

1 BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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3 In the Matter of the :
Application of Ohio Edison:
4 Company, The Cleveland :
Electric Illuminating :
5 Company, and The Toledo :
Edison Company for : Case No. 14-1297-EL-SSO
6 Authority to Provide for :
a Standard Service Offer :
7 Pursuant to R.C. 4928.143 :
in the Form of an Electric:
8 Security Plan. :

9

10 DEPOSITION

11 of Eileen M. Mikkelsen, taken before me, Karen Sue
12 Gibson, a Notary Public in and for the State of Ohio,
13 at the offices of FirstEnergy Corporation, 76 South
14 Main Street, Akron, Ohio, on Wednesday, July 27,
15 2016, at 9:00 a.m.

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1 APPEARANCES:

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7 On behalf of the Applicants.

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11 On behalf of the Sierra Club.

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20 of Ohio.

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1 APPEARANCES: (Continued)

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13 On behalf of the Residential Consumers of
14 Ohio Edison Company, The Cleveland
15 Electric Illuminating Company, and The
16 Toledo Edison Company.

17 Mike DeWine, Ohio Attorney General
18 By Mr. William L. Wright,
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On behalf of the Staff of the PUCO.

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On behalf of the Northwest Ohio
Aggregation Coalition and the Individual
Communities.

21 ALSO PRESENT:

22 Mr. Kevin Murray, IEU-Ohio.
23 Dr. Hisham Choueiki, Staff.

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8 Deposition Exhibit Identified

9 1 Rebuttal Rehearing Testimony of 8

Sarah Murley

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2 Rehearing Testimony of 50

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Joseph P. Buckley

12 3 "S&P Ratings places FirstEnergy 178

13 Solutions, affiliates on CreditWatch
negative"

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being by me first duly sworn, as hereinafter

CROSS-EXAMINATION

Q. Good morning, Ms. Mikkelsen.

Q. Can you hear me okay?

Q. Great. So you have offered rehearing

proceeding, correct?

Q. And for your reference, unless I

asking questions about your rehearing rebuttal and

testimony you filed in this proceeding. So if I

simply as "your testimony," will you understand what

I mean?

1 A. Yes.

2 Q. And in your testimony you offer testimony
3 regarding the staff's proposed Distribution
4 Modernization Rider; is that correct?

5 A. Yes.

6 Q. Okay. And can we agree to refer to that
7 proposal as "rider DMR"?

8 A. Yes.

9 Q. If you could turn to page 14 of your
10 testimony. Just let me know when you're there.

11 A. I'm there.

12 Q. Okay. And if you look at starting on
13 line -- well, the very end of line 20, with the word
14 "The," you say "The annual amount would equal the
15 \$558 million associated with the credit support to
16 jump-start grid modernization and an additional
17 amount not exceed the economic development value
18 outline by Company witness Sarah Murley...." Do you
19 see that?

20 A. I do. I would say that should read "not
21 to exceed."

22 Q. Okay. That was going to be my next
23 question. And in line 23 should "outline" be
24 "outlined" with a "d" at the end?

1 A. Yes.

2 Q. Okay. So am I correct that it's your --
3 your proposal is that the rider DMR would be the
4 \$558 million a year that you discussed with regards
5 to credit support and then plus some other amount of
6 money to reflect the economic development value of
7 keeping the FirstEnergy corporate headquarters in
8 Akron?

9 A. Yes, with the appending your statement to
10 include "and the nexus of operations in Akron, Ohio."

11 Q. Okay. Thank you for that clarification.

12 And you have not proposed the specific
13 value for that additional amount that would be
14 related to keeping the corporate headquarters and
15 nexus of operations in Akron, correct?

16 A. Yes.

17 Q. Okay. Under -- under your proposal, how
18 would that additional amount be calculated?

19 MR. KUTIK: Objection.

20 A. I guess my proposal doesn't include a
21 recommendation for how that calculation would be
22 made.

23 Q. Okay. But the amount -- so the only --
24 the only thing you are proposing with regards to the

1 amount is that it doesn't exceed the economic value
2 outlined by Witness Murley; is that correct?

3 A. Yes.

4 Q. Okay. And if you could turn to --
5 actually, I'm sorry.

6 MR. FISK: Karen, do you have the Murley
7 testimony?

8 THE NOTARY: Yes.

9 MR. FISK: If you could mark that.

10 MR. KUTIK: Are you talking about the
11 rebuttal rehearing testimony?

12 MR. FISK: Yes.

13 (EXHIBIT MARKED FOR IDENTIFICATION.)

14 Q. (By Mr. Fisk) Ms. Mikkelsen, so you have
15 been handed a document marked Exhibit 1 which is
16 Ms. Murley's rebuttal rehearing testimony; is that
17 correct?

18 A. Yes.

19 Q. Okay. And have you reviewed this
20 testimony?

21 A. Yes.

22 Q. Okay. And is this the testimony that you
23 are referencing on page 14 to 15 of your own
24 testimony?

1 A. Yes.

2 Q. Okay. And if you could turn to page 4 of
3 Ms. Murley's testimony, about the middle of Table 1
4 it says "Annual Economic Impacts." Do you see that?

5 A. Yes.

6 Q. Okay. And there is a total under the
7 "Output" column that says "\$568 million." Do you see
8 that?

9 A. Yes.

10 Q. Is that 568 million the economic
11 development value that you reference on page 14,
12 lines 22 to 23, of your testimony?

13 A. Yes.

14 Q. Okay. Is there any other -- any other
15 amount that -- in addition to the \$568 million that
16 would go into the economic development value that you
17 reference in your testimony?

18 A. I think Ms. Murley refers to that number
19 as a conservative value and identifies other items
20 that may serve to increase the number but that was
21 the number I was focusing on.

22 Q. Okay. So when you say in your testimony
23 on page 14 "not to exceed the economic development
24 value outlined by Company witness Murley," is it your

1 testimony that the additional amount that you are
2 proposing to be included in rider DMR would not
3 exceed \$568 million?

4 A. Yes.

5 Q. Okay. But that additional amount could
6 be as high as 568 million under your proposal?

7 A. Yes.

8 Q. Okay. And so if you add that
9 \$568 million to the \$558 million for credit support,
10 am I correct that the companies are proposing that
11 the total rider DMR amount could be as high as
12 \$1.126 million per year?

13 MR. KUTIK: Objection.

14 THE WITNESS: May I ask you to reread the
15 question, please.

16 (Record read.)

17 A. No.

18 Q. And why not?

19 A. The way I heard the question, it was
20 1.126 million.

21 Q. Oh, I'm sorry. I meant 1.126 billion
22 with a "b."

23 A. I mean, the companies' proposal is that
24 rider DMR would equal \$558 million associated with

1 credit support to jump-start grid modernization and
2 some additional amount determined by the Commission
3 associated with the economic development value from
4 having FirstEnergy's headquarters and the nexus of
5 its operations in Akron, Ohio.

6 Q. Okay. And that additional amount under
7 your proposal could be as high as \$568 million,
8 correct?

9 A. As my testimony states, the additional
10 amount would not exceed the economic development
11 value outlined by Ms. Murley.

12 Q. Okay. And so if you add that
13 \$568 million, identified by Ms. Murley, to the
14 \$558 million in credit support that the companies are
15 proposing, the total amount from rider DMR could be
16 as high as \$1.126 billion per year, correct?

17 MR. KUTIK: Objection.

18 A. The ultimate determination about the
19 appropriate level of rider DMR would be made by the
20 Commission.

21 Q. And under your testimony regarding how
22 much that additional amount should not exceed --
23 strike that.

24 Under your testimony regarding the level

1 that the additional amount should not exceed, that
2 total this information could improve consistent with
3 your proposal could be as high as \$1.126 billion,
4 correct?

5 MR. KUTIK: Objection, asked and
6 answered.

7 A. I think the Commission will determine
8 what the appropriate level is to populate rider DMR.

9 Q. Do you think the \$1.126 billion amount
10 for rider DMR per year could be appropriate?

11 MR. KUTIK: Objection.

12 A. I think the Commission will determine
13 what the appropriate level is for rider DMR.

14 Q. Okay. And you have no opinion as to what
15 that appropriate level should be?

16 MR. KUTIK: Objection, mischaracterizes
17 her testimony.

18 A. My opinion is that it should equal the
19 558 million associated with the credit support to
20 jump-start grid modernization and an additional
21 amount associated with -- arising from the
22 requirement that FirstEnergy keep its headquarters
23 and the nexus of its operations in Akron, Ohio.

24 Q. Okay. And beyond the \$568 million not to

1 exceed figure, am I correct you are offering no
2 opinion as to what the amount -- what that additional
3 amount should be?

4 A. I think that the Commission will make the
5 determination about what the appropriate amount would
6 be.

7 Q. And that wasn't my question. My question
8 is do you have any opinion as to what that amount
9 should be beyond that it should not exceed
10 568 million?

11 MR. KUTIK: Objection, asked and
12 answered.

13 A. I think there are a number of ways the
14 Commission could make the determination about what
15 the appropriate amount is; but, again, the ultimate
16 determination with respect to the appropriate amount
17 would be the Commission's determination.

18 Q. And what -- and what, in your opinion,
19 would be an appropriate way for the Commission to
20 make that determination regarding what the additional
21 amount should be?

22 A. I don't have a recommendation what's the
23 appropriate way for the Commission to make the
24 determination. I think what I was suggesting is I'm

1 sure there are a number of ways in which they could
2 look at this and reach a determination in their
3 judgment about what the appropriate level would be.

4 Q. And can you identify some of those ways?

5 A. I think they could look at the economic
6 value and allocate a portion of that to the Ohio
7 companies, or perhaps they could look at dollars
8 spent on certain aspects, whether it be payroll,
9 payroll plus taxes, payroll plus taxes plus suppliers
10 spend. I think there is a number of different ways
11 they could look at that to inform their decision
12 about what the appropriate level would be for
13 inclusion in rider DMR.

14 Q. Any other ways you can identify?

15 A. Not as I sit here today without giving it
16 some additional thought, although I'm certain there
17 would be other ways to make the determination.

18 Q. Okay. And when you referenced "allocate
19 a portion to the companies," would that be similar to
20 how you -- elsewhere in your testimony you discuss
21 allocating a portion of the credit support to the
22 companies?

23 MR. KUTIK: Objection.

24 A. I think there are any number of ways that

1 the amount could be allocated to the companies,
2 including, but not limited to, the allocation
3 methodology outlined in my testimony with respect to
4 credit support.

5 Q. So that would be the 40 percent
6 allocation to the companies that you are referring
7 to?

8 A. Yes, as one potential allocation
9 methodology for the economic development.

10 Q. Okay. Okay. And am I correct that
11 the -- under your proposal, the \$558 million for
12 credits, plus the additional amount, that would be
13 for each year; is that correct?

14 A. May I ask you to rephrase the question,
15 please, sir?

16 Q. Sure. The \$558 million associated --
17 that you've identified for credit support through
18 rider DMR, that would be an annual figure, correct?

19 A. May I ask you to rephrase the question,
20 please, sir?

21 Q. What are you finding confusing?

22 A. An annual amount over what period?

23 Q. Are you proposing that customers would be
24 charged, under rider DMR, \$558 million per year for

1 the term of the ESP IV for credit support?

2 MR. KUTIK: Objection.

3 THE WITNESS: May I ask you to reread the
4 question, please.

5 (Record read.)

6 A. I'm recommending that the rider DMR
7 amount of \$558 million associated with credit
8 support, plus an additional amount associated with
9 the economic development value of keeping the
10 companies' headquarters and nexus of operations in
11 Akron, Ohio, continue annually over the term of the
12 ESP or until some -- there is a change in status with
13 respect to the corporate headquarters.

14 Q. Okay. So that would be -- that figure of
15 \$558 million plus an additional amount would be for
16 each year of the ESP IV, correct?

17 MR. KUTIK: Objection, mischaracterizes
18 her testimony.

19 THE WITNESS: May I ask you to reread the
20 question, please.

21 (Record read.)

22 A. The proposal is that rider DMR would
23 remain in effect over the entire term of ESP IV as
24 long as the FirstEnergy corporate headquarters and

1 nexus of operations remain in Akron, Ohio.

2 Q. Okay. And ESP IV is scheduled to last
3 eight years, correct?

4 A. Yes.

5 Q. Okay. So as long as FirstEnergy
6 headquarters and nexus of operations remain in Akron,
7 Ohio, for the next eight years, under the companies'
8 proposal, customers would pay \$558 million per year
9 for eight years for credit support; is that correct?

10 A. No.

11 Q. Why is that not correct?

12 A. Because your question said "for the next
13 eight years" and the ESP term started June 1 of 2016,
14 so we are already into the term of ESP IV.

15 Q. Okay. So customers would pay
16 \$558 million per year under rider DMR from whatever
17 date rider DMR starts through May 31, 2024, correct?

18 MR. KUTIK: Objection.

19 A. No.

20 Q. Why is that not correct?

21 MR. KUTIK: Objection, asked and
22 answered. Tell him again.

23 A. A couple of things. No. 1, the rider --
24 the recommendation for rider DMR is that it include

1 \$558 million plus an additional amount associated
2 with keeping the corporate headquarters and nexus of
3 operations in Akron, Ohio.

4 Further, I don't think you would have a
5 full year of collection in the first year of the ESP
6 because, as I stated, the term's already underway, so
7 you wouldn't have a full year in year one.

8 Q. Do you expect you would have a full year
9 for years two through eight?

10 A. I expect that rider DMR would remain in
11 effect as long as the FirstEnergy corporate
12 headquarters and nexus of operations remain in Akron,
13 Ohio.

14 Q. Okay. And if you look at your testimony
15 page 15, line 4, and you state that rider DMR amount
16 would be "updated annually." Do you see that?

17 A. Yes.

18 Q. And what would be -- what would be
19 updated annually?

20 A. I'm sorry. May I ask you to rephrase
21 that question, please?

22 Q. Would the -- would the \$558 million that
23 you are recommending for credit support remain a
24 constant for each year that rider DMR is in effect?

1 MR. KUTIK: May I have the question read,
2 please.

3 (Record read.)

4 MR. KUTIK: Objection.

5 A. My recommendation is that rider DMR --
6 the value of rider DMR be equal to the \$558 million
7 associated with credit support to jump-start grid
8 modernization plus an additional amount associated
9 with the commitment to keep the FirstEnergy
10 headquarters and nexus of operations in Akron, Ohio.

11 Q. Right. And my question is you reference
12 on page 5, line 4, of your testimony "updating" --
13 "updating annually," and I'm trying to find out what,
14 with regards to rider DMR, would be updated annually
15 under your proposal.

16 A. The annual update would reflect a
17 most-current forecast with respect to billing
18 determinants and incorporate any reconciliation from
19 the prior period.

20 Q. And what sort of reconciliations would
21 there be -- could there be under rider DMR?

22 A. The reconciliation associated with the
23 amount expected to be collected versus the amount
24 that was collected.

1 Q. Okay. So with regards to the credit
2 support portion of rider DMR that you are proposing,
3 the \$558 million figure under your proposal would not
4 be updated annually; is that correct?

5 MR. KUTIK: Objection.

6 A. The \$558 million portion of the rider DMR
7 would not be updated annually, but the total amount
8 collected under rider DMR would include a
9 reconciliation component, either positive or
10 negative, based on the prior period collections.

11 Q. Okay. And would the additional amount
12 included in rider DMR for the economic development
13 value of FirstEnergy corporate's headquarters and
14 nexus of operations remaining in Akron, would that
15 amount be updated annually under your proposal?

