-sited resources such as energy efficiency, demand response, distributed generation, and power and energy resources, correct?

A. That's right.

Q. And you have commercial relationships with OMA Energy Group; is that correct?

A. Yes.

Q. And, in fact, you are under retainer with OMA Energy Group; is that correct?

MS. BOJKO: Objection.

A. Yes.

MS. BOJKO: Relevance.

MR. DARR: Goes to interests, your Honor.

EXAMINER SEE: I'll allow it.

Q. And I believe you also answered the question. Did I hear you say "yes" to my last question?

A. Yes.

Q. You also participate in OMA Energy Group meetings, correct?

A. I attend those meetings, yes.

Q. And would you agree with me some of the OMAEG's members appear in AEP Ohio energy efficiency programs for mercantile customers?

A. Yes, some do.

Q. You are also an energy consultant for Ohio Manufacturers' Association; is that correct?

A. Yes.

Q. And you are a facilitator for what's called the OMA Energy Efficiency Peer Network, correct?

A. That's right.

Q. And the Energy Efficiency Peer Network is a means of sharing information and opportunities in areas such as energy efficiency; is that correct?

A. Yes.

Q. And is it fair to say that Go Sustainable has assisted OMA members with mercantile self-direct applications?

MS. BOJKO: Objection.

MR. DARR: Again, your Honor, it goes to interest.

MS. BOJKO: Your Honor, it's far afield.

We are talking about his client list which is protected. We are talking about what his other -- he is not here representing those members that he may or may not have done the requested activities for. And now, we are asking him to get into those privileged relationships and espouse on them in this case.

MR. DARR: I haven't asked for him to identify any customers or any programs or any applications. I simply asked whether or not he has assisted customers in his role as a consultant with OMA in self-direct applications. That doesn't relate to any confidential information.

MS. BOJKO: Your Honor, I would also note that OMA is not a party to this proceeding.

MR. DARR: That also is irrelevant, your Honor. Again, it goes to interest. If he has got an interest in the maintenance of the rebate programs or the self-direct programs, then that should be on the record.

EXAMINER SEE: I'll allow the question.

A. Our role is to provide technical expertise or other assistance regarding things like energy efficiency to members. That can be a range of things. It could be opt out, could be self-direct, could be answering a question about ducts. So

1 inclusive of our broad duties on which we answer
2 questions, self-direct mercantile applications can be
3 within that.
4 Q. Okay. When you said "ducts," did you say
5 d-u-c-k-s or d-u-c-t-s?
6 A. D-u-c-t-s.
7 Q. I thought that was the case but I wanted
8 to make sure. It's been a long day and my hearing
9 may not be what it used to be.
10 And, in fact, am I correct that Go
11 Sustainable advertises its ability to assist in
12 rebate assistance programs?
13 A. I wouldn't say we advertise it.
14 MR. DARR: May I have marked as IEU
15 Exhibit, I think we are up to 19.
16 EXAMINER SEE: Yes. IEU 19.
17 (EXHIBIT MARKED FOR IDENTIFICATION.)
18 Q. Do you have in front of you what's been
19 identified as IEU -- what's been marked for
20 identification as IEU 19?
21 A. Yes.
22 Q. And can you identify this as a page from
23 the sustainable -- Go Sustainable energy website?
24 A. It is.
25 Q. And am I correct that the title of this

1 document is "Utility Rebate Assistance?"
2 A. Yes.
3 Q. So is it fair to say that Go Sustainable
4 energy has, on its website, information available to
5 potential customers that it can provide assistance in
6 utility rebates to secure utility rebates?
7 A. We have descriptions of our services on
8 our website. We don't advertise it though. I mean,
9 paid advertisement, so I would distinguish between
10 having something inform them on our website of what
11 we do or what we can do, versus our advertising
12 through paid media.
13 Q. I'm not going to ask you whether or not
14 you pay for your website, but we will just pass on
15 that one. And essentially what you're -- you're
16 offering to do is provide custom savings calculations
17 and application assistance, correct?
18 A. Yes. That's something we do.
19 Q. And the point of this is to make it a --
20 create an opportunity for the customer that comes to
21 you or the client that comes to you to "take the
22 money and run," correct?
23 A. I think the point of it is to assist our
24 customers in filing for a rebate application to help
25 streamline that.