16 A. I think that would be subject to the
17 determination of the Commission.

18 Q. Okay. So you would not -- you are not
19 proposing whether the Commission should set one value
20 for the additional amount that would remain constant
21 throughout rider DMR's life versus changing that
22 every year; is that correct?

23 A. Yes.

24 Q. And under your proposal could that

1 additional amount, in future years of rider DMR,
2 exceed the 568 millions of economic value that
3 Ms. Murley identifies in her testimony?

4 A. My proposal is that the additional amount
5 would not exceed the economic development value
6 outlined by Ms. Murley. Ultimately, the Commission
7 will make the determination about what the
8 appropriate amount is that should be included in the
9 rider.

10 Q. Okay. And under your -- under the
11 companies' proposal, if FirstEnergy corporation -- or
12 corp. did -- did not keep its corporate headquarters
13 and nexus of operations in Akron, would any amounts
14 that had already been collected under rider DMR be
15 subject to refund?

16 A. No.

17 Q. And -- strike that.

18 So -- so under the companies' proposal,
19 am I correct that if FirstEnergy Corp. would move its
20 nexus of operations out of Akron during the term of
21 the ESP IV, rider DMR would simply stop?

22 A. May I ask you to rephrase the question,
23 please?

24 Q. What do you find confusing about it?

1 A. "Simply."

2 Q. Okay. Take out the word "simply." Would
3 rider DMR just stop if FirstEnergy Corp. were to move
4 its corporate headquarters and nexus of operations
5 out of Akron during the term of ESP IV?

6 A. That is the companies' proposal.

7 Q. And do you have any reason to think
8 without rider DMR, FirstEnergy Corp. would move its
9 headquarters and nexus of operations out of Akron
10 sometime before May 31, 2024?

11 A. I think that there is a greater
12 likelihood of a change of control for a
13 financially-challenged company than a company that is
14 financially strong.

15 Q. And when you say "change of control,"
16 what do you mean?

17 A. That the control of the company changes
18 to another entity or organization.

19 Q. Okay. Do you have any other reason to
20 think that FirstEnergy Corp., without rider DMR,
21 might move its headquarters -- might move its
22 headquarters and nexus of operations out of Akron
23 sometime before May 31, 2024?

24 A. No.

1 Q. Okay. And under your proposal, if there
2 were a change of control at FirstEnergy Corp., would
3 rider DMR end?

4 A. Rider DMR, as proposed, would remain in
5 effect so long as the FirstEnergy Corp. headquarters
6 and nexus of operations remain in Akron, Ohio.

7 Q. So if there was a change of control at
8 FirstEnergy Corp., but the new -- the new entity in
9 control maintained its headquarters and nexus of
10 operations in Akron, Ohio, rider DMR would still end;
11 is that correct?

12 MR. KUTIK: Objection.

13 A. I mean the provision is that the
14 FirstEnergy Corp. headquarters and nexus of
15 operations remain in Akron, Ohio. So long as the
16 FirstEnergy corporate headquarters and nexus of
17 operations remains in Akron, Ohio, rider DMR would
18 remain in effect.

19 Q. Okay. So, but does that mean that if --
20 if the headquarters and nexus of operations stay
21 there, stay in Akron, Ohio, but they are under the
22 control of some other corporate entity instead of
23 FirstEnergy Corp., then does that mean that rider DMR
24 would end?

1 MR. KUTIK: Objection, asked and
2 answered.

3 A. The requirement is that the FirstEnergy
4 corporate headquarters and nexus of operations remain
5 in Akron, Ohio.

6 Q. Okay. So if it was -- if it was some
7 other company entity in control, it would no longer
8 qualify as FirstEnergy Corp. corporate headquarters,
9 correct?

10 A. Correct.

11 Q. And do you have any knowledge as to
12 whether FirstEnergy Corp. has the lease for the
13 office space that currently serves as its
14 headquarters in Akron, Ohio?

15 A. Yes.

16 Q. Okay. And, yes, you have knowledge or
17 yes, you know they do have a lease?

18 A. Yes, I have knowledge.

19 Q. Okay. Does FirstEnergy Corp. have a
20 lease for its office space that currently serves as
21 its headquarters in Akron, Ohio?

22 A. FirstEnergy has a lease for the office
23 space for its headquarters in Akron, Ohio, but I am
24 not familiar with all of the terms, conditions, and

1 provisions of that lease.

2 Q. And just so the record is clear, when you
3 said "FirstEnergy," you meant FirstEnergy Corp.?

4 A. Yes.

5 Q. Do you know when that lease is scheduled
6 to expire?

7 A. Again, I'm not familiar with all the
8 specific terms and conditions and provisions of that
9 lease.

10 Q. Okay. And you are not -- so you are not
11 familiar with the expiration date of that lease; is
12 that correct?

13 A. No. I don't know the expiration date.

14 Q. Okay. And has anyone employed by the
15 companies told you that FirstEnergy Corp. might move
16 its corporate headquarters out of Akron?

17 MR. KUTIK: May I have the question read,
18 please.

19 (Record read.)

20 A. No.

21 Q. Okay. Has anybody employed by
22 FirstEnergy Service Company told you that FirstEnergy
23 Corp. might move its corporate headquarters out of
24 Akron?

1 A. I think that the question -- I mean, the
2 company typically would not comment on the --
3 internally or externally, but with me, with respect
4 to any discussions associated with merger or
5 acquisition activities, so I wouldn't be involved in
6 any of those discussions.

7 Q. Okay. When you said "the company," which
8 entity are you referring to?

9 A. Pardon me, FirstEnergy Corp., thank you.

10 Q. Okay. So -- so did that mean that no one
11 from FirstEnergy Service Company has told you that
12 FirstEnergy Corp. might move its corporate
13 headquarters out of Akron?

14 MR. KUTIK: Objection, asked and
15 answered.

16 A. Again, the company -- the FirstEnergy
17 Corp. does not comment publicly on mergers or
18 acquisitions, nor would I expect to be involved in
19 those discussions prior to announcement.

20 Q. Has anyone told you, regardless of what
21 corporate entity they may be from, has anyone told
22 you that FirstEnergy Corp. might move its corporate
23 headquarters out of Akron, Ohio?

24 MR. KUTIK: Objection.

1 A. May I ask you to rephrase the question,
2 please?

3 Q. What -- what do you find confusing?

4 A. "Regardless of what entity they're from."

5 Q. Well, take that part out. Has anyone
6 told you that FirstEnergy Corp. may move its
7 corporate headquarters out of Akron, Ohio?

8 A. No.

9 Q. And have you seen any evaluation of
10 whether FirstEnergy Corp.'s corporate headquarters
11 would remain in Akron, Ohio, for the term of the ESP
12 IV?

13 A. No.

14 Q. And to your knowledge is there any
15 expectation of a change -- a change of control by
16 FirstEnergy Corp.?

17 A. As we've discussed earlier, as a
18 company -- company -- pardon me. As we discussed
19 earlier, to the extent that FirstEnergy Corp.'s
20 financial condition deteriorates, that, in my
21 judgment, increases the likelihood or the risk
22 associated with a change in control.

23 Q. But to your knowledge is there any
24 expectation that there will be a change of control?

1 MR. KUTIK: Objection. And at this point
2 I will instruct you not to divulge any information
3 that you might have, if you have any, that would be
4 nonpublic information.

5 A. I stand by my prior answers.

6 Q. Given your counsel's instruction, is this
7 information that could be discussed on a confidential
8 record or are you saying there is no information that
9 is public or confidential?

10 MR. KUTIK: No. She is not going to do
11 that, so ask your next question.

12 MR. FISK: Well, I am trying to figure
13 out.

14 MR. KUTIK: And this is the reason. I
15 don't know whether she has or doesn't have such
16 information. If she has such information, it would
17 be none -- it would be material nonpublic information
18 that she could not disclose even on a confidential
19 basis.

20 So for her to talk about whether she has
21 something or not have something may indicate that she
22 does have something and there have been such
23 conversations. Again, I don't know whether there
24 have or there aren't, but I am just not going to let

1 her go there, so that's why I am making the
2 instruction she is not going to answer those
3 questions.

4 MR. FISK: Okay. Fair enough.

5 Q. Okay. Ms. Mikkelsen, am I correct that a
6 purpose of rider DMR is to enable the company to
7 provide credit support to FirstEnergy Corp.?

8 A. I think the purpose of rider DMR is to
9 provide credit support to the companies to assist
10 them in jump-starting SmartGrid -- or grid
11 modernization activities across their service
12 territories.

13 Q. Okay. And what -- do you agree that the
14 companies need credit support?

15 A. Yes.

16 Q. Okay. And why do the companies need
17 credit support?

18 A. In order to enable them to access the
19 capital market on favorable terms.

20 Q. And to be able to do that, they need to
21 have an investment grade credit rating, correct?

22 A. Yes.

23 Q. Okay. And they -- each of the companies
24 currently have an investment grade credit rating,

1 correct?

2 A. Two of the companies are one notch above
3 non-investment grade, and the third company is three
4 notches above non-investment grade; all of the
5 companies are in what I would consider to be the
6 lowest tranche of investment grade credit ratings
7 from a Moody's perspective.

8 Q. Okay. And separate from any credit
9 rating changes regarding FirstEnergy Corp., do you
10 have any reason to believe that the companies are
11 likely to be downgraded to a non-investment grade
12 credit rating?

13 A. May I ask you to rephrase the question?

14 Q. What do you find confusing?

15 A. Your condition that I separate the parent
16 from the answer.

17 Q. Why is that -- what is difficult about
18 that?

19 A. Standard & Poor's uses a family
20 methodology.

21 Q. Okay. So for purposes of Standard &
22 Poor's, if FirstEnergy Corp. is downgraded to a
23 non-investment grade credit rating, then the
24 companies would also automatically be downgraded; is

1 that correct?

2 A. Yes.

3 Q. Okay. And could that relationship go the
4 other direction where if the companies were
5 downgraded to a non-investment grade credit rating,
6 FirstEnergy Corp. would also be downgraded?

7 A. It is a family rating methodology, so
8 that the parent and all of the core entities
9 associated with the parent are rated at the same
10 level.

11 Q. Okay. And does the credit support that
12 it is your opinion the companies need to be provided,
13 does that stem from the risk that FirstEnergy Corp.
14 will be downgraded to non-investment grade credit
15 rating by S&P?

16 MS. WILLIS: Can I have that question
17 reread, please.

18 (Record read.)

19 A. I think S&P, as I've said, looks at the
20 family in total to make a determination about the
21 ratings, so that would be part of their analysis.

22 Q. So if -- if the companies are provided
23 credit support through rider DMR, but FirstEnergy --
24 but the S&P decides to downgrade FirstEnergy Corp. to

1 a non-investment credit grade, then the companies
2 would also be downgraded no matter how much credit
3 support they had received through the rider; is that
4 correct?

5 MR. KUTIK: Objection.

6 THE WITNESS: May I have the question
7 reread, please?

8 (Record read.)

9 A. No. A properly constructed rider DMR,
10 along with other actions taken within the FirstEnergy
11 corporation, I think would be sufficient to avoid any
12 negative action from a rating agency.

13 Q. Okay. And why do you think that would be
14 sufficient to avoid any negative action?

15 A. I think the companies' credit metrics
16 would improve, which, on a consolidated FirstEnergy
17 Corp. basis, should provide some advantage to the
18 credit metrics of the corp.

19 I think the rating agencies look at a
20 number of factors including, the regulatory
21 environments that the companies operate in, and I
22 think they would view this as supportive and a
23 positive. Those things, coupled with the actions
24 that are being taken, have been and continue to be

1 taken by all the constituents and the companies
2 with -- all of the subsidiaries within the
3 corporation, I think provide enough support that the
4 credit rating agencies would not be downgraded.

5 Q. And when you said "the companies' credit
6 metrics would improve," which credit metrics are you
7 referring to?

8 A. The credit metrics that Moody's and
9 Standard & Poor's use for -- include in their
10 credit-rating judgments.

11 Q. Okay. And which are those?

12 A. Specific -- and they differ by Moody's
13 and S&P, but both look at cash from operations or
14 free cash from operations, you know, some sort of
15 cash from operation measurement against debt, and so
16 that would improve. They look at debt as a percent
17 of cap structure and that would -- could also improve
18 depending upon how the dollars were used. So those
19 are a couple that come to mind.

20 Q. Okay. And those two you just referred
21 to, those were for Moody's; is that correct?

22 A. I think that the calculations differ for
23 Moody's and S&P, but I think that they both look at
24 some measure of level of debt on your balance sheet

1 versus your entire capital structure, and I think
2 they both look at some measure of your free cash from
3 operations or your cash flow from operations versus
4 your level of debt. The exact calculations are
5 proprietary to those companies.

6 Q. Sure. Okay. And the cash flow from
7 operations, that is the -- that is the metric you
8 used in calculating the \$558 million in credit
9 support figure you propose, correct?

10 A. I would characterize that as the metric
11 Mr. Buckley used, and then I merely suggested
12 corrections or improvements to his calculation.

13 Q. Okay. Do you believe some other metric
14 should have been used?

15 A. This is the staff's recommendation, sir.

16 Q. So you are not offering any opinion as to
17 whether it's appropriate to base the credit support
18 calculation on cash flow from operations to debt?

19 MR. KUTIK: Objection.

20 A. No. I think it's -- it is a reasonable
21 means to make the calculation. I was just suggesting
22 I hadn't spent time thinking about how this
23 calculation should be made as a separate matter
24 because it was the staff's proposal.

1 Q. Okay. And S&P --

2 MR. KUTIK: I'm sorry, what did you say?

3 Q. S&P, however, uses FFO to debt, correct?

4 A. Yes.

5 Q. Okay. And "FFO" means "funds from
6 operation"; is that correct?

7 A. Yes.

8 Q. Okay. And can we agree that when we're
9 talking about "cash from operations" that we can
10 refer to that as "CFO"; is that correct?

11 A. Yes.

12 Q. Okay. And in your -- in your -- if you
13 could turn to page 13 of your testimony, Figure 1,
14 that figure is where you calculate the \$558 million
15 credit support amount; is that correct?

16 A. Yes.

17 Q. Okay. And the -- the first three lines
18 of data, "CFO Pre W/C," "Total Debt," "CFO Pre W/C
19 Over Debt," those are all with regards to FirstEnergy
20 Corp., correct?

21 A. Yes.

22 Q. Okay. And am I correct your credit
23 support amount of 558 million is based on the amount
24 of additional CFO that is -- that would have been

1 needed to bring FirstEnergy Corp.'s CFO to debt level
2 up to 15 percent?

3 A. No.

4 Q. What was incorrect about that?

5 A. In any given year that may not have been
6 the case. This is an average over a period.

7 Q. Okay. Well, let's take a step back. So
8 you used 15 percent as the level of CFO to debt that
9 you're targeting for FirstEnergy Corp. in terms of
10 credit support, correct?

11 THE WITNESS: May I ask to have that
12 reread, please.

13 (Record read.)

14 A. Figure 1 includes a calculation of the
15 CFO preworking capital to debt at 15 percent for each
16 year.

17 Q. And that 15 percent figure is based on
18 Moody's statement that a negative rating action could
19 occur if FirstEnergy Corp. does not maintain a CFO to
20 debt ratio of at least 14 to 16 percent, correct?