1 MR. DARR: Fine. Thank you. That's all I
2 have. Thank you very much.
3 EXAMINER SEE: Mr. Oliker.
4 MR. OLIKER: No, thank you, your Honor.
5 EXAMINER SEE: Ms. Spinosi.
6 MS. SPINOSI: No cross, your Honor.
7 EXAMINER SEE: Mr. Conway.
8 MR. CONWAY: Thank you, your Honor.
9 - - -
10 CROSS-EXAMINATION
11 By Mr. Conway:
12 Q. Good afternoon, Mr. Seryak.
13 A. Good evening.
14 Q. Good evening. Is it evening? I guess
15 you're right, it's starting to get dark outside. You
16 indicate in your testimony you graduated and received
17 a bachelor's in mechanical engineering from the
18 University of Dayton?
19 A. Yes.
20 Q. And when was that?
21 A. 2001.
22 Q. And then you continued on and got a
23 Master's in mechanical engineering also?
24 A. Yes.
25 Q. Was that from the University of Dayton

1 too?
2 A. Yes.
3 Q. And when was that that you received the
4 Master's degree?
5 A. 2004.
6 Q. And were you working while you were
7 talking classes, completing the degree requirements
8 for the Master's degree, or were you a full-time
9 student?
10 A. Master's students often have funded
11 research, so I had funded research.
12 Q. So you didn't --
13 A. I worked on that funded research that was
14 related to my studies as well.
15 Q. And so you did not have employment outside
16 of that during the 2001 through 2004 period?
17 A. Not significant.
18 Q. And then you indicate in your testimony
19 you are a consultant for RunnerStone; is that
20 correct?
21 A. That's correct.
22 Q. And how long have you been a consultant
23 for RunnerStone?
24 A. A year and a half.
25 Q. And so that started in 2014 and it

1 continues on through today?
2 A. Yes.
3 Q. And then you also mention in your
4 testimony that you are a founding partner in a entity
5 called Go Sustainable Energy, LLC?
6 A. That's right.
7 Q. And are you employed by Go Sustainable
8 Energy on a full-time basis?
9 A. Yes.
10 Q. And how long have you been employed at Go
11 Sustainable Energy?
12 A. Since 2006.
13 Q. And have you had any other employment
14 between 2006 and 2014 other than Go Sustainable
15 Energy?
16 A. No.
17 Q. And between 2004 and 2006, where were you
18 employed?
19 A. Between 2004 and 2006?
20 Q. Between the time when you completed your
21 Master's degree and the time you started working
22 with -- with or founded Go Sustainable Energy, what
23 was your employment during that period?
24 A. I was at another consulting firm.
25 Q. What was the name of that firm?

A. Energy and Resource Solutions.

Q. And what were the activities, responsibilities that you performed while you were at Energy and Resource Solutions?

A. Energy efficiency engineer, so calculations on energy efficiency savings.

Q. Were they similar things that you just described in your conversation with Mr. Darr that you do at Go Energy -- Go Sustainable Energy?

A. There were some similarities.

Q. Okay. And I believe you mentioned in your testimony at page 2, lines 5 to 7, that you have three years of experience in regulatory and policy analysis regarding behind-the-meter customer-sited energy resources. Does that relate to the firm you were with between 2004 and 2006 or is that something else?

A. No. I provide it later on, in lines 7 and 8, "I gained this experience in my role as an energy efficiency engineer to the OMAEG."

Q. And when was that, that three-year period?

A. The preceding three years to today.

Q. So you have been a -- you have three years of experience in regulatory and policy analysis regarding behind-the-meter customer-sited energy

1 resources through your work with OMAEG, did you say?
2 A. Yes.
3 Q. Okay. So you have not worked for an
4 electric utility during the period from when you
5 graduated from the University of Dayton in
6 engineering through today; is that correct?
7 MS. BOJKO: Objection. Vague and
8 ambiguous.
9 MR. CONWAY: Your Honor, either he worked
10 for an electric utility or he didn't.
11 MS. BOJKO: "Worked for." Does he mean
12 employed by or done work with or for?
13 Q. If you don't understand the question, I
14 can restate it. Have you ever been employed by an
15 electric utility?
16 A. No.
17 Q. Okay. Have you ever worked with an
18 electric utility in some fashion?
19 A. Yes.
20 Q. Could you describe generally what that
21 work has been?
22 A. Yes. It's generally served as a technical
23 expert to the utility on energy efficiency matters.
24 Q. And so were you paid by the electric
25 utility when you've done those -- performed those

activities?

A. Yes.

Q. And what period of time -- during what period of time were you employed by or worked for a utility in that fashion?

A. The entirety of my professional career I believe I have been working with utilities.

Q. And so you are not an employee of the utility under that circumstances. Are you -- you are self-employed; is that right?

A. No. Our company is hired and I, as an employee of the company, work with the utility.

Q. Thank you. So you have -- you have business relationships with electric utilities.

A. That's right.

Q. Okay. All right. You have not ever been employed by a regional transmission organization like PJM, have you?

A. No.

Q. In your work experience you haven't designed load forecasts for public utilities, have you?

A. No.

Q. And you haven't -- you haven't supervised the preparation of load forecasts for a public

utility, have you?