21 A. I guess I just want to be clear when
22 Figure 1 calculates what the shortfall is to
23 15 percent in the CFO preworking capital to debt for
24 each of the annual years. And then, I'm sorry, with

1 that, I just want to be sure I was clear on that and
2 my prior answer, and then may I have the question
3 reread, please.

4 (Record read.)

5 A. Yes.

6 Q. Okay. And the line on CFO -- Figure 1
7 that says "CFO Pre W/C Over Debt" at 15 percent, that
8 line identifies how much additional CFO would have
9 been needed to bring the CFO to debt level up to
10 15 percent, correct?

11 A. Correct, in each of the years shown.

12 Q. Yes. Okay. And can we agree to refer to
13 that amount as the "credit shortfall"?

14 A. It might be better to refer to it as the
15 "CFO to debt shortfall."

16 Q. But the amounts identified in that CFO
17 pre W/C to debt of 15 percent, those dollar figures
18 are -- to collect additional CFO that's needed,
19 correct?

20 A. Correct.

21 Q. So they don't reflect any changes in the
22 level of debt, correct?

23 A. Correct.

24 Q. Okay. Okay. And then you took those

1 amounts and allocated 40 percent to the companies to
2 then get the value in the line that says "Ohio
3 Regulated Distribution Utilities Proportion"; is that
4 correct?

5 A. Yes.

6 Q. Okay. And then you averaged the three
7 values in the "Ohio Regulated Distribution Utilities
8 Proportion" to get the \$357 million figure that's in
9 the "Allocated Average Annual CFO Shortfall"?

10 A. Yes.

11 Q. Okay. And then the \$558 million figure
12 represents that \$357 million grossed up for taxes; is
13 that right?

14 A. Yes.

15 Q. Okay. And on page 10, line 8, of your
16 testimony, you have a sentence there, "While I agree
17 with the use of historic data to calculate the amount
18 of Rider DMR...." Do you see that portion of the
19 sentence?

20 A. Yes.

21 Q. Okay. Why do you agree with the use of
22 historic data to calculate the amount of rider DMR?

23 A. Because it's the data that's available.

24 Q. Okay. Any other reason?

1 A. No.

2 Q. Okay. And so your testimony does not
3 site any projection of FirstEnergy Corp. of CFO to
4 debt level without rider DMR for any time period
5 covered by ESP IV, correct?

6 A. Yes.

7 Q. Okay. So we do not know, from your
8 testimony, what FirstEnergy Corp.'s projected CFO
9 debt shortfall would be for any year of ESP IV,
10 correct?

11 A. Yes.

12 Q. Okay. And you have -- is there a reason
13 you did not provide such a projection in your
14 testimony?

15 A. My testimony provides improvements or
16 suggested modifications to the staff's methodology.

17 Q. Do you know what FirstEnergy Corp.'s
18 projected CFO to debt level without rider DMR is for
19 any time period covered by ESP IV?

20 A. No.

21 Q. Okay. And did you ever ask FirstEnergy
22 Corp. for such information?

23 A. It's my understanding that that
24 information is material nonpublic information.

1 Q. So that's information that you would not
2 be able to access?

3 A. May I ask you to rephrase the question,
4 please?

5 Q. Is it your understanding that you would
6 not be able to access that information from
7 FirstEnergy Corp.?

8 A. May I ask you to rephrase the question,
9 please?

10 Q. What do you find confusing?

11 A. "Access."

12 Q. Is it your understanding you would not be
13 able to obtain such information from FirstEnergy
14 Corp.?

15 A. I think I'm -- I might be able to obtain
16 that information, but it would still be material
17 nonpublic information if I did.

18 Q. Okay. So it's your understanding that it
19 is information you would -- even if you had obtained
20 it, you would not be able to provide to the parties
21 or the Commission in this proceeding.

22 A. Correct.

23 MR. KUTIK: Let's go off the record for a
24 minute.

1 (Discussion off the record.)

2 Q. (By Mr. Fisk) Okay. Ms. Mikkelsen, am I
3 correct your testimony does not provide any provision
4 of FirstEnergy's corporate CFO to debt level with
5 rider DMR for any time period covered by ESP IV?

6 MR. KUTIK: Objection, asked and
7 answered.

8 A. Yes.

9 Q. Okay. And is that -- and have you seen
10 any such projection?

11 MR. KUTIK: Objection, asked and
12 answered.

13 MR. FISK: Mr. Kutik, these questions --
14 the previous questions were without rider DMR. I am
15 now asking with rider DMR. So it's a different set
16 of questions.

17 MR. KUTIK: Same objection.

18 A. No.

19 Q. And did you ever ask FirstEnergy Corp.
20 for such projections?

21 A. No.

22 Q. And so we do not know, from your
23 testimony, whether the rider DMR would enable
24 FirstEnergy Corp. to achieve a CFO to debt level of

1 15 percent for any year of ESP IV, correct?

2 MR. KUTIK: May I have the question read,
3 please?

4 (Record read.)

5 A. Rider DMR is not designed to assure a
6 15 percent CFO to debt ratio.

7 Q. Okay. And your testimony does not
8 provide any projection of FirstEnergy Corp.'s FFO to
9 debt level with rider DMR for any time period covered
10 by the ESP IV, correct?

11 A. Yes.

12 Q. And so there are -- there's no assurance
13 that rider --

14 MR. HAYS: Shannon.

15 MR. FISK: Yeah.

16 MR. HAYS: Shannon, this is Tom Hays. I
17 just wanted to let you know I joined the phone
18 conversation.

19 MR. FISK: Okay. Thank you.

20 Q. (By Mr. Fisk) Let me start that question
21 over again.

22 There is no assurance that rider DMR
23 would enable FirstEnergy Corp. to achieve a FFO to
24 debt level of at least 12 percent for any year of ESP

1 IV, correct?

2 A. Rider DMR is not designed to allow the
3 companies to achieve a 12 percent FFO to debt ratio.

4 Q. Okay. And have you calculated the CFO to
5 debt level for any of the companies for any of the
6 years 2012 through 2014?

7 MS. WILLIS: May I have that question
8 reread, please.

9 (Record read.)

10 A. No.

11 Q. So do you know whether the companies' CFO
12 debt level for any of the years 2012 through 2014 was
13 under 15 percent?

14 A. I recall seeing those numbers, but I
15 don't remember what they were.

16 Q. And where do you recall seeing those
17 numbers?

18 A. In various reports.

19 Q. Internal reports or something external to
20 the company?

21 A. External.

22 Q. Okay. And do you know where these, like,
23 reports from Moody's or some credit rating agency?

24 A. That's what I have in mind, yes.

1 Q. Okay. And your testimony doesn't provide
2 any projection of the CFO to debt level without rider
3 DMR for any of the companies for any time period
4 covered by the ESP IV, correct?

5 MR. KUTIK: May I have the question read,
6 please.

7 (Record read.)

8 MR. KUTIK: Objection.

9 A. Yes.

10 Q. And why -- why didn't you provide any
11 such projection?

12 A. It would be material nonpublic
13 information.

14 Q. Okay. And is that true also with regards
15 to any projections of CFO to debt level with rider
16 DMR for the companies?

17 A. I don't know whether that projection
18 exists.

19 Q. Okay.

20 A. But it would -- if it did, it would be
21 material nonpublic information. I don't think it
22 does.

23 Q. Okay. Okay. On page 12, lines 11
24 through 17, of your testimony, you discuss your use

1 of net income as the basis for your allocation factor
2 in calculating the credit support that the companies
3 would provide under rider DMR; is that correct?

4 A. Yes.

5 Q. Okay. And what is the purpose for --
6 strike that.

7 What is your reason for using an
8 allocation factor in your calculation to the credit
9 support portion of rider DMR?

10 A. It is the staff's proposal to use an
11 allocation.

12 Q. Okay. So are you -- do you have no
13 opinion as to whether an allocation factor should be
14 used?

15 A. My opinion is that net income is a more
16 appropriate allocation factor to use.

17 Q. Okay. But you don't have an opinion as
18 to whether there should be an allocation factor,
19 leaving aside what that allocation factor is, you
20 don't have an opinion as to whether there should be
21 an allocation factor used; is that correct?

22 A. My belief is that the staff's methodology
23 is reasonable and requires modifications to
24 accomplish what their intent is with the calculation,

1 but that the calculation they suggest is reasonable.

2 Q. Okay. So the use of some allocation
3 factor is reasonable, you're just offering testimony
4 as to a different type of allocation factor that you
5 believe should be used; is that correct?

6 A. I'm suggesting a more appropriate
7 allocation factor to use in the calculation.

8 Q. As -- as a general principle, would you
9 agree that the level of credit support that any
10 particular subsidiary of FirstEnergy Corp. should be
11 asked to provide should be consistent with the
12 proportion of the credit shortfall that the
13 subsidiary is responsible for?

14 MR. KUTIK: Objection.

15 A. No.

16 Q. Okay. Why not?

17 A. I think a more appropriate alignment is
18 with credit support historically provided.

19 Q. Okay. And why do you believe that is
20 more appropriate?

21 A. Because it would be consistent with past
22 practice.

23 Q. And what level of credit support has the
24 companies historically provided to FirstEnergy Corp.?

1 A. Well, again, I am recommending here an
2 allocation factor of 40 percent based on the
3 companies' contribution to net income.

4 Q. Okay. And that -- and so that
5 40 percent, based on the companies' contribution to
6 net income, in your opinion, reflects the level of
7 credit support that the companies historically have
8 provided to FirstEnergy Corp.; is that right?

9 MR. KUTIK: May I have the question read,
10 please.

11 (Record read.)

12 A. I think it represents -- I think it
13 provides a better representation of the significance
14 of the companies to FirstEnergy Corp.

15 Q. Okay. To your knowledge, do different
16 subsidiaries of FirstEnergy Corp. have different CFO
17 to debt levels?

18 A. May I ask you to rephrase the question,
19 please?

20 Q. What do you find confusing?

21 A. I'm not sure what you mean by "different
22 CFO levels."

23 Q. Well, is the CFO level -- CFO to debt
24 level for each of the FirstEnergy Corp.'s

1 subsidiaries the same or do they -- do they vary
2 depending on subsidiary?

3 A. I would expect them to vary.

4 Q. Okay. And if you -- if you've added up
5 the CFO to debt levels of the various subsidiaries of
6 FirstEnergy Corp. -- strike that.

7 Do the CFO to debt levels of the various
8 subsidiaries of FirstEnergy Corp. play a role in
9 determining what the overall FirstEnergy Corp. CFO to
10 debt level is?

11 MR. KUTIK: Objection.

12 THE WITNESS: May I ask to have that
13 question reread, please.

14 (Record read.)

15 A. May I ask you to rephrase the question,
16 please?

17 Q. What do you find confusing?

18 A. "Role."

19 Q. In determining -- in determining
20 FirstEnergy Corp.'s CFO to debt level, is that -- is
21 the -- do the CFO to debt levels of the various
22 subsidiaries -- strike that. Strike that.

23 Are the CFO to debt levels of the various
24 subsidiaries of FirstEnergy Corp. a factor in the

1 overall CFO to debt level of FirstEnergy Corp.?

2 MR. KUTIK: Objection.

3 A. Yes.

4 Q. Are there other factors in the
5 FirstEnergy Corp. CFO to debt level besides the CFO
6 to debt levels of the various subsidiaries?

7 MR. KUTIK: Objection.

8 A. I don't know what the intricacies are of
9 the proprietary calculations used by the rating
10 agencies.

11 Q. If you compare the CFO to debt levels of
12 the various subsidiaries, would that give you a basis
13 for determining how much of FirstEnergy Corp.'s
14 overall CFO to debt shortfall each subsidiary is
15 responsible for?

16 MR. KUTIK: Objection.

17 A. I don't know.

18 Q. What would you need to figure that out?

19 A. The specifics of the calculation.

20 Q. And are you referring there to the
21 proprietary calculation done by Moody's?

22 A. Yes.

23 Q. Anything else you would need to know?

24 A. I don't know until I know what the

1 calculation is what else I would need to know.

2 Q. Okay.

3 MR. FISK: Karen, do you have the Buckley
4 testimony?

5 THE NOTARY: Yes.

6 MR. FISK: Okay. Could we -- with the
7 Attachment 1 on it. Could we mark that as Exhibit 2.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 Q. All right. Ms. Mikkelsen, you've been
10 handed a document marked Exhibit 2 which is the
11 rehearing testimony of Joseph Buckley; is that
12 correct?

13 A. I'm not sure.

14 THE WITNESS: Did you say there were
15 three attachments, Karen? Because the document I
16 have has only two.

17 MR. KUTIK: Over there.

18 A. I have the document.

19 Q. Okay. And do you have at least
20 Attachment 1 on it?

21 A. Yes, sir.

22 Q. Okay. And have you seen the document
23 before?

24 A. Yes.

1 Q. Okay. And is Attachment 1 to this
2 document the same Attachment 1 that you cite on page
3 12, lines 15 to 16, of your testimony?

4 A. Yes.

5 Q. Okay. And on those lines in your
6 testimony on page 12, you say that you based the
7 40 percent allocation factor on 2015 net income; is
8 that correct?

9 A. Yes.

10 Q. Okay. And if you look over at Attachment
11 1 to the Buckley testimony, let's just use the very
12 first page of that attachment, "Toledo Edison
13 Financial Highlights." Do you see that?

14 A. It reads "Toledo Edison Company Financial
15 Highlights."

16 Q. Yes. Thank you. And there's a -- then
17 there's a header midway down the page says "Income
18 Statement Highlights (\$000)." Do you see that?

19 A. Yes.

20 Q. Okay. So in calculating the 40 percent
21 allocation factor, did you use the net income figure
22 for 2015 that is represented under the income
23 statement highlights section?

24 THE WITNESS: May I ask to have the

1 question reread, please.

2 (Record read.)

3 A. Yes.

4 Q. Okay. And why did you use the net income
5 figure rather than the reported best operating income
6 figure?

7 A. I felt it was a more appropriate
8 allocation.

9 Q. And why did you feel that the net income
10 was a more appropriate allocation?

11 A. Because it reflected the impact of cash
12 items like taxes and interest that would not be
13 included in the reported net operating income.

14 Q. Okay. Any other reasons?

15 A. None that I can think of at this time.

16 Q. Okay. If you could turn to page 17 of
17 your testimony.

18 MR. KUTIK: Are we done with the Buckley
19 testimony?

20 MR. FISK: Yes, at least for now.

21 Q. (By Mr. Fisk) You are there,
22 Ms. Mikkelsen?

23 A. Yes.

24 Q. Okay. So starting on line 6, you have a

1 section titled "Credit Support Across FirstEnergy
2 Corp." Do you see that?

3 A. Yes.

4 Q. Okay. And then you identify in the
5 following discussion on page 17 over to page 18 steps
6 that other constituents have been taking to provide
7 credit support to FirstEnergy Corp.; is that correct?

8 A. Yes.

9 Q. Okay. And specifically on page 18,
10 starting at line 1 to line 12, you list the Public
11 Utilities Commission proceedings from other states
12 served by other FirstEnergy Corp. subsidiaries,
13 correct?

14 A. Yes.

15 Q. Okay. And let's look at the first one,
16 New Jersey, the first bullet you have "Recovery of
17 2011 and 2012 storm costs totaling \$736 million." Do
18 you see that?

19 A. Yes.

20 Q. Okay. And do you know what the docket
21 number is for that proceeding?

22 A. No.

23 Q. Have you reviewed any filings in that
24 proceeding?

1 A. I may have and I certainly would have
2 been engaged in discussions while the proceeding was
3 going on.

4 Q. Okay. And that proceeding involves the
5 recovery from customers for funds for specific
6 actions that the FirstEnergy Corp.'s subsidiary had
7 taken, correct?