A. I haven't.

Q. And you haven't prepared or -- prepared or participated in the preparation of any public utility load forecasts, have you?

A. No.

Q. You mentioned you've authored a number of academic papers on several topics concerning energy efficiency and distributed generation, and I am referencing your testimony at page 2, lines 9 to 11.

A. Yes.

Q. Do you see that?

A. Uh-huh.

Q. Did any of those academic papers address the techniques or procedures for preparing public utility load forecasts?

A. No.

Q. And did any of the classes you took at the University of Dayton, either as part of your undergraduate degree program or your Master's degree program, focus on public utility load forecasting?

A. There would have been some discussion of government load forecasting.

Q. Excuse me?

A. There would have been some discussion of

government load forecasting like Energy Information Administration, I believe that was covered in classes, but as to specifically public utilities, no.

Q. And you don't hold yourself out to be an expert in the preparation of electric utility load forecasts, do you?

A. I would say I have expertise in trends of energy efficiency. To some extent renewable energy, other customer side resources, and how those trends are accurately or inaccurately represented in load forecasts.

Q. But you don't hold yourself out to be an expert in the preparation of electric utility load forecasts as they are prepared by electric utilities.

MS. BOJKO: Objection. Asked and answered. He explained what he believed he had expertise in.

MR. CONWAY: I am just trying to tie this down, your Honor, to make sure the extent to which he is claiming expertise. I think it's a legitimate question. It's a follow-up question.

EXAMINER SEE: The witness can answer the question.

A. I believe I have expertise on how customers-sited resources may be accurately or

1 inaccurately portrayed in a utility load forecast.
2 Q. And that's the extent of your expertise in
3 that regard?
4 A. I would say I'm qualified to look at other
5 things. You would have to give me a specific example
6 of what I -- I will tell you if I believe I have
7 expertise on it or not.
8 Q. But, again, you haven't prepared or
9 supervised the preparation of a load forecast for a
10 public utility.
11 A. I have not.
12 Q. And have you designed any forecasts of
13 wholesale electric power prices?
14 A. No.
15 Q. And I take it then you haven't supervised
16 the preparation of any wholesale power price
17 forecasts?
18 A. I haven't.
19 Q. And you haven't prepared or participated
20 in the preparation of any wholesale power price
21 forecasts?
22 A. Correct.
23 Q. And with regard to the academic papers you
24 authored regarding energy efficiency and distributed
25 generation, did any of them address the proper

1 methods or procedures for preparing wholesale power
2 price forecasts?
3 A. No.
4 Q. And did any of the classes you took at the
5 University of Dayton undergrad or Master's, address
6 the methods, techniques, and procedures for preparing
7 wholesale power forecasts?
8 A. No.
9 Q. And you do not hold yourself out as an
10 expert with regard to the preparation of wholesale
11 power price forecasts for electric utilities?
12 MS. BOJKO: Objection. That's the third
13 time it's been asked and answered or been asked.
14 MR. CONWAY: I didn't ask that question,
15 yet, your Honor. That's just not correct.
16 EXAMINER SEE: The witness can answer the
17 question. The objection is overruled.
18 A. Can you repeat it?
19 Q. You do not hold yourself out as an expert
20 with regard to the preparation of wholesale power
21 price forecasts for electric utilities, do you?
22 A. Again, I would say to the extent that
23 customer-sited energy resources affect wholesale
24 electric prices, I do have expertise on that.
25 Q. So the answer is no, with that

1 qualification?
2 MS. BOJKO: Objection. Your Honor, the
3 answer is what it is. He answered the question.
4 MR. CONWAY: He didn't really answer the
5 question. He is trying to assert some -- some
6 knowledge, some expertise regarding some facet, but
7 my question is whether or not he holds himself out to
8 be an expert in the preparation of wholesale power
9 price forecasts for electric utilities. Not whether
10 he has some expertise and how energy efficiency
11 topics might be factored into wholesale price.
12 MS. BOJKO: Your Honor --
13 MR. CONWAY: I didn't ask him that
14 question previously, so I think I am entitled to an
15 answer.
16 EXAMINER SEE: I am going to sustain the
17 objection.
18 MS. BOJKO: Thank you, your Honor.
19 Q. Mr. Seryak, you mention in your testimony
20 that PJM is reducing its load forecasts for the
21 entire region in which it operates by 3 1/2 to
22 5 percent depending on the year being forecasted; is
23 that correct?
24 A. Can you reference the page?
25 Q. Sure. Page, 5 lines 19 through 20.

A. Yes.

Q. Are you aware that the load forecast that AEP Ohio prepares for the load forecast, that is AEP Ohio prepares for its service area in Ohio, is prepared independently from the load forecasts that PJM prepares for its RTO area?