8 THE WITNESS: May I ask to have the
9 question reread, please.

10 (Record read.)

11 A. Yes.

12 Q. Okay. So that proceeding did not involve
13 a request for customer funds to provide credit
14 support to the subsidiary, correct?

15 A. The proceeding was to recover dollars
16 that had been expended by the company associated with
17 storm restoration work in a timely -- to allow timely
18 and complete recovery of those dollars.

19 Q. Okay. But the calculation of the dollar
20 amounts that were requested in that proceeding were
21 not based on a level of credit support that
22 FirstEnergy Corp.'s subsidiary may or may not have
23 needed, correct?

24 A. I think the underlying premise was that

1 the companies had expended significant dollars on
2 storm restoration, over \$700 million, and were
3 looking to recover that cash in a timely and complete
4 fashion, recognizing the impact that the cash outlay
5 had on the companies.

6 Q. Okay. So it was -- that proceeding in
7 New Jersey was an attempt to recover money that had
8 been expended providing some sort of service to the
9 subsidiaries' customers; is that correct?

10 A. No.

11 Q. Why is that not correct?

12 A. I am not sure I agree with the
13 characterization of "service." I mean, these were
14 substantial dollars expended for restoration of
15 damages arising from a storm. So I'm not sure I
16 would call that a "service." It was a very capital
17 intensive process.

18 Q. Well, those amounts were seeking to
19 recover costs that had been expended to ensure that
20 customers could continue receiving energy from the --
21 from its subsidiary, correct?

22 A. No.

23 Q. No? Okay. Would -- how did the monies
24 collected in the recovery of 2011/2012 storm costs

1 proceeding, that you reference in your testimony,
2 provide credit support to FirstEnergy Corp.?

3 A. The companies -- JCP&L needed to expend
4 significant dollars in order to restore service to
5 our customers after storms and that timely and full
6 or nearly full recovery of those dollars eliminated
7 the need to continue to finance those dollars through
8 other means.

9 Q. In the current proceeding rider DMR would
10 not provide the companies with recovery of any funds
11 that it has already expended; is that correct?

12 A. Rider DMR would be used to jump-start the
13 grid modernization activities for the companies.

14 Q. But it would not be used to provide
15 recovery for any funds the companies have already
16 expended on grid modernization, correct?

17 A. Yes.

18 Q. And is not -- the rider DMR revenues
19 would not be used to provide recovery for any other
20 funds that the companies have already expended,
21 correct?

22 A. Yes.

23 Q. And with regards to any of the other
24 proceedings listed on page 18, lines 1 to 12, of your

1 testimony, were any of the amounts sought in those
2 proceedings proposed in order to provide credit
3 support to FirstEnergy Corp.?

4 A. Any additional cash received by the --
5 pardon me. Any additional cash received via any of
6 these subsidiaries would contribute to credit support
7 for FirstEnergy Corp. as well as the individual
8 subsidiaries.

9 Q. But with regards to each of these
10 proceedings, the cash that would be -- that is being
11 requested in those proceedings would be spent on
12 identified projects or services, correct?

13 MR. KUTIK: Objection.

14 THE WITNESS: May I have the question
15 reread, please.

16 (Record read.)

17 A. May I ask you to rephrase the question,
18 please?

19 Q. What do you find confusing?

20 A. The question, I guess, maybe particularly
21 as it relates to specific projects.

22 Q. Okay. Well, let's take, for example, the
23 second bullet on your Pennsylvania, "Rate case
24 pending seeking \$439 million annually." Do you see

1 that?

2 A. Yes.

3 Q. Have you reviewed any of the filings in
4 that proceeding?

5 A. Yes.

6 Q. And would you know the basis for seeking
7 \$439 million in that proceeding?

8 MR. KUTIK: Objection.

9 A. The \$439 million request is across four
10 separate proceedings representing four separate
11 utilities' subsidiaries that operate in Pennsylvania.
12 The composite request is based on a future test year,
13 an expectation of future expenses that will be
14 incurred as well as a future date certain.

15 Q. Okay. So the monies sought in that
16 Pennsylvania -- in those four separate Pennsylvania
17 proceedings is being requested on the expectation
18 that they would be used to cover expected future
19 expenses; is that correct?

20 MR. KUTIK: Objection.

21 A. Future expenses as well as a return of a
22 non-investment in the utilities.

23 Q. And that 430 -- 39 million dollars that's
24 being requested would still provide credit support to

1 FirstEnergy Corp. even though that money is expected
2 to be spent on projected future expenses; is that
3 correct?

4 MR. KUTIK: Objection, mischaracterizes
5 her testimony.

6 THE WITNESS: May I have the question
7 reread, please.

8 (Record read.)

9 A. Additional dollars received pursuant to
10 this rate -- these pending rate cases in Pennsylvania
11 would provide credit support to the four companies.

12 Q. Okay. So -- so the companies -- and in
13 this case let's go back to the companies in our
14 proceeding, if they are provided revenues from
15 customers, that money can provide credit support to
16 FirstEnergy Corp. even if that money also has to be
17 spent on a particular future activity; is that
18 correct?

19 A. Not necessarily.

20 Q. Okay. When would that not be correct?

21 A. If the dollars received are spent on
22 expense-related matters, I would see those netting
23 one another out.

24 Q. What do you mean by expense-related

1 matters?

2 A. If we receive a dollar in revenue and
3 spend a dollar in expense, there is no incremental
4 cash from operations that results from that dollar.

5 Q. Okay. So then going back to the four
6 separate proceedings in Pennsylvania, if the 439
7 million is for future projected expenses, how did
8 that amount provide credit support to FirstEnergy
9 Corp.?

10 MR. KUTIK: Objection, mischaracterizes
11 her testimony.

12 A. The companies project today that those
13 expenses will be incurred. The addition --
14 additional revenue is what is incremental which would
15 improve, all else equal, the companies' funds from
16 operation.

17 Q. So the additional revenue -- are you
18 referring there to the return that you would be
19 getting as part of the 439 million?

20 A. In part.

21 Q. Or are you referring to the full -- in
22 part, sorry. Are you referring to any other portion
23 of the 439 million?

24 A. To the extent -- yes.

1 Q. Okay. What other portions?

2 A. Again, if the company projects it's going
3 to incur a certain level of expense, then all the
4 additional cash that comes in from the rate cases is
5 an improvement to the cash from operations. It's not
6 as though the companies can say we aren't going to
7 incur this expense to provide service to our
8 customers, so the notion is those expenses will be
9 there. The cash is what's accretive to the credit
10 metrics.

11 Q. Okay, okay. I think I understand. Okay.
12 So in -- well, is that answer that you just -- that
13 explanation you just gave true with regards to all of
14 the proceedings you identify on lines 1 through 12 on
15 page 18 of your testimony?

16 A. I think there would be discretion with
17 respect to the capital spent on the LTIIP and DSIC
18 programs.

19 Q. I'm sorry.

20 A. And I think that the asset transfer of
21 Harrison to Monongahela Power would be considered a
22 separate matter.

23 Q. Okay. But other than those two, the
24 other proceedings you identify, lines 1 through 12 on

1 page 18, would be consistent with the explanation you
2 gave?

3 A. Yes, timely cash recovery of expenses
4 being incurred by the companies.

5 Q. Okay. And when you say there is
6 discretion with regards to the capital recovery
7 filings, the LTIIP, DSIC, what did you mean?

8 A. That those are filings that are made by
9 the companies suggesting future capital programs
10 pending approval prior to implementing the programs.

11 Q. Okay. And how do those provide credit
12 support to the FirstEnergy Corp.?

13 A. By allowing the companies to earn a
14 timely return of and on those investments.

15 Q. Okay. So in this proceeding, our current
16 proceeding, if the companies were to propose a
17 capital investment to -- strike that.

18 In our present proceeding if the
19 companies were to propose capital recovery for
20 investments in future capital projects and were to
21 timely receive that recovery, that would also provide
22 credit support for FirstEnergy Corp.; is that
23 correct?

24 THE WITNESS: May I have that question

1 reread, please.

2 (Record read.)

3 MR. KUTIK: Objection.

4 A. That's not the companies' proposal in
5 this proceeding.

6 Q. Well, I understand that's not the
7 companies' proposal. I am trying to figure out if --
8 you've identified a capital recovery filing in
9 Pennsylvania as providing credit support to
10 FirstEnergy Corp. And my question is is there any
11 reason why a similar capital recovery filing by the
12 companies in Ohio would not also provide credit
13 support to FirstEnergy Corp.?

14 MR. KUTIK: Objection.

15 A. I don't know.

16 Q. Why do you not know?

17 A. I don't know what the proposal would be.
18 I don't know what the terms of the proposal would be.
19 You know, I just -- I have no idea how to respond.

20 Q. Well, as a general matter, would timely
21 recovery of future capital investments by the
22 companies provide credit support to FirstEnergy
23 Corp.?

24 MR. KUTIK: Objection.

1 A. I don't know without more specifics.

2 Q. What would you need to know?

3 MR. KUTIK: Objection, asked and
4 answered.

5 A. What the proposal is, what the terms of
6 the proposal are, what the expenditures, what the
7 recovery mechanism and time frame is, any number of
8 things. There's a -- that's it.

9 Q. If the companies were to submit the exact
10 same type of proposal you've identified in the third
11 bullet point under Pennsylvania on page 18 of your
12 testimony in Ohio, would that type of proposal
13 provide credit support to FirstEnergy Corp.?

14 MR. KUTIK: Objection.

15 A. It may.

16 Q. And why -- why may it?

17 A. May I ask you to rephrase the question,
18 please?

19 Q. What's your -- what's your basis for
20 saying that it may provide credit support?

21 A. Again, it would be dependent upon the
22 specific recovery allowed by the Commission.

23 Q. Okay. So if the companies submitted the
24 same proposal that you are -- that you are

1 referencing in the third bullet point under
2 Pennsylvania on page 18 and the Commission were to
3 grant them that request for recovery, that would
4 provide credit support to FirstEnergy Corp.?

5 MR. KUTIK: Objection.

6 A. It would provide credit support to the
7 requesting companies or company.

8 Q. And that, in turn, would provide credit
9 support to FirstEnergy Corp., correct?

10 MR. KUTIK: Objection.

11 A. Yes.

12 Q. Okay. If you could turn to page 6, line
13 13, of your testimony, you -- you refer there to
14 "cash needs for debt redemption requirements, which
15 exceed one billion dollars through 2024." Do you see
16 that?

17 A. Yes.

18 Q. Okay. And the one billion dollars, is
19 that -- is that an annual amount, or is that the
20 total amount over the time period from now through
21 2024?

22 A. May I ask you to rephrase the question,
23 please?

24 Q. What do you find confusing?

1 A. The reference to "one billion dollars."

2 Q. Well, I am referring to the one billion
3 dollars that you reference on line 13.

4 A. My line 13 says "exceed one billion
5 dollars." It doesn't refer to "one billion dollars."

6 Q. Okay. The "exceed one billion dollars"
7 figure that you refer to on line 13, page 6, of your
8 testimony, is that an annual amount, or is that the
9 total amount through 2024, from today through 2024?

10 A. It is a total amount.

11 Q. Okay. And -- and is the "exceed one
12 billion dollars, is that referring to the -- is that
13 the amount of cash that is needed through that time
14 period?

15 MR. KUTIK: Objection.

16 A. It is the debt that is maturing through
17 that time period.

18 Q. Okay. And do you know what the cash
19 needs for that debt that is maturing are?

20 MR. KUTIK: Objection.

21 A. I would expect it to equal the value of
22 the maturities.

23 Q. And do you know what the value of the
24 maturity is?

1 A. It exceeds one billion dollars.

2 Q. Okay. So the -- so that -- so you would
3 expect the cash needs themselves to be exceeding one
4 billion dollars, correct?

5 A. As it relates to maturing debt, yes.

6 Q. Okay. And if the Commission were to
7 approve rider DMR as the companies' proposed in terms
8 of the amount, could the revenues received through
9 rider DMR be used to satisfy those cash needs?

10 MR. KUTIK: Objection.

11 A. It could.

12 Q. And you refer -- if you could turn to
13 page 5, lines 6 through 9, of your testimony, you --
14 there is a sentence there that starts "As
15 Dr. Choueiki explains." Do you see that?

16 A. Yes.

17 Q. Okay. There is a discussion there that
18 "Rider DMR is intended to provide credit support to
19 the Companies to put them in a position to jump-start
20 distribution grid modernization initiatives." Do you
21 see that?

22 A. Yes.

23 Q. Okay. Are the companies willing to
24 commit to spend the revenues received under rider DMR

1 on distribution grid modernization initiatives?

2 A. No.

3 Q. Are the companies willing to make any
4 commitments regarding how the revenues received under
5 rider DMR would be spent?

6 A. The companies' intention to use those
7 dollars within the companies for things like grid
8 modernization or preparatory work for grid
9 modernization or potentially for servicing maturing
10 debt among other possibilities.

11 Q. Okay. Are the companies willing to
12 commit to using all of the rider DMR revenues in the
13 companies?

14 A. That is the companies' intention.

15 Q. But am I correct the companies are not
16 willing to commit that is the only way they would use
17 those revenues under rider DMR; is that correct?

18 MR. KUTIK: Objection, asked and
19 answered.

20 A. Yes.

21 Q. And would the companies be able to
22 include revenues received under rider DMR in
23 dividends up to FirstEnergy Corp.?

24 MR. KUTIK: Objection.

1 A. May I ask you to rephrase the question,
2 please?

3 Q. What do you find confusing?

4 A. Your use of "revenues."

5 Q. The monies that the companies would
6 receive under rider DMR, would the companies in any
7 way be restricted from including those monies in
8 dividends that are sent to FirstEnergy Corp.?

9 MR. KUTIK: Objection.

10 A. Dividends to FirstEnergy Corp. would come
11 from the equity of the companies.

12 Q. Did you -- I'm sorry. Did you say
13 "companies" or "company"?

14 A. The proper word is "companies."

15 MR. KUTIK: Which I think is what you
16 said.

17 MR. FISK: I'm sorry. I missed that.

18 MR. KUTIK: That's what she said. She
19 said the word "companies."

20 MR. FISK: Okay. I just wanted to
21 clarify. I didn't hear her correctly, I guess.

22 Q. But the revenues received -- strike that.

23 The monies received under rider DMR would
24 contribute to the equity of the companies, correct?

1 MR. KUTIK: Objection.

2 A. It's possible.

3 Q. And the companies' proposals regarding
4 rider DMR do not in any way restrict the companies'
5 ability to provide dividends for FirstEnergy Corp.,
6 correct?

7 MR. KUTIK: Objection.

8 A. Yes.

9 Q. And are the companies proposing that the
10 Commission would be able to in any way review how any
11 revenues collected from customers under rider DMR
12 would be spent?

13 THE WITNESS: May I ask to have that
14 question reread, please.

15 (Record read.)

16 A. That was not an element of the staff's
17 proposal and I'm offering modifications to more
18 properly construct rider DMR under the staff's
19 proposal.

20 Q. Okay. Is it your understanding that the
21 staff's proposal does not include any Commission
22 review of how any monies collected from customers
23 under rider DMR would be spent?

24 A. I did not see any such provision in the

1 staff testimony.