A. That's my understanding.

Q. Okay. And are you aware that the methods that PJM uses to prepare its load forecast for the RTO region differ from those used by AEP Ohio when it prepares its forecasts?

A. Can you be more specific when you say "methods"?

Q. Do you know the extent to which, for example, PJM interviews or collects data from customers at the -- at the customer-level compared to the extent to which AEP Ohio collects customers' specific data in connection with preparation of its load forecasts?

A. I don't.

Q. And are you aware of any other similarities or differences between the way PJM prepares its forecasts, its load forecasts and the way AEP Ohio prepares its load forecasts?

A. I believe my understanding is AEP relies

on the Department of Energy's Energy Information Administration forecasts. That's something a lot of entities rely on. There's generally similarities in the bodies, like the different PJM and the government, they will have similarities. I don't know the exact differences between them.

Q. I'll get to the EIA forecasts in a few minutes, but let me follow-up with regard to just the basic preparation methods and techniques that are used for the PJM forecasts on the one hand and the AEP Ohio forecasts on the other hand. Have you ever examined any AEP Ohio load forecast studies or reports?

A. I believe we received one chart from AEP Ohio that had some load numbers. I want to say it was a comprehensive forecast, so I guess, I would -- overall, I would say no; I have gotten some information in this proceeding.

Q. Are you familiar with whether the forecasts of load that AEP Ohio prepares rely upon a more granular set of data at the customer level than the forecast that PJM prepares for the RTO?

A. I'm not aware.

Q. Do you think that it's possible the changes from one PJM forecast for the -- for the RTO

1 region for another forecast for the RTO region, such
2 as the changes you described in your testimony, may
3 not be reflected in a lockstep manner with the
4 changes AEP Ohio might make from one of its forecasts
5 to the next one?
6 A. I think in the fields we're talking about,
7 forecasting, lockstep is an inappropriate term to
8 apply. Nothing is done lockstep, which means you
9 won't add a decimal point to the exact numbers. I do
10 think a good forecast should take the same trends
11 into account. I am not sure if that answered your
12 question.
13 Q. I am not sure it does either. My question
14 is whether you think that the change that AEP Ohio
15 might forecast, the changes in an AEP Ohio forecast
16 from one iteration to the next might be different
17 than or in the service area might be different than
18 the changes that the PJM might forecast to occur for
19 one of its load forecasts compared to the next
20 iteration?
21 MS. BOJKO: Objection. Your Honor, there
22 has been many assumptions stated and they are just
23 facts that are not in the record as to whether those
24 changes do, in fact, exist or don't exist.
25 MR. CONWAY: Well, it's actually what I am

1 asking him, your Honor. If he is familiar with
2 whether or not the two forecasts, one by AEP Ohio on
3 the first hand or on the one hand for its service
4 area, PJM RTO conducted for its -- its regional area
5 on the other hand, whether or not changes in those
6 forecasts differ or whether or not they are just the
7 same. The question is does he know based on his
8 investigation, based on his personal knowledge.
9 Well, if you are having a difficult time
10 with this question, let me change the question.
11 EXAMINER SEE: So you are going to
12 withdraw.
13 MR. CONWAY: I am not going to withdraw
14 it.
15 EXAMINER SEE: There was an objection
16 outstanding, so go ahead. Mr. Conway.
17 MR. CONWAY: Can you answer the question?
18 EXAMINER SEE: He hasn't been given any
19 direction from the Bench at this point.
20 MR. CONWAY: Oh, I'm sorry. I thought you
21 were allowing him to answer it.
22 Okay. Let me move on.
23 Q. (By Mr. Conway) Mr. Seryak, are you
24 familiar with what changes have occurred in AEP
25 Ohio's most recent previous forecast in comparison to

its -- its current forecast for loads?

MS. BOJKO: Objection, your Honor.

Q. Do you have the same familiarity that you have regarding the PJM forecast changes?

MS. BOJKO: Again, there's been nothing established in the record that there's been a change, so I am unclear about what counsel is referring to what dates.

MR. CONWAY: Your Honor, if he doesn't know, if he is not familiar with AEP Ohio's current load forecast and he is not familiar with AEP Ohio's most recent previous forecast, he can say that. And I will move on.

MS. BOJKO: It's actually not what the question was.

MR. CONWAY: It answers your objection though.

EXAMINER SEE: I am going to allow the witness to answer the question to the extent that you can, Mr. Seryak.

THE WITNESS: Okay. Can you repeat the question?

EXAMINER SEE: Would you like it read back?

THE WITNESS: Sure.

(Record read.)