2 Q. Okay. And the companies are not
3 proposing to add any such provision to rider DMR,
4 correct?

5 A. The companies are recommending
6 modifications to rider DMR to more properly construct
7 rider DMR.

8 Q. But am I correct that those modifications
9 that the companies are proposing does not include any
10 provision for the Commission to be able to review how
11 revenues collected under rider DMR would be spent?

12 MR. KUTIK: Objection, asked and
13 answered.

14 A. The companies aren't making any such
15 recommendation because, again, we're simply
16 recommending modifications to more properly construct
17 rider DMR. Having said that, the Commission at any
18 time can look at whatever it chooses to look at.

19 Q. Okay. And on -- in your testimony, page
20 5, starting at line 13, going over to page 6, line 9,
21 you discuss a number of investments that could be
22 made to modernize the distribution system; is that
23 correct?

24 A. Yes.

1 Q. Okay. And are you aware of the companies
2 filing in a separate docket a distribution grid
3 modernization plan?

4 A. Yes.

5 Q. And outside of that plan, are there any
6 other -- do the companies have any other written
7 plans for modernizing the distribution grid?

8 MR. KUTIK: Objection.

9 THE WITNESS: May I ask to have that
10 question reread, please.

11 (Record read.)

12 A. May I ask you to rephrase the question,
13 please?

14 Q. What do you find confusing?

15 A. Your use of "modernizing the distribution
16 grid."

17 Q. Well, I'm -- I'm referring to the sorts
18 of activity you discuss on page 5, line 13, through
19 page 6, line 9, where you discuss distribution grid
20 modernization initiatives. Are there any other
21 written plans regarding distribution grid
22 modernization initiatives outside of the distribution
23 grid modernization filing in the separate Commission
24 docket we were just discussing?

1 MR. KUTIK: Objection.

2 A. There may have been work done under the
3 direction of counsel some years ago related to
4 modernizing some elements of the distribution system.

5 Q. Okay. Beyond that there's nothing else;
6 is that correct?

7 A. Not that I'm aware of.

8 Q. Okay. And does your testimony in this
9 proceeding in any way modify what the companies are
10 proposing in the separate grid modernization docket
11 that has been filed at the Commission?

12 A. No.

13 Q. So in this -- in the present proceeding,
14 are you making any commitments with regards -- with
15 regards to distribution grid modernization beyond
16 what is included in that filing in the separate
17 Commission docket?

18 MR. KUTIK: Objection.

19 A. May I ask you to rephrase the question,
20 please?

21 Q. What do you find confusing?

22 A. "Commitment."

23 Q. Are you stating in this -- in the present
24 proceeding that the companies are going to do

1 anything on distribution grid modernization beyond
2 what is proposed in the separate Commission grid
3 modernization proceeding?

4 A. This testimony talks about the potential
5 for integration of battery technology as well as
6 other investments to modernize the distribution
7 system such as the rehabilitation of the urban area
8 network systems or the replacement of underground
9 cable that were not elements of the grid
10 modernization plan that was filed with the
11 Commission.

12 Q. Okay. And beyond the references to
13 those -- those initiatives that you just mentioned on
14 page 5, line 13, through page 6, line 9, of your
15 testimony, is there any other written detail
16 regarding those initiatives?

17 THE WITNESS: May I ask to have that
18 question reread, please.

19 (Record read.)

20 MR. KUTIK: Objection, asked and
21 answered.

22 A. I mentioned a prior study that would have
23 been done under the direction of counsel a few years
24 ago, and I think beyond that I'm not aware of any

1 other written study.

2 Q. And if the Commission were to approve
3 distribution grid modernization initiatives in the
4 separate Commission proceeding, would the companies
5 be seeking recovery of the costs of those initiatives
6 in that separate proceeding?

7 MR. KUTIK: Objection.

8 A. The stipulation, the third supplemental
9 stipulation, filed in ESP IV lays out the provisions
10 associated with cost recovery for programs that are
11 authorized in that proceeding.

12 Q. Okay. If the Commission were to approve
13 rider DMR, would that in any way impact the
14 companies' request for cost recovery for distribution
15 grid modernization initiatives?

16 MR. KUTIK: Objection.

17 A. By improving the access to the capital
18 markets under more favorable terms, it could or would
19 serve to reduce the dollars needed to be recovered
20 through the rider.

21 Q. Which rider are you referring to there?

22 A. The rider for the recovery of the grid
23 modernization dollars.

24 Q. Okay. But outside of that, the potential

1 reduction in borrowing costs, would the cash received
2 under rider DMR in any other way reduce the amounts
3 that the -- or that the companies would seek to
4 recover through the rider for distribution grid
5 modernization initiatives?

6 MR. KUTIK: Objection.

7 THE WITNESS: May I ask that you reread
8 the question, please.

9 (Record read.)

10 A. No.

11 Q. Okay. You on page 7 of your testimony,
12 starting at line 6, you have a discussion there about
13 "negative consequences of a rating downgrade to a
14 non-investment grade." Do you see that?

15 A. Yes.

16 Q. And one of the negative consequences of a
17 rating downgrade to a non-investment grade would be a
18 potential increase in borrowing costs; is that
19 correct?

20 A. Yes.

21 Q. And have you in any way quantified the
22 impact to customers of increased borrowing costs that
23 would result from a rating downgrade to
24 non-investment grade?

1 MR. KUTIK: I am going to object as asked
2 and answered in the July 8 deposition. Go ahead.

3 A. I don't think we can make that estimate
4 today without having knowledge about many things in
5 the future that would require us to speculate about
6 things in the future.

7 Q. Have you in any way quantified how a
8 credit downgrade would impact the cost of the
9 distribution modernization initiatives?

10 MR. KUTIK: I'll also object, same
11 grounds.

12 A. No --

13 Q. Okay.

14 A. -- for the same reasons.

15 MR. FISK: Okay. Could we go off for a
16 second?

17 MR. KUTIK: Certainly.

18 (Discussion off the record.)

19 MR. FISK: I just had a couple more
20 questions. Are we back on the record?

21 THE NOTARY: Yes.

22 MR. FISK: Okay.

23 Q. (By Mr. Fisk) Ms. Mikkelsen, do the
24 companies have any written plan of how they would

1 spend any cash received through rider DMR?

2 MR. KUTIK: Objection, asked and
3 answered.

4 A. No.

5 Q. And have you seen any written plan from
6 FirstEnergy Corp. on how it would get to a 15 percent
7 CFO to debt level?

8 A. No.

9 MR. FISK: Okay. That's all the
10 questions I have.

11 MR. KUTIK: Okay. Let's go off the
12 record.

13 (Discussion off the record.)

14 MR. KUTIK: Let's go back on the record.

15 - - -

16 CROSS-EXAMINATION

17 By Ms. Willis:

18 Q. Good afternoon, Ms. Mikkelsen -- or good
19 morning, Ms. Mikkelsen.

20 A. Good morning.

21 Q. Now, going to page 14 of your testimony,
22 line 7, you state that "the Companies recommend that
23 the value the PUCO approves for Rider DMR should be
24 increased to recognize the value of the condition

1 Mr. Buckley is recommending be imposed on FirstEnergy
2 Corp. regarding its headquarters." Do you see that?

3 A. It reads in total "regarding its
4 headquarters and the nexus of operations."

5 Q. Yes. Let me ask you this, what do you
6 mean by "nexus of operations"?

7 A. That was a term from Mr. Buckley's
8 testimony but I take the nexus of operations to be
9 where the majority of the Service Company operations
10 reside.

11 Q. And how is that different than the
12 headquarters, the condition relating to the
13 headquarters?

14 A. I think you could register a headquarters
15 in one geography and have the nexus of operations in
16 a different geography.

17 Q. Can you tell me what your understanding
18 of the condition that Mr. Buckley is recommending be
19 imposed on FE Corp. with regard to the headquarters
20 and the nexus of operations?

21 A. In Exhibit 2 that we discussed earlier
22 today, it describes Mr. Buckley's condition.

23 Q. Ms. Mikkelsen, is the commitment that
24 Mr. Buckley refers to in Exhibit 2 different than the

1 commitment that was made in the third supplemental
2 stipulation, if you know?

3 THE WITNESS: May I ask to have that
4 question reread, please.

5 (Record read.)

6 MR. KUTIK: Objection.

7 A. May I ask you to rephrase the question,
8 please?

9 Q. What is it that you don't understand
10 about my question, Ms. Mikkelsen?

11 A. Your reference to Mr. Buckley's
12 "commitment."

13 Q. Perhaps I'm a little slow this morning, I
14 haven't had enough coffee, but I think you referred
15 me to Exhibit 2, and you said that's where
16 Mr. Buckley's recommendation is as to the condition
17 for rider DMR. Are you disputing that that's where
18 he puts forth the condition --

19 MR. KUTIK: Objection.

20 Q. -- for rider DMR?

21 MR. KUTIK: Objection, argumentative.

22 A. No.

23 Q. Again, I'm not understanding why -- why
24 there is -- why you are unable to answer my question.

1 MR. KUTIK: So what is your question?

2 Q. My question is is the commitment that
3 Mr. Buckley refers to on Exhibit 2 that -- Deposition
4 Exhibit 2 that was discussed earlier this morning, is
5 that commitment different than the commitment that
6 was made in the third supplemental stipulation filed
7 in this proceeding?

8 MR. KUTIK: Objection.

9 A. I don't see Mr. Buckley making a
10 commitment which your question implies in Exhibit 2.

11 Q. Mr. Buckley's recommending a commitment,
12 correct? He is recommending that FirstEnergy
13 Corporation be required to maintain its headquarters
14 and nexus of operations in Akron; is that correct?

15 A. Not entirely, no.

16 Q. And why is that not correct?

17 A. He is merely stating a condition that has
18 to exist in order for rider DMR to continue.

19 Q. Ms. Mikkelsen, is the condition that
20 Mr. Buckley testified that must exist for the company
21 to continue to receive rider DMR different than the
22 commitment that the company made in the third
23 supplemental stipulation related to its headquarters
24 and its nexus of operations in Akron?

1 A. Yes.

2 Q. Can you tell me how that is different?

3 A. There was no rider DMR as a provision of
4 the stipulation.

5 Q. Apart from the fact that there was no
6 rider DMR as part of the stipulation, can you tell me
7 if there is -- the condition that Mr. Buckley
8 testifies to is any different than the commitment
9 made in the third supplemental stipulation by the
10 company?

11 A. It's different.

12 Q. And we already talked about one
13 difference being that the third supplemental
14 stipulation had no rider DMR. What is the other
15 differences?

16 A. Mr. -- the staff's condition for rider
17 DMR makes the entirety of the dollars collected under
18 rider DMR subject to refund.

19 Q. And are you saying that that was not a
20 condition of the commitment contained in the third
21 supplemental stipulation?

22 A. Yes.

23 Q. Is there any other difference between the
24 commitment made in the third supplemental stipulation

1 and the condition that Mr. Buckley testifies to
2 regarding maintaining the headquarters in Akron and
3 the nexus of operations?

4 A. May I ask you to rephrase the question,
5 please?

6 Q. Sure. We talked about two differences
7 between Mr. Buckley's condition and the companies'
8 commitment in the third supplemental stipulation.
9 The first was that the supplemental stipulation had
10 no rider DMR attached to the commitment. The second
11 item you mentioned is that the third supplemental
12 stipulation commitment did not have a condition
13 making the -- for rider DMR making the entirety of
14 the dollars collected subject to refund. Are there
15 any other differences between the companies'
16 commitment in the third supplemental stipulation and
17 the condition that Mr. Buckley speaks of related to
18 rider DMR?

19 A. Yes.

20 Q. Can you tell me what those differences
21 are beyond those we've already discussed?

22 A. The commitment in the third supplemental
23 stipulation was tied directly to rider RRS. The
24 condition in Mr. Buckley's testimony is not tied to

1 rider RRS.

2 Q. Okay. Is there any other condition that
3 is -- or any other difference that you can identify?

4 A. None that I can think of at this time.

5 Q. Thank you. Now, is the condition that
6 was recommended by Mr. Buckley different than the
7 commitment the PUCO spoke of in its opinion and order
8 adopting the third supplemental stipulation?

9 A. It would be helpful to me to see the
10 reference in the opinion and order you're referring
11 to.

12 MS. WILLIS: Karen, do you have -- I am
13 not clear that you do. Do you have a copy of the
14 opinion and order in this proceeding?

15 THE NOTARY: No.

16 MS. WILLIS: Okay.

17 Q. (By Ms. Willis) Ms. Mikkelsen, let me
18 read from that opinion and order and see if that
19 refreshes your recollection. "The Commission also
20 notes that" --

21 MR. KUTIK: Excuse me. Excuse me. Could
22 you tell me what page you are reading from, please?

23 MS. WILLIS: Yes. If you give me a
24 moment, I will find it.

1 MR. KUTIK: Just for purposes of the
2 record, it would help.

3 MS. WILLIS: Absolutely. That would be
4 page 97 of the opinion and order in this proceeding
5 on March 31, 2016.

6 Q. And the -- I'm reading this to refresh
7 your recollection about the commitment the PUCO spoke
8 of. "The Commission also notes that as the
9 stipulations provide that FirstEnergy will retain its
10 corporate headquarters and nexus of operations in
11 Akron, Ohio, for the duration of rider RRS, the
12 stipulation ESP IV should be clarified such that if
13 FirstEnergy Corp. should move its headquarters" --
14 "corporate headquarters in or nexus of operations
15 from Akron, Ohio, during the period of rider RRS, the
16 Commission may determine in its full discretion to
17 terminate rider RRS."

18 Now, given the excerpt that I read you
19 from the Commission's opinion and order, can you tell
20 me how the PUCO's adopted commitment is different
21 than the condition that Mr. Buckley testified should
22 be imposed associated with rider DMR?

23 A. So these might have been better questions
24 addressed to Mr. Buckley regarding his proposal. I

1 can give my interpretation of his proposal.

2 Q. And I would appreciate that. Thank you.

3 If you could give me that.

4 A. The Commission's order did not in any way
5 rely upon a rider DMR. The Commission's order was
6 tied to the -- the Commission's order related to the
7 headquarters and the nexus of operations was tied to
8 the rider RRS. And the Commission's order does not
9 contain a provision related to returning all of the
10 rider RRS dollars like Mr. Buckley's proposal or
11 condition does with respect to rider DMR.

12 Q. Is there any other differences that -- if
13 you know?

14 A. Again, I don't have the document in front
15 of me, so based on your read of the document, that's
16 what comes to mind right now.

17 Q. Thank you. Now, can you tell me,
18 Ms. Mikkelsen, with respect to the companies'
19 proposal what the companies' commitment is -- let me
20 strike that.

21 The company has also made a commitment in
22 its proposal to maintaining the headquarters of
23 FirstEnergy and nexus of operations in Akron,
24 correct?

1 MR. KUTIK: Well, let me stop it there.

2 We have been talking through this case, at least this
3 rehearing, the proposal relating to rider RRS and the
4 calculation of rider RRS. Is that what you mean?

5 MS. WILLIS: Yes. I'm sorry. I didn't
6 make that clear in the beginning of my cross.

7 Q. When I refer to "the proposal," I am
8 talking about modified rider RRS, and just wanted to
9 make sure you understand that, Ms. Mikkelsen. So my
10 question is with respect to the proposal for modified
11 rider RRS, the company also makes a -- has made a
12 commitment to maintain its operations and -- nexus of
13 operations and headquarters in Akron, Ohio; is that
14 correct?

15 MR. KUTIK: Objection. Go ahead.

16 A. My rehearing and surrebuttal testimony
17 does not address that provision of rider RRS.

18 Q. Is that provision of rider RRS contained
19 in the proposed modified rider RRS?

20 MR. KUTIK: Objection.

21 A. Yes.

22 Q. And can you tell me if that commitment is
23 any different from the condition testified to by
24 Mr. Buckley for rider DMR?

1 MR. KUTIK: Objection.

2 A. Again, that provision is not a topic I
3 address in my rehearing rebuttal or surrebuttal
4 testimony.

5 Q. Understanding that you do not, you are
6 still testifying, are you not, in your rebuttal
7 testimony that it is the companies' position that the
8 proposal and not a modified rider DMR be adopted; is
9 that correct?

10 A. Yes.

11 Q. So with respect to the proposal, is the
12 commitment within the proposal to maintain
13 operation -- nexus of operations and headquarters in
14 Akron different than the commitment that Mr. Buckley
15 testified -- or different than the condition that
16 Mr. Buckley testifies to associated with rider DMR,
17 if you know?

18 A. Yes.

19 Q. And can you tell me how it is
20 different -- would you tell me how it's different,
21 Ms. Mikkelsen?

22 A. In the companies' proposal, that
23 commitment is tied to rider RRS. Mr. Buckley's
24 condition is tied to rider DMR. And Mr. Buckley's

1 condition includes the potential to refund all of the
2 dollars collected under rider DMR if the headquarters
3 and nexus of operations should move. There was no
4 provision like that in the company's proposal.

5 Q. Thank you.

6 A. Just to clarify, the companies' proposal
7 did not address this condition at all, that the
8 companies' proposal addressed changes to the rider
9 RRS calculation. It in no way addressed this
10 provision that existed and was approved by the
11 Commission in the prior portion of the hearings.

12 Q. So are you saying, Ms. Mikkelsen, that
13 the companies' proposal -- you are saying,
14 Ms. Mikkelsen, that the commitment that was approved
15 by the Commission and is in the opinion and order
16 related to rider RRS would continue to be the
17 commitment associated with the proposal in this
18 proceeding?

19 A. Yes.

20 Q. Thank you. Now, with respect to the
21 commitment for the companies' proposal in this
22 proceeding related to maintaining the headquarters
23 and nexus of operations in Akron, can you tell me, is
24 that a commitment to retain a certain number of jobs

1 at the headquarters?

2 THE WITNESS: May I ask to have that
3 question reread, please.

4 (Record read.)

5 A. The companies' address Mr. Buckley's
6 proposal by recommending that rider DMR would remain
7 in effect over the entire time of ESP IV as long as
8 the FirstEnergy headquarters and nexus of operations
9 remain in Akron, Ohio.

10 Q. So -- so the commitment to maintain the
11 headquarters in Akron, Ohio, and maintain the nexus
12 of operations is not a commitment to retain a certain
13 number of jobs; is that correct?

14 MR. KUTIK: Objection.

15 A. I think the point I was trying to make is
16 that the companies are recommending that DMR would
17 only remain in effect as long as the headquarters and
18 nexus of operations remain in Akron, Ohio.

19 Q. And I guess my question is could the
20 headquarters and nexus of operations remain in Akron,
21 Ohio, even if the number of employees was reduced
22 to -- was reduced beyond the current level of
23 employees?

24 MR. KUTIK: Objection.

1 A. Yes.

2 Q. Would you agree with me that if the
3 number of employees is decreased from the level
4 included in Ms. Murley's study, that that would
5 affect the value of the economic development that
6 Ms. Murley testifies to?

7 MR. KUTIK: Objection, especially to the
8 extent it calls for speculation. Go ahead.

9 MS. WILLIS: I'm sorry. I didn't hear
10 your objection, Mr. Kutik.

11 MR. KUTIK: It's based on speculation.
12 Go ahead then.

13 A. I would say to the extent that the
14 employment levels are higher than the level included
15 in Ms. Murley's study, the economic benefits would be
16 greater. To the extent that they are lower, then all
17 else equal, the benefits would be lower, but other
18 facts and circumstances may exist at the time that
19 would impact the number as well.

20 Q. Now, the commitment to keep the
21 headquarters in Akron and nexus of operations in
22 Akron is not a commitment to retain, for instance,
23 management employees at the office on a full-time
24 basis; is that correct?

1 MR. KUTIK: Objection.

2 Q. And I am talking about the commitment
3 with respect to the proposal.

4 A. May I ask you to rephrase the question as
5 it relates to "commitment"?

6 Q. Is the condition to keep the headquarters
7 in Akron associated and the nexus of operations in
8 Akron that's associated with the proposal as approved
9 by the Commission -- let me strike that.

10 Is the commitment or the condition to
11 keep the headquarters in Akron associated with the
12 proposal a commitment to retain certain employees,
13 for instance, management employees, at the office --
14 headquarters on a full-time basis?

15 A. So is your question now going back to the
16 rider RRS proposal that's been approved by the
17 Commission already?

18 Q. Yes.

19 A. So may I ask you to --

20 Q. But -- I'm sorry. Go ahead.

21 A. May I ask you to rephrase the question in
22 that specific context?

23 Q. Okay. And perhaps -- I appreciate
24 your -- I can see you are trying to respond. I guess

1 really my question is going to the proposal which is
2 the modified rider RRS proposal. So with respect to
3 the modified rider RRS proposal which is what the --
4 what the company is recommending at this point, is
5 that commitment that relates back to rider RRS, is
6 that a commitment to retain certain employees,
7 management employees, at the office on a full-time
8 basis for any period of time?

9 MR. KUTIK: Objection.

10 A. There is nothing in the modification --
11 the proposal to modify the rider RRS calculation that
12 addresses the headquarters and nexus of operations
13 condition that was agreed to in the stipulation and
14 approved by the Commission.

15 Q. Is it your understanding -- I'm sorry.
16 Were you finished?

17 A. Yes.

18 Q. Is it your understanding that the
19 condition that was agreed to by the Commission
20 associated with the third supplemental stipulation
21 and rider RRS was not a commitment to keep the
22 headquarters in Akron and the nexus of operations in
23 Akron, that was not a commitment to retain certain
24 employees, management employees, at the office on a

1 full-time basis?

2 MR. KUTIK: Objection.

3 A. May I ask you to rephrase the question,
4 please?

5 Q. What part of the question, Ms. Mikkelsen,
6 are you having trouble with?

7 A. Perhaps it's the length and the -- it
8 touches on a number of different things, and then
9 it's difficult for me to answer. It's almost
10 compound in the conditions that are built into it to
11 come to the answer so that's my trouble.

12 MR. KUTIK: Also seemed like you changed
13 it mid-question to me. Go ahead.

14 Q. Okay. The condition related to modified
15 rider RRS pertaining to keeping the headquarters in
16 Akron and the nexus of operations in Akron, is that a
17 condition that would require the companies or
18 FirstEnergy Corp. to retain certain management
19 employees at the office on a full-time basis?

20 A. I think so, yes.

21 Q. And can you explain what management
22 employees -- can you further explain how you -- can
23 you further explain your answer why you believe that
24 is a commitment to retain management employees at the

1 office on a full-time basis?

2 MR. KUTIK: Well, I'll object. That's
3 compound. You can answer the last question.

4 THE WITNESS: May I ask you to repeat the
5 question, please.

6 MR. KUTIK: Do you want Karen to read it?

7 THE WITNESS: Please. May I have it
8 reread, please.

9 (Record read.)

10 A. The tie to the nexus of operations, I
11 think, suggests that.

12 Q. Okay. Ms. Mikkelsen, let's move to page
13 2 of your testimony, specifically lines 6 through 8,
14 you state that "The Staff's alternative to the
15 Proposal is a Distribution Modernization Rider under
16 RC 4928.143(B)(2)(h) to enable the Companies to
17 jump-start grid modernization initiatives." Can you
18 tell me what you mean by that when you refer to the
19 statute?

20 A. I'm referring here to the staff's
21 testimony that refers to the statute.

22 Q. So you are accepting the staff's
23 representation that their alternative to the proposal
24 is a distribution modernization rider under RC

1 4928.143(B)(2)(h).

2 A. Yes.

3 Q. Is there any other basis for your
4 statement that the staff's alternative to the
5 proposal is a distribution modernization rider under
6 that specific statute?

7 A. Again, I'm referring here to the staff's
8 reference to this statute, not my belief.

9 MR. KUTIK: Excuse me.

10 Q. I'm sorry.

11 MR. KUTIK: I think we have her answer on
12 the record. Go ahead.

13 MS. WILLIS: Can we have the answer
14 reread because I didn't mean to interrupt. It's a
15 little difficult here, but if we could have her
16 answer reread -- the question and her answer reread,
17 that would be great. Thank you.

18 (Record read.)

19 Q. Ms. Mikkelsen, do you have a belief that
20 the Staff's alternative to the proposal is a
21 distribution modernization rider under that statute?

22 A. Yes.

23 Q. And what is that belief based on?

24 A. I believe that rider DMR is a

1 distribution infrastructure modernization rider under
2 4928.143(B)(2)(h). I believe it also is a rider --
3 pardon me. I believe it also satisfies the provision
4 of single-issue ratemaking and incentive ratemaking
5 as it relates to -- or as it's designed to propose
6 credit support to the companies.

7 And, further, I think it has economic
8 development and job-retention benefits under a
9 separate provision under 4928.143(B)(2). I believe
10 the provision is (i).

11 Q. Let's go back for a moment, specifically
12 to the first belief, and your belief -- I think you
13 referred to your belief that the staff's alternative
14 is a distribution modernization rider under
15 4928.143(B)(2)(h). Is that your own independent
16 opinion, Ms. Mikkelsen?

17 MR. KUTIK: Objection.

18 A. Yes.

19 Q. Is that opinion based in any part on
20 advice of counsel?

21 MR. KUTIK: Objection, instruct you not
22 to answer.

23 MS. WILLIS: Mr. Kutik, I would note if
24 it is based on advice of counsel, by putting that

1 opinion in her testimony, she has waived the right to
2 claim attorney-client privilege.

3 MR. KUTIK: She never claimed it was
4 based upon advice of counsel and doesn't say so in
5 her testimony. And you just asked her whether it was
6 her independent opinion, and she said "yes." Whether
7 she had any discussions with counsel on the subject
8 is seeking information that relates to
9 attorney-client privilege, and I will continue to
10 instruct her not to answer questions on that subject.

11 Q. (By Ms. Willis) Ms. Mikkelsen, did you
12 rely on anything other than your own regulatory
13 experience in determining that the staff's proposal
14 is a distribution modernization rider under
15 4928.143(B)(2)?

16 A. I'm giving you my opinion as a
17 non-attorney.

18 Q. Now, you also indicated that you believe
19 that the staff's proposed distribution -- or staff's
20 proposed rider DMR is a -- satisfies a single-issue
21 ratemaking provision under the statute. Can you tell
22 me what the basis of that opinion is?

23 A. The basis of that opinion, as I said
24 earlier, really relates to the credit support,

1 attributes of rider DMR.

2 Q. And can you explain to me how a credit
3 support attribute of rider DMR makes it a
4 single-issue ratemaking issue under the law?

5 A. I'm not an attorney, so from a
6 non-attorney perspective, my view is the rider is
7 designed to do one thing, provide credit support so
8 that is a single issue from a ratemaking perspective.

9 Q. Do you consider providing credit support
10 to be a ratemaking -- to be ratemaking?

11 A. I think approval of rider DMR is
12 ratemaking.

13 Q. Now, you also mentioned that you believe
14 rider DMR is incentive ratemaking under the statute.
15 Can you tell me what that -- what the basis of your
16 statement is there?

17 A. Again, rider DMR is designed to provide
18 credit support to jump-start grid modernization, so I
19 consider that to be incentive ratemaking.

20 Q. And that is your opinion as a
21 non-attorney; is that correct?

22 MR. KUTIK: We'll stipulate to that.
23 What's your next question?

24 Q. So you are not providing a legal opinion

1 that -- that the rider DMR fits as a provision under
2 the statute; is that correct?

3 MR. KUTIK: We'll stipulate to that, too.

4 MS. WILLIS: Okay.

5 Q. And will you also stipulate that with
6 respect to rider DMR being -- qualifying as economic
7 development and job retention under the law?

8 MR. KUTIK: Yeah. She is not giving any
9 opinion as an attorney. She is giving her opinion as
10 a regulatory expert in this area for decades.

11 MS. WILLIS: Thank you.

12 Q. Now, let's go to page 3, line 15 through
13 18, and there you state that "Rider RRS as originally
14 approved and as modified by the Proposal is not a
15 subsidy to stabilize the Companies and protect them
16 from financial harm as they transition SSO service to
17 market-based pricing and separate their generation
18 assets." Do you see that reference?

19 A. I do.

20 Q. Can you tell me what the basis of this
21 conclusion is?

22 A. Yes.

23 Q. Would you tell me what is the basis of
24 this conclusion?

1 A. Rider RRS, as designed and approved, was
2 to protect customers against retail rate volatility
3 and increasing prices through a hedge mechanism.

4 Q. And there you are giving your nonlegal
5 opinion that rider RRS is not a transition charge
6 under Ohio law?

7 A. Yes. Rider RRS is not a transition
8 charge.

9 Q. And, again, that is your nonlegal
10 opinion, correct?

11 A. I'm not offering you a legal opinion,
12 correct.

13 Q. And when you say that rider RRS, and I am
14 parsing out your answer in page 3, line 15 through
15 18, is not a subsidy, can you tell me the basis of
16 that statement?

17 MR. KUTIK: Objection.

18 A. What that statement reads in total is
19 "Rider RRS as originally approved and as modified by
20 the Proposal is not a subsidy to stabilize the
21 Companies and protect them from financial harm as
22 they transition SSO service to market-based pricing
23 and separate their generation assets."

24 Q. Is rider RRS a subsidy?

1 A. No.

2 Q. Is modified -- is rider RRS as modified
3 by the proposal a subsidy?

4 A. No.

5 Q. And on what basis did you determine
6 that -- that neither rider RRS or the proposed
7 modified rider RRS is not a subsidy?

8 A. Rider RRS as originally approved and as
9 modified by the proposal is a retail rate hedge
10 provided to the companies' customers in order to
11 provide them rate stability and protect them against
12 increasing prices and price volatility.

13 Q. Can you tell me, when you use the term
14 "subsidy" on page 3, lines 15 through 18, what you
15 mean there? Actually, it's line 16. But let me
16 rephrase that. When you testify on page 3, line 16,
17 and you use the term "subsidy," can you tell me how
18 you define "subsidy"?

19 A. The word -- what I'm saying there is that
20 rider RRS, as approved and modified by the proposal,
21 is not a subsidy to stabilize the companies and
22 protect them from financial harm as they transition
23 SSO to market-based pricing and separate their
24 generation assets. So I'm saying -- I am saying what

1 it is not. It is not a subsidy designed to do those
2 things; rather, rider RRS, as originally approved and
3 modified by the proposal, is a retail rate stability
4 mechanism for our customers.

5 Q. I understand, and I am asking you,
6 Ms. Mikkelsen, how, when you say it "is not a
7 subsidy," how you define the term "subsidy."

8 MR. KUTIK: Objection, asked and
9 answered. She referred you to her testimony.

10 MS. WILLIS: I don't think she's
11 answered.

12 MR. KUTIK: She has. So you want to tell
13 her again.

14 MS. WILLIS: I am not going to debate.
15 I'm going to ask the question again.

16 MR. KUTIK: I am telling the witness if
17 she wants to restate her answer again or stand on her
18 answer, she can do that.