A. I do have the same familiarity.

Q. Do you have knowledge -- I don't think that's the last question I asked, with all -- or, asked with all due respect. Let me start over just to make it quicker.

Do you have an understanding of what the changes are that have occurred between AEP Ohio's most current forecast and its previous forecasted loads similar to the -- the information that you've imparted about what your understanding is about the changes in the PJM forecasts of load?

A. Can you clarify if you are talking about the most current and previous forecasts used for cost estimates in the stipulation in the PPA, because I don't know that those line up with what is -- with the internal forecasts that you are using. I don't think what is in -- I have information that reflects the most recent forecasts AEP would have done.

Q. You said you had -- you had one document -- well, it sounded like a one-page document that reflected a current AEP Ohio load forecast. Did I understand that correctly?

A. Yes.

Q. Okay. Do you have a similar document or

information regarding whatever the previous load forecast was for AEP Ohio?

A. It was a very nondescript document. I am not even sure which year it applied to.

Q. Okay. So the answer is no, you don't have the two -- the information regarding the current load forecast and the previous load forecast for AEP Ohio?

MS. BOJKO: Objection, your Honor. Again, it's assuming facts not in evidence. There's been nothing established in this record in this hearing or even the previous hearing that AEP's load forecast changed and when it changed.

MR. CONWAY: Your Honor, the question is pretty simple. He's provided testimony regarding changes in the PJM RTO load forecast of 3 1/2 to 5 percent per year, and he's compared the change of the current or the current draft PJM RTO forecast with the prior, I guess the current PJM RTO forecast, and all I am asking him is does he have information, actual information about what the similar changes are for the most current AEP load forecast for AEP Ohio compared to the previous forecast for AEP Ohio. If he doesn't, I'll move on.

MS. BOJKO: And, again, there's nothing been established that that previous AEP forecast

1 change -- occurs or exists, or what the time period
2 is. Is Mr. Conway asking if it changed in 1900
3 versus today? There's nothing in the record to
4 establish the change. Yes, Mr. Seryak's testimony is
5 talking about PJM's recent change. There's nothing
6 talking about AEP Ohio's change.
7 MR. CONWAY: And that's the point of my
8 cross-examination, your Honor, is that he doesn't
9 know what changes might have occurred between the
10 most current AEP Ohio load forecast and the prior AEP
11 Ohio load forecast, so he cannot -- he cannot make
12 any judgment about whether or not those changes are
13 the same direction or magnitude of the changes that
14 he's cited for PJM.
15 MS. BOJKO: Absolutely not. That's
16 mischaracterizing his testimony.
17 MR. CONWAY: That's what I am trying to
18 get him to answer. Does he have that information at
19 hand about the AEP Ohio load forecasts, sufficient to
20 allow him to make the comparison -- the same
21 comparison he has provided as to PJM.
22 MS. BOJKO: Your Honor, that
23 mischaracterizes his testimony. John -- Mr. Seryak
24 is stating that due to the joint stipulation, there
25 needed to be a forecast change. That is completely

1 different and it's apples to oranges to what
2 Mr. Conway just stated he was trying to espouse on
3 the record. It's apples and oranges.
4 PJM just did a recent change and that's
5 the distinction. Mr. Seryak is saying that AEP needs
6 to do that recent change to coincide with the events
7 in the marketplace today.
8 MR. CONWAY: Your Honor, I am not quite
9 sure how to respond to that diatribe, but my question
10 remains as to whether or not there's a basis for
11 comparison between the PJM changes that he cited and
12 the AEP changes that he hasn't cited, and the first
13 question is, is he familiar with what the AEP changes
14 might be and, if he's not, that's fine.
15 Your Honors.
16 EXAMINER SEE: Yes, Mr. Conway.
17 MR. CONWAY: If you're ready to make a
18 ruling.
19 EXAMINER SEE: I am -- no. Go ahead.
20 What were you about to say, Mr. Conway?
21 MR. CONWAY: Your Honor, I'm not trying to
22 make this more difficult than it has to be. If it's
23 not a question that's readily answered, I'll move on.
24 Apparently it's not.
25 EXAMINER SEE: So does that mean you are

1 going to move on?
2 MS. BOJKO: Well, your Honor, I object to
3 that characterization. I have been objecting. We
4 haven't given the witness an opportunity to answer,
5 so I don't want the record to reflect that he was
6 unable or incapable of answering any question that
7 Mr. Conway posed.
8 There's a pending objection. And that, in
9 no way, if Mr. Conway chooses to move on, that's
10 fine, but that, in no way, reflects whether a
11 question can be easily answered or not by the
12 witness. And I object to that characterization.
13 EXAMINER SEE: Yes. And Mr. Conway is
14 going to move on to another question.
15 MS. BOJKO: Thank you, your Honor.
16 Q. (By Mr. Conway) Mr. Seryak, in any event,
17 the PJM load forecast changes that you've cited,
18 these 3 1/2 to 5 percent reductions in the forecasts
19 for future annual periods, those are region-wide
20 changes for PJM, correct?
21 A. That's right.
22 Q. All right. So they are not specific to a
23 particular electric utility within PJM, right?
24 A. That's correct.
25 Q. And they are PJM's forecasts. They're not

1 an individual electric utility's forecasts, right?
2 A. That's right.
3 Q. Now, you do understand that AEP Ohio does
4 prepare load forecasts on a regular basis.
5 A. That's my understanding.
6 Q. And so contrary to your counsel's comment
7 about the comparison that I am trying to -- trying to
8 get you to focus on, being between some forecast in
9 1890 and some current forecast, your understanding is
10 there are regularly-prepared forecasts that AEP Ohio
11 has prepared in a much more recent fashion than 1890
12 to today, right?
13 MS. BOJKO: Objection, your Honor. I was
14 merely objecting to the lack of definition or
15 refinement, vagueness of the word "change," and if we
16 could put a time frame around the word "change." I
17 was using that as an example, so I'm objecting to
18 counsel's prefatory statements before the question.
19 MR. CONWAY: Okay. Let me ask a different
20 question, your Honor. I'll move on from that
21 question.
22 Q. Do you know how regularly, how frequently
23 AEP Ohio prepares load forecasts?
24 A. I don't know exactly how regular.
25 Q. Do you think the regularity would be

1 comparable to that of PJM?
2 A. Yes.
3 Q. Okay. So let's assume that PJM prepares a
4 forecast in 2014 for the subsequent period of time,
5 whatever the forecast period is that PJM uses. Are
6 you with me?
7 A. Yes.
8 Q. And let's assume that AEP Ohio also
9 prepares a forecast in 2014 for the same future
10 period. Okay?
11 A. Okay.
12 Q. Let's assume that PJM prepares a new
13 forecast and releases it in early 2016. Are you with
14 me?
15 A. Sure.
16 Q. And let's say that the difference between
17 the two forecasts is between 3 1/2 to 5 percent
18 reductions in the -- in the amounts forecasted for
19 load during the forecast period. Are you with me?
20 A. I'm with you.
21 Q. Okay. That's the PJM side of it, all
22 right? And now turning to the AEP Ohio side of it,
23 if the PJM load forecast for 2014, the initial
24 forecast, was prepared on a more optimistic basis
25 about what the future load growth was going to be,

1 than was the AEP Ohio forecast that was prepared in
2 2014, would you then expect that the changes between
3 the AEP Ohio new forecast and the original forecast
4 might be different, might be less than whatever has
5 transpired with regard to the PJM forecast changes?
6 A. I think that's a matter of the skill of
7 the forecaster. You know, I think what I am trying
8 to get at here --
9 Q. Might I interrupt you just for a moment?
10 My premise was that the PJM forecast was a more
11 optimistic one as far as load growth than was the --
12 than original PJM forecast was a more optimistic
13 projection than was the AEP Ohio one. That's the
14 premise to the question.
15 A. Do I think that PJM -- PJM, in an earlier
16 forecast, was more optimistic than AEP?
17 Q. No. That's not my question. My question
18 is assuming that the PJM forecast for 2014 was
19 prepared on a more optimistic basis than the 2014 AEP
20 Ohio forecast.
21 A. I think that's a bad assumption.
22 Q. So you won't make that assumption. You
23 cannot imagine that PJM's forecasters might have a
24 different, more optimistic view of what load growth
25 might be in the future as compared to what AEP Ohio's

1 load forecasters might -- might have for the original
2 forecast?
3 A. Like I said, I think that's a poor
4 assumption to make. I'm not going to infer something
5 from what I think is a poor assumption to start with.
6 Q. Let me try a different approach to the
7 same topic. If AEP Ohio releases a new load for a
8 forecast, and we'll use the hypothetical I just
9 described to you, 2014, the original forecast, 2016,
10 the new revised forecast, if AEP Ohio releases a new
11 load forecast in 2016 and it shows no changes from
12 the prior 2014 load forecast, no increase, no
13 reductions to the forecast of load that it had
14 previously prepared in 2014, would you expect PJM to
15 look at that and say "We need to change our PJM load
16 forecast to match AEP Ohio's new forecast"?
17 A. What I would expect is PJM would look at
18 this and say AEP is still tracking to the Department
19 of Energy forecasts which are overestimates. So I
20 don't think they would try to change their new load
21 forecast because it would be an overly-liberal
22 forecast of how much load growth there is going to
23 be.
24 Q. Let me -- let me follow-up with you
25 regarding your understanding about AEP's, AEP Ohio's