19 A. I'll stand on my answer. Thank you.

20 Q. So as we sit here today, you cannot
21 define what -- when you use the term "subsidy," you
22 cannot define it; is that what you are telling me?

23 MR. KUTIK: Well, that mischaracterizes
24 her testimony. It's also argumentative.

1 Q. Can you tell me what the attributes of a
2 subsidy are, Ms. Mikkelsen? How you determine
3 something is a subsidy or is not a subsidy?

4 MR. KUTIK: Objection, asked and
5 answered, and beyond the scope of her rebuttal
6 testimony.

7 A. I'll stand on my answers. Thank you.

8 Q. Is your testimony that if value is given,
9 there is not a subsidy? Is that your testimony?

10 MR. KUTIK: Objection.

11 A. May I ask you to rephrase the question,
12 please?

13 Q. In determining whether something is a
14 subsidy or not, if value is given for the charge or
15 the -- let me strike that. Let's start with a
16 hypothetical.

17 Let's say we have a charge and that
18 charge provides a hedge to customers. Is it your
19 testimony that because customers are getting some
20 value, the hedge value for the amount they are
21 paying, that means there is no subsidy?

22 MR. KUTIK: Objection, incomplete
23 hypothetical.

24 THE WITNESS: May I have the question

1 reread, please?

2 (Record read.)

3 A. Yes.

4 Q. So does it determine -- does whether or
5 not it is a subsidy depend upon the amount of value
6 that is given in exchange for the charge?

7 MR. KUTIK: Objection. I don't know
8 where we are in the record in terms of a hypothetical
9 so.

10 A. Yeah. I'm having difficulty as well.
11 Perhaps you could rephrase the question.

12 Q. When you use the term "subsidy" on
13 page 3, line 16, are you referring to any term used
14 in a statute in Ohio law? Is that a reference to a
15 statute -- statutory term in Ohio law?

16 A. My use of the word "subsidy" on page 3 is
17 really addressing Dr. Choueiki's concern that the
18 company's proposal might be construed as a transition
19 charge. It is not in specific reference to anything
20 other than that.

21 Q. Thank you.

22 Now, on page 4, line 2, you say "There is
23 no 'transition' for which the Companies would be
24 collecting transition costs through Rider RRS as

1 originally approved or as modified by the Proposal."

2 Now, can you tell me why you are placing the word

3 "transition" in quotes?

4 A. Again, Dr. Choueiki has expressed concern

5 that the proposal could be construed as a transition

6 charge, so I am addressing his concern by saying

7 there is no transition.

8 Q. Are you making -- you are giving an

9 opinion, Ms. Mikkelsen, as to whether or not rider

10 RRS, as originally approved or as modified by the

11 proposal, is a transition charge under Ohio law?

12 A. Yeah, I am saying it is not a transition

13 charge because there is no transition. The

14 companies -- there is no transition going on at this

15 time. The companies began procuring their SSO supply

16 competitively in 2009, and no longer have any

17 generation assets, so there is no -- the companies

18 are not in a transition, so this cannot be a

19 transition charge.

20 Q. And when you use the term "transition" in

21 "transition charge," you are not referring to those

22 charge -- the language that's used in the Ohio

23 statutes; is that correct?

24 A. I think I am being deferential to those

1 terms in the statute.

2 Q. And is that -- are you giving a legal
3 opinion that the rider is not a transition charge
4 under Ohio law?

5 A. No.

6 Q. Is your opinion based on your regulatory
7 experience with transition charges?

8 A. It is based on my regulatory experience,
9 yes.

10 Q. And can you tell me what your regulatory
11 experience has been with transition charges?

12 A. I'm thinking of when the -- well, I think
13 there's a lot of -- I have a lot of awareness about
14 proceedings over the last several years, many years,
15 with respect to transition charges, both for the
16 companies and others.

17 Q. Okay. Can you tell me what proceedings
18 that you are aware of with respect to transition
19 charges for -- that you just referenced for the
20 companies as well as other utilities, and we can
21 limit that to Ohio?

22 A. Yeah. I think I would be thinking of the
23 AEP case and the Dayton case.

24 Q. Are there any other cases that come to

1 mind that you are aware of relating to transition
2 charges?

3 A. I think there would have been a number of
4 cases back in the 2000 -- mid-2000 time frame.

5 Q. And were you familiar with the
6 transition -- the -- any cases involving the
7 FirstEnergy utilities and transition charges, if you
8 know?

9 A. May I ask you to rephrase the question,
10 please?

11 Q. You indicated that you were aware of
12 proceedings that have dealt with transition charges.
13 I'm asking you whether or not you are aware of, or
14 are familiar with, proceedings involving the
15 FirstEnergy utilities that related to transition
16 charges?

17 A. I --

18 MR. KUTIK: I will just object. We are
19 getting pretty far afield. Go ahead.

20 A. I was not working in a regulatory
21 capacity during that time frame.

22 Q. And the time frame that you're speaking
23 of is what?

24 A. Well, it was the time frame you were

1 speaking of.

2 Q. 2000, mid-2000? Is that the time frame?

3 A. I thought -- yes.

4 Q. Okay. Now, when you said -- I'm sorry.

5 I didn't mean to cut you off. Are you finished?

6 A. Yes.

7 Q. Now, when you said you have an awareness
8 of proceedings regarding transition charges, would
9 your awareness extend to Supreme Court holdings on
10 transition charges?

11 A. Yes.

12 Q. Now, on page 4 --

13 MR. KUTIK: Before you continue, let's go
14 off the record.

15 (Discussion off the record.)

16 (Thereupon, at 12:29 p.m., a lunch recess
17 was taken.)

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1 Wednesday Afternoon Session,
2 July 27, 2016.

3 - - -

4 EILEEN M. MIKKELSEN

5 being previously duly sworn, as hereinafter
6 certified, deposes and says further as follows:

7 CROSS-EXAMINATION (Continued)

8 By Ms. Willis:

9 Q. Good afternoon, Ms. Mikkelsen.

10 A. Good afternoon.

11 Q. Let's go to page 4, line 5, of your
12 testimony and there you testify that rider R -- that
13 "Since Rider RRS as originally approved and" -- "and
14 as modified by the Proposal is projected to be a net
15 credit over the term of the ESP IV, it could not be
16 considered a transition charge." What do you mean
17 there by the -- when you use the term "transition
18 charge"?

19 A. Again, this testimony is addressing
20 staff's concern that the proposal could be construed
21 as a transition charge.

22 Q. Now, is the reason that -- are you making
23 the distinction between a credit and a charge by that
24 statement?

1 MR. KUTIK: Objection.

2 A. May I ask you to rephrase the question,
3 please?

4 Q. Sure. You're testifying at page 4, line
5 5, that rider RRS is not a transition charge because
6 it would be -- it's projected to be a net credit,
7 correct?

8 A. Yes.

9 Q. So you are saying that if customers
10 receive a credit and are not paying, then it cannot
11 be a charge, correct?

12 A. Yes.

13 Q. If customers pay in any one year, for
14 instance, would that be -- let me strike that.

15 In this -- in making this statement that
16 since it's the rider as approved and modified by the
17 proposal is a net credit and, therefore, cannot be a
18 transition charge, are you giving a legal opinion
19 that it is not a transition charge under Ohio law?

20 MR. KUTIK: Well, again, I don't know how
21 many times we have to say this, she is not a lawyer.
22 She is not giving legal opinions anywhere in her
23 testimony. We can stipulate to that.

24 Q. So what is the basis of your conclusion

1 that if it's not -- because customers are receiving a
2 net credit, it is not a transition charge? What's
3 the basis of that conclusion?

4 A. That it is a net credit.

5 Q. And that's based on -- in your opinion
6 it's based on a reading -- of a nonlawyer's reading
7 of the law, correct?

8 MR. KUTIK: Objection.

9 A. I think it's just based on the fact if
10 it's a credit, a net credit, it would be difficult --
11 you couldn't consider it a charge. I don't know --

12 Q. Isn't it. I'm sorry.

13 MR. KUTIK: Had you finished your answer?

14 THE WITNESS: I had. Thank you.

15 Q. Is it a charge in any year during the ESP
16 term according to the companies? And I am talking
17 about the rider RRS as originally approved or as
18 modified. Is there any years that it would be a
19 charge?

20 A. It is projected to be a charge in some
21 years, yes.

22 Q. So in those years that it is projected to
23 be a charge, it could be potentially a transition
24 charge; is that correct?

1 MR. KUTIK: Objection.

2 A. No.

3 Q. And why is that?

4 A. For all the reasons listed here in my
5 testimony starting on page 3 at 13 and continuing
6 through page 4 at 10.

7 Q. For purposes of your testimony on line --
8 on page 4, line 5, if we isolate that reasoning, the
9 reasoning being that the proposal is projected to be
10 a net credit, therefore it cannot be a transition
11 charge, if we are limiting ourselves to that
12 reasoning, would you agree with me that if the
13 proposal results in a charge in any year, that it
14 could be considered a transition charge?

15 MR. KUTIK: Objection, that
16 mischaracterizes her testimony. It's argumentative.

17 A. No.

18 Q. And why is that?

19 A. Again, for all the reasons listed here,
20 you know, as I said, starting on page 3 at 13 and
21 continuing through page 4 at 10.

22 Q. And perhaps you were misunderstanding my
23 question. I was saying let's -- let's limit our --
24 our inquiry to the rationale that you provide on

1 page 4, lines 5, and not consider any other rationale
2 that you have stated as to why you believe this is
3 not a transition charge. Limiting it to that
4 rationale that if it's a -- if it's a credit, it is
5 not a charge, then my question is if there are years
6 where it is a charge and not a credit, could it be
7 considered a transition charge limiting that to the
8 rationale you set forth on page 4, line 5?

9 MR. KUTIK: I'll object on the same
10 grounds and I'll also add asked and answered.

11 A. No.

12 Q. And is that because you cannot accept
13 that -- you cannot limit the condition to that which
14 you describe on page 4, line 5?

15 A. I think the answer needs to be considered
16 in totality as it addresses the staff's concern.

17 Q. Now, on page 5, lines 9 through 12 --
18 lines 9 through 12, you state that "Rider DMR is
19 appropriate for consideration in an ESP because it is
20 a provision regarding the Companies' distribution
21 service, single issue ratemaking, incentive
22 ratemaking, and because Rider DMR functions as
23 economic development and job retention program." Do
24 you see that?

1 A. I do.

2 Q. And when you use those terms, you are
3 using those terms -- you are using those terms as
4 defined in the statute?

5 A. I don't have a copy of the statute in
6 front of me to look at to see if those terms are, in
7 fact, defined in the statute. They are certainly
8 referred to or included in the statute. I don't
9 recall there being a definition as you suggest for
10 those terms.

11 Q. When you used those terms, are you using
12 them synonymously with the terms that are referred to
13 in the statute?

14 A. Yes.

15 Q. Now, on page 22, lines 6 through 8, you
16 testified that the exclusion of rider DMR revenues is
17 consistent with the SEET statute, among other things.
18 Do you see that?

19 A. Yes.

20 Q. And can you tell me what statute you are
21 referring to there?

22 A. 4928.143; the specific provisions that
23 relate to the significantly excessive earnings test.

24 Q. And what is the basis of your conclusion

1 that exclusion of rider DMR revenues is consistent
2 with the SEET statute?

3 A. The statute requires that the earned ROE
4 of the companies be compared to the earned ROE of
5 comparable companies that face the same financial and
6 business risks.

7 Q. Is there anything else you are basing
8 your conclusion on?

9 A. May I ask you to rephrase the question,
10 please?

11 Q. You conclude, Ms. Mikkelsen, that the
12 excluding of rider DMR revenues is consistent with
13 the SEET statute, and I asked you what the basis of
14 that conclusion was, and your response was that --
15 that the statute refers to return on equity being
16 compared to earned return of companies or entities
17 with comparable earnings. Is that a fair
18 characterization?

19 A. No.

20 Q. Okay. Why don't you tell me why, again
21 why you believe or the basis for your belief that
22 including or excluding DMR revenues is consistent
23 with the SEET statute?

24 MR. KUTIK: Objection, asked and

1 answered.

2 A. The SEET statute requires that the earned
3 return on equity of the companies be compared to the
4 earned return on equity of comparable companies that
5 face comparable business and financial risk.

6 Q. Is there any other basis for your
7 conclusion that exclusion of rider DMR revenues is
8 consistent with the SEET statute?

9 A. None that come to mind at this time.

10 Q. Ms. Mikkelsen, are you -- do you have a
11 familiarity with cases where the significantly
12 excessive earnings test is applied to the annual
13 earnings of Ohio utilities?

14 A. Yes.

15 Q. And can you tell me how familiar you are
16 with SEET proceedings that occur in the -- in Ohio?

17 MR. KUTIK: Objection.

18 A. I'm somewhat familiar.

19 Q. Would you be familiar with SEET
20 proceedings that have occurred with respect to AEP,
21 for instance?

22 A. Much less so than I would be for the SEET
23 proceedings for the companies.

24 Q. And does your familiarity with SEET

1 proceedings extend to familiarity with respect to the
2 Ohio Supreme Court holdings on SEET?

3 A. I don't -- I don't recall. I don't
4 remember.

5 Q. You don't remember whether or not there
6 are Supreme Court holdings; is that what your
7 testimony is on SEET?

8 A. As it relates to AEP specifically is what
9 I am not recalling.

10 Q. Are you aware of any other Supreme Court
11 holdings related to SEET that would -- would be apart
12 from an AEP proceeding?

13 A. No.

14 Q. Now, let's go to page 24, lines 9 through
15 10. And there you testify that "Dr. Duane's
16 recommendation would require the Commission to engage
17 in retroactive ratemaking." Do you see that
18 reference?

19 A. May I have just a moment, please?

20 Q. Sure.

21 A. With -- I would like to append my prior
22 answer with respect to the SEET statute.

23 Q. Yes.

24 A. I think additionally the statute

1 requires, as I mentioned, that the SEET testimony
2 prefiled is a comparison of the earned return on
3 equity and the Commission, in its generic proceeding,
4 has defined certain parameters with respect to that
5 as it applies to that definition in the statute, so I
6 would amend my answer to include that as well.

7 Q. And when you refer to the PUCO as
8 defining parameters, can you be more specific?
9 Where --

10 A. I'm thinking of exclusions associated
11 with special, extraordinary, or nonrecurring
12 activities.

13 Q. And can you tell me specifically what --
14 what occasions the -- you are referring to where the
15 PUCO has defined parameters for exclusions associated
16 with extraordinary events?

17 A. I was talking about the generic SEET
18 proceeding.

19 Q. Is there any other proceeding that you
20 are aware of where the PUCO has defined parameters
21 with respect to exclusions associated with
22 extraordinary events?

23 A. I mean, I'm aware of adjustments that
24 have been made in SEET cases --

1 Q. And what -- I'm sorry.

2 MR. KUTIK: Go ahead. Have her read the
3 answer.

4 (Record read.)

5 A. Arising from the guidance provided in the
6 generic SEET cases that have been approved by the
7 Commission.

8 Q. And can you tell me what specific
9 adjustments you are referring to there and what
10 proceedings those would be associated with?

11 MR. KUTIK: Objection.

12 A. I'm thinking of the exclusion of
13 mark-to-market adjustments and their impacts on the
14 earnings of a company being excluded for purposes of
15 SEET.