1 forecast. You mentioned the Department of Energy's
2 Energy Information Agency load forecast at pages 6 to
3 7 of your testimony, right?
4 A. Yes.
5 Q. And you've mentioned in the course of our
6 conversation about the PJM load forecast and
7 comparing it to -- trying to compare it to the AEP
8 Ohio load forecast, and you've mentioned the EIA load
9 forecast several times, right?
10 A. Yes.
11 Q. And is the EIA load forecast prepared on a
12 national basis?
13 A. It is -- yes. They prepare a national
14 forecast.
15 Q. And, once again, AEP Ohio's load forecast
16 is prepared, as far as you know, on a service-area
17 basis, for the AEP Ohio service area, right?
18 A. To be complete, the AEP witness that I --
19 it was more than service area. It was surrounding
20 areas and they relied on a national forecast.
21 Q. And the witness you are referring to is
22 Mr. Bletzacker, right?
23 A. That's correct.
24 Q. Okay. And the modeling you are referring
25 to in your testimony that referred to that AEP Ohio

1 conducted, that Mr. Bletzacker conducted, was the
2 long-term fundamentals forecast that Mr. Bletzacker
3 prepared; is that right?
4 A. Yes.
5 Q. Okay. Did you read Mr. Bletzacker's
6 testimony?
7 A. Yes.
8 Q. And Mr. Bletzacker did rely, in some
9 fashion, on EIA load forecast information in the
10 preparation of his fundamentals forecast, right?
11 A. Yes.
12 Q. Okay. And are you aware that
13 Mr. Bletzacker's forecast was of wholesale energy and
14 capacity prices? That's what he developed?
15 A. That's my understanding.
16 Q. Okay. And are you also aware that
17 Mr. Bletzacker did not prepare AEP Ohio's load
18 forecast, that that was not the purpose of the work
19 that he did?
20 A. Okay.
21 Q. So you don't know then whether or not AEP
22 Ohio's load forecast was prepared using the EIA
23 information. All you know is Mr. Bletzacker used the
24 EIA load forecast information on a national basis for
25 some purpose in connection with his long-term

fundamentals forecast for wholesale energy and capacity prices.

A. If the prices -- if you use the long-term fundamentals, I'm sorry if I got that wrong.

Q. Long-term fundamentals forecast.

A. Right. And if you are using EIA data to construct your long-term fundamentals forecast, and then you use long-term fundamentals forecast to construct your prices, they're linked.

Q. I don't think you are capturing the distinction. Mr. Bletzacker, I think you agreed with me, prepared a long-term fundamentals forecast of wholesale energy and capacity prices, correct?

A. Yes.

Q. Okay. Mr. Bletzacker, to your knowledge, did not prepare an AEP Ohio load forecast, correct or not correct? What's your understanding?

A. I don't know.

Q. You don't know whether he prepared a forecast for AEP Ohio.

A. My understanding is what was relied upon for the load forecast. I don't know exactly -- I can't recall exactly what he did or didn't do, which parts of the analysis.

Q. You keep saying what he relied upon for

1 the load forecast. Mr. Bletzacker prepared a
2 forecast of energy price -- energy and capacity
3 prices, and for that I think we have agreement -- we
4 do have agreement that he referenced the EIA load
5 forecast in the course of preparation of his
6 wholesale energy and capacity price forecasts. My
7 question for you is are you aware that Mr. -- first,
8 are you aware that Mr. Bletzacker did not prepare any
9 AEP Ohio load forecast?
10 A. I don't know the specifics of what he
11 specifically did or did not prepare for AEP's
12 territories.
13 Q. Let me ask the question slightly
14 differently. Do you know whether Mr. Bletzacker in
15 his group is separate and apart from the group at AEP
16 that prepares load forecasts including the AEP Ohio's
17 load forecast?
18 A. I don't recall.
19 Q. Okay. So as far as you know,
20 Mr. Bletzacker's -- he is outside the group that
21 prepares the load forecast for AEP Ohio.
22 MS. BOJKO: Objection. He just said he
23 doesn't know, and, now, we are assuming as far as he
24 knows. He said he doesn't know. He can't make the
25 negative assumption when he said he doesn't know.

MR. CONWAY: If the objection is that he has already agreed that he doesn't know, then I'll move on.

EXAMINER SEE: The objection is sustained then. To your next question, Mr. Conway.

MR. CONWAY: Thank you.

MS. BOJKO: Thank you.

Q. (By Mr. Conway) Turn to pages 8 to 10 of your testimony where you discuss, among other things, the provisions of the stipulation regarding the 500 megawatts of new wind generation and 400 megawatts of new solar generation resources.

A. Yes.

Q. Okay. And at lines 3 to 5 at page 9, you state that "These wind and solar resources will have the effect of reducing electricity sales from traditional generation and, thus, will suppress prices in wholesale electric energy and capacity markets." Do you see that?

A. I do.

Q. Do you know what the installed generation capacity is for the PJM RTO?

A. Not exactly. I know it approximately.

Q. Is it approximately 150 gigawatts?

A. That sounds right.

Q. So that's 150,000 megawatts, right?

A. Yeah, I would say that's in the ballpark, subject to check.

Q. And with regard to the 500 megawatts of new wind capacity that's addressed by the stipulation, that's the nameplate reading for the capacity of that wind generation, right, that's contemplated by the stipulation?

A. I would assume so.

Q. Okay. And same for the 400 megawatts of solar? That's going to be the nameplate capacity rating for the solar?

A. That's a fair assumption.

Q. Okay. And for wind power and solar power generation units, the unit's nameplate capacity rating is discounted to a lower level for capacity planning purposes, right?

A. That's right.

Q. And that's because you can only produce power intermittently in wind and solar generating resources, right?

A. When they -- it's because at peak times the power they produce is not at their -- on average of their nameplate, so it's derated.

Q. So you can't produce power from wind or

solar if the wind isn't blowing or the sun isn't shining, right?

A. Well, all capacity resources in PJM, their capacity values are different than their nameplate. And that is a function of if they are operating or not so there's traditional generating resources that aren't relying on solar but don't turn on at peak times and they will be derated as well so this is all capacity resources in PJM to my understanding including wind and solar.

Q. And then with regard to wind and solar, the effect of capacity of the wind and solar resources is significantly less than the nameplate capacity rating, right?

A. Yes.

Q. And is it your understanding that for planning purposes it's typical to discount the nameplate rating for wind down to 13 percent of the nameplate rating of the capacity?

A. I don't -- I think that's a matter of fact that can be checked.

Q. And do you have -- do you have a recollection or understanding that the 13 percent value that I just quoted to you is accurate or within the ballpark of what the discount would be down to?

A. You know, again, I think it's a matter of fact can be both, so I am not going to pull from memory on it.

Q. It's --

A. It's less than nameplate.

Q. You don't know is the answer, right, what the discount is?

A. I don't know the exact discount.

Q. And that -- would the same be true for solar resources? You're not sure what the discount would be for capacity planning purposes of the nameplate capacity rating?

A. I don't -- I don't store that in my memory banks. I go right to the internet and look to what exactly it is. PJM publishes it. We can look that up.

Q. Well, if it is in the order of 20 percent or less, then what would be the effect of capacity of the 900 megawatts of wind and solar?

MS. BOJKO: Objection, your Honor. We are assuming facts in evidence. He asked the witness. He says he needs to check it, and then we put in a number that counsel chooses.

MR. CONWAY: I was just trying to be generous.

MS. BOJKO: Assumes facts not in evidence.

MR. CONWAY: If he can't answer the question, I'll take that answer.

EXAMINER SEE: Okay. Let's go off the record for a minute.

(Discussion off the record.)

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

There was a --

MR. CONWAY: I am ready to ask my next question, your Honor.

EXAMINER SEE: Okay. If you are going to ask another question, go right ahead.

Q. (By Mr. Conway) So you are not -- you are not willing or able to provide a ballpark discount, even a conservative one, for wind and solar?

MS. BOJKO: Objection, your Honor. It's argumentative, "you are not willing or able."

Q. (By Mr. Conway) Well, can you -- can you give me a ballpark estimate of what the discount is even on a conservative basis?

EXAMINER SEE: You can answer that question, Mr. Seryak.

A. Ballpark?

Q. Right.

A. Significantly less I think was a fair description.

Q. So 50 percent? Would you be comfortable with that?

A. If you want a specific mathematical answer, I will go down and calculate it, but without the full information, the ability to research these things, and take a good look at, then, no, I am not going to make assumptions for you on the stand.

Q. All right. Well, I'll take you up on your offer to check it out and report back with what the discount is for wind and solar for capacity plating purposes.

MR. CONWAY: And you can resume in the morning, your Honor. That would be fine.

EXAMINER SEE: I'm fine with that. With that we'll resume the hearing tomorrow at 9:00 a.m. Thank you.

(Thereupon, the hearing was adjourned at 6:04 p.m.)

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CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by us in this matter on Wednesday, January 6, 2016, and carefully compared with my original stenographic notes.

_____
Karen Sue Gibson, Registered Merit Reporter.

_____
Carolyn M. Burke, Registered Professional Reporter.

(KSG-6135)

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Summary: Transcript In the Matter of the application of Ohio Power Company hearing held on 01/06/16 - Volume XX electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.