16 Q. And can you tell me where that would have
17 been done, if you recall?

18 A. I think it has been done in SEET cases
19 for the companies as well as another utility in Ohio.

20 Q. Are there any other proceedings that you
21 can -- that come to mind where the Commission has
22 made adjustments to SEET associated with excluding
23 extraordinary events?

24 MR. KUTIK: Objection.

1 A. The exclusions relate to special,
2 nonrecurring, and extraordinary events. That's the
3 example that comes to mind as I sit here now.

4 Q. So you are not aware of any -- any other
5 issues where -- you are not aware of any other
6 rulings, as you sit here today, that the Commission
7 has made with respect to excluding, for purposes of
8 SEET, extraordinary events from the test?

9 A. To provide additional specifics I would
10 have to review the specific filings. I'm certain
11 there are other examples, but I don't have the
12 filings in front of me.

13 Q. Now, we were back on page 24, and I was
14 drawing your attention to lines 9 through 10. And
15 specifically there you testify that "Dr. Duann's
16 recommendation would require the Commission to engage
17 in retroactive ratemaking." Do you see that
18 reference?

19 A. Yes.

20 Q. Can you explain to me what you mean by
21 "retroactive ratemaking" there?

22 A. A decision that is made at a point in
23 time which would go back and undo or change
24 ratemaking in preceding periods.

1 Q. And when you refer to "retroactive
2 ratemaking," you are referring to a nonlegal opinion
3 as to what is retroactive ratemaking; is that
4 correct?

5 A. Yes.

6 Q. Is it your understanding, Ms. Mikkelsen,
7 that any time the Commission orders a rate collection
8 subject to refunds, that the Commission is engaging
9 in retroactive ratemaking?

10 MR. KUTIK: Objection.

11 THE WITNESS: May I have the question
12 reread, please.

13 (Record read.)

14 A. May I ask you to rephrase the question,
15 please?

16 Q. Sure. What is it that you -- that you
17 don't understand about my question?

18 A. The entirety of the hypothetical.

19 Q. Okay. You indicate in your testimony
20 that -- and I am looking at page 24, line 9, that
21 "Dollars collected under the Proposal should not be
22 subject to refund." And that's on line 9. And the
23 very next sentence you say "Dr. Duann's
24 recommendation would require the Commission to engage

1 in retroactive ratemaking." Are you -- are you
2 testifying that because the proposal is made subject
3 to refund, it is retroactive ratemaking?

4 A. May I ask you to restate the question,
5 please?

6 Q. What is it you don't understand about my
7 question?

8 A. The notion that the proposal was made
9 subject to refund.

10 Q. I'm just using your words, Ms. Mikkelsen,
11 that are contained in your testimony on line 9. You
12 say -- you state "Dollars collected under the
13 Proposal should not be subject to refund." I'm
14 asking you if dollars are collected subject to
15 refund, is -- and the Commission orders that, is the
16 Commission engaging in retroactive ratemaking?

17 MR. KUTIK: Objection.

18 A. May I ask you to rephrase the question,
19 please?

20 Q. What is it you don't understand about my
21 question?

22 A. You think -- if you could just rephrase
23 the question without the front part of the
24 restatement. I see what my testimony says. And it

1 would be helpful to me to just ask the question.

2 Q. Okay. I will try. If dollars are
3 collected under -- under the proposal and required to
4 be collected subject to refund, is it your opinion
5 that this would be retroactive ratemaking, as you
6 have used the term in your testimony at page 24,
7 line 10?

8 A. Yes, if the dollars are collected under
9 the proposal, they should not be subject to refund.

10 Q. And is the reason you believe they should
11 not be collected subject to refund because you
12 believe that if they are collected subject to refund,
13 that will be retroactive ratemaking?

14 MR. KUTIK: Objection.

15 A. Yes.

16 Q. Now, Ms. Mikkelsen, are you aware of any
17 Commission orders where rates have been collected
18 subject to refund?

19 A. Not consistent with Dr. Duann's proposal,
20 no.

21 Q. Let's take Dr. Duann's proposal, put that
22 aside. Are you aware of any PUCO order where rates
23 were collected subject to refund?

24 MR. KUTIK: Objection, asked and

1 answered.

2 A. I am not.

3 Q. Would it surprise you to find out that
4 there are PUCO orders where rates have been collected
5 subject to refund?

6 A. Without knowing the specific terms that
7 you are referring to when you say "subject to
8 refund," I can't answer your question.

9 Q. What is it about Dr. Duann's proposal
10 that makes the collection of rates subject to refund
11 a retroactive ratemaking proposal?

12 A. His suggestion is if the Commission
13 approves the collection of the rates, and it is
14 subsequently determined by the Supreme Court that
15 that not be the case, that all of the dollars be
16 subject to refund that have been collected; and, to
17 me, that represents retroactive ratemaking.

18 Q. Do you believe, Ms. Mikkelsen, that if
19 the Commission initially approves rider DMR with the
20 condition that they be -- the condition that the DMR
21 rates be collected subject to refund, that that would
22 be engaging in retroactive ratemaking?

23 MR. KUTIK: Objection, incomplete
24 hypothetical.

1 A. Dr. Duann's recommendation went to the
2 company's proposal.

3 Q. Let's go then to the companies' proposal.
4 Do you believe that if the companies' proposal was
5 adopted by the Commission, and the Commission
6 determined, when it adopted that proposal, that it
7 would modify the proposal to approve the rate
8 subject -- approve that the rates be collected
9 subject to refund, do you believe that would be
10 retroactive ratemaking?

11 MR. KUTIK: Objection, asked and
12 answered.

13 A. Yes.

14 Q. So is it your general belief that -- let
15 me strike that.

16 Is it your belief that any time the PUCO
17 approves rates and orders the rates be collected
18 subject to refund, that that would be engaging in
19 retroactive ratemaking?

20 MR. KUTIK: I'll object, asked and
21 answered. Now this is the third time at least.

22 A. I would need to see the specific order
23 and conditions around that provision, to the extent
24 that one existed, to be able to respond to your

1 question.

2 Q. Do you consider, Ms. Mikkelsen, the SEET
3 refund to be retroactive ratemaking?

4 A. May I ask you to rephrase the question,
5 please?

6 Q. Sure. If the Commission orders a SEET
7 refund in one of the annual SEET proceedings, would
8 you consider the refund, the ordering of the refund
9 to be engaging in retroactive ratemaking?

10 A. I would have to think about that. I
11 haven't thought about that in that context, so I need
12 some more time to think that one through.

13 Q. Okay.

14 A. Meaning, I think I would need some more
15 time than just sitting here answering off the top of
16 my head. It seems as though it's an answer that
17 warrants more thought on my part than I am able to
18 give it now.

19 Q. Okay.

20 A. So I don't know, I guess, as I sit here
21 today.

22 Q. Thank you. Thank you.

23 With respect to retroactive ratemaking,
24 will you generally -- are you familiar with

1 Commission orders on retroactive ratemaking?

2 A. May I ask you to rephrase the question,
3 please?

4 Q. In your regulatory experience, are you
5 familiar with PUCO orders that have addressed
6 retroactive ratemaking issues?

7 A. It would be helpful to me if you could
8 point me to an order and then I could tell you if I
9 was familiar with it or not.

10 Q. Well, let me try it this way, are you
11 generally aware of any PUCO Commission orders in the
12 past five years that have dealt with retroactive
13 ratemaking?

14 A. I'm not sure I understand the question,
15 but nothing comes to mind.

16 Q. You are aware of retroactive ratemaking
17 decisions by the Ohio Supreme Court?

18 A. Yes.

19 Q. Would you consider yourself familiar with
20 Ohio Supreme Court decisions on retroactive
21 ratemaking?

22 MR. KUTIK: Objection.

23 A. Not in any legal sense.

24 Q. Now, you testified earlier to -- let me

1 strike that.

2 Earlier we discussed excluding rider DMR
3 revenues from the SEET calculation. Do you recall
4 that?

5 A. Yes.

6 Q. And you indicated that -- that you were
7 familiar with exclusion of mark-to-market adjustments
8 in the SEET proceedings, correct?

9 A. Yes.

10 Q. Can you tell me what your understanding
11 is of the mark-to-market accounting impacts?

12 A. There are impacts to the net income of
13 the companies either positive or negative that arise
14 from mark-to-market accounting.

15 Q. And can you tell me what mark-to-market
16 accounting is in laymen's terms?

17 MR. KUTIK: Objection.

18 A. It is marking certain obligations of the
19 company to whatever the prevailing market is.

20 Q. Would you agree with me that the
21 mark-to-market accounting impacts that adjustments --
22 the exclusion of mark-to-market adjustments is not
23 related to any rider?

24 MR. KUTIK: Objection.

1 THE WITNESS: May I have the question
2 reread, please.

3 (Record read.)

4 A. It may be related to capital dollars
5 recovered in rider DCR.

6 Q. Can you tell me if the mark-to-market
7 adjustments necessarily collect money each month from
8 customers like the rider DMR would do?

9 MR. KUTIK: May I have the question read,
10 please.

11 (Record read.)

12 MR. KUTIK: I'll object. That question
13 makes no sense to me, but if it does to you, you may
14 answer.

15 A. May I ask you to rephrase the question,
16 please.

17 Q. Sure. The mark-to-market adjustments
18 that you refer to as an exclusion of revenues from
19 SEET, would not involve the collection of money each
20 month from customers as a rider such as DMR would do;
21 is that correct?

22 MR. KUTIK: Same objection.

23 THE WITNESS: May I ask you to reread the
24 question, please, ma'am.

1 (Record read.)

2 A. I don't think I characterized the
3 mark-to-market adjustments as revenue adjustments.

4 Q. And would you -- would you characterize
5 rider DMR as a revenue adjustment?

6 MR. KUTIK: Objection.

7 A. I am going to ask you to rephrase the
8 question.

9 Q. I guess I was just keying in on your
10 saying the mark-to-market adjustment is not a revenue
11 adjustment. I thought you were making a distinction
12 between the mark-to-market adjustment and the DMR
13 revenue on the basis of DMR revenue is a revenue
14 adjustment.

15 A. No, I wasn't.

16 Q. Now, on page 22, line 22, you refer to
17 SEET exclusions already approved by the Commission in
18 the ESP IV. Do you see that?

19 A. I'm sorry, may I have that reread,
20 please.

21 Q. Let me -- let me withdraw that -- let me
22 withdraw that and try to rephrase it.

23 Now, on your testimony at page 4,
24 line 15, you state that rider DMR "promotes economic

1 development and job retention...." Do you see that
2 reference?

3 A. Yes.

4 Q. Is that testimony tied to anything other
5 than Ms. Murley's analysis? Is it based -- let me
6 strike that.

7 Is that testimony based solely on
8 Ms. Murley's analysis?

9 A. No.

10 Q. And what is the basis, other than
11 Ms. Murley's analysis, for your statement that rider
12 DMR promotes economic development and job retention?

13 A. Rider DMR is designed to jump-start grid
14 modernization to the extent that the companies move
15 forward with investment in grid modernization. There
16 are positive economic development attributes that
17 flow from that as people would be employed to work on
18 that grid modernization; as, you know, equipment
19 would be purchased in order to support that grid
20 modernization; and, in addition to that, as the grid
21 transitions to -- or becomes one of the most
22 intelligent grids in the nation, it will provide
23 economic development benefits to our customers as
24 they're better able to utilize this technology to

1 manage and control their costs, and also benefit from
2 an economic development perspective from improved
3 reliability that would allow them to operate at a
4 higher level than they would have before.

5 Q. Now, Ms. Mikkelsen, you indicate that
6 rider DMR allows a jump-start to the grid
7 modernization, and because of that jump-start to grid
8 modernization you believe there are additional
9 economic development and job-retention benefits
10 beyond what Ms. Murley testified to; is that correct?

11 MR. KUTIK: Objection, asked and
12 answered.

13 A. Yes.

14 Q. And you mentioned that people will be
15 employed to work on grid modernization as one of the
16 explanations, correct?

17 A. Yes.

18 Q. Are you talking about new employees being
19 employed to work on grid modernization or are you
20 talking about existing employees?

21 A. I'm just speaking more generally about
22 additional human resources would be necessary in
23 order to complete the grid modernization.

24 Q. And do you -- have you quantified how

1 many additional human resources would be needed to
2 complete the grid modernization?

3 A. I think that's a function of what grid
4 modernization work ultimately ends up moving forward.

5 Q. And so because you do not have a specific
6 grid modernization -- let me strike that.

7 Is part of the difficulty that the
8 company does not have an approved grid modernization
9 program in order to judge whether or not there will
10 be additional human resources needed to complete the
11 project?

12 MR. KUTIK: Objection.

13 A. No.

14 Q. So you have not quantified, have you, the
15 additional employees that would be needed to complete
16 the grid modernization project; is that correct?

17 MR. KUTIK: Objection, asked and
18 answered.

19 A. When I talk about the economic
20 development, I think of it in terms of additional
21 human resources. They may be employees. They may
22 not be.

23 Q. But you haven't quantified what those
24 additional resources would be to complete the grid

1 modernization project, correct?

2 MR. KUTIK: Objection, asked and
3 answered.

4 A. No. I don't think we could at this time.

5 Q. And you haven't quantified the economic
6 development effects of purchasing equipment
7 associated with the grid modernization program; is
8 that correct?

9 MR. KUTIK: Same objection.

10 A. Right. The actual program is not none at
11 this time, so we could not quantify it with precision
12 at this time.

13 Q. And you cannot quantify the economic
14 development benefits that you referred to that are
15 associated with customers utilizing and controlling
16 their -- their bills from an economic-development
17 perspective and permitting improved reliability; is
18 that correct?

19 A. I have not performed that quantification.

20 Q. Now, do you believe that the PUCO staff
21 did not recognize the benefits of the headquarters
22 and the nexus remaining, or do you believe merely
23 that the staff did not quantify that benefit and
24 propose to give the company more money for it?

1 MR. KUTIK: Objection, assumes facts.

2 A. Yeah. May I ask you to rephrase the
3 question, please?

4 Q. Sure. I can try -- I can try to break it
5 down. Is your testimony that the staff did not
6 recognize the benefits of the headquarters and the
7 nexus remaining in Akron?

8 MR. KUTIK: Objection.

9 A. I think the staff did recognize the
10 benefits which is why they propose the condition that
11 they did.

12 Q. Is it your testimony that the staff did
13 not quantify the benefit of the economic development
14 associated with the headquarters remaining?

15 A. I don't know whether staff performed that
16 quantification or not.

17 Q. Is it possible that the staff's analysis
18 included a quantification of the benefit related to
19 the headquarters remaining and you just don't know?

20 MR. KUTIK: Objection.

21 A. I don't think so.

22 Q. And on what basis do you not think that
23 that could have occurred?

24 A. Because I looked at -- I mean I

1 understand Mr. Buckley's calculation and that
2 calculation does not include any adjustment
3 associated with retention of the headquarters and
4 nexus of the operations in Akron, Ohio.

5 Q. And on what basis do you believe that the
6 staff recognized the benefits of the headquarters
7 remaining in Akron, Ohio?

8 A. By making it a condition of rider DMR.

9 Q. Now, on page 5, lines 5 through 6, you
10 state that "a properly designed Rider DMR would
11 benefit the public." Do you see that?

12 A. Yes.

13 Q. Can you tell me what are the reasons for
14 your belief?

15 A. May I ask you to restate the question,
16 please?

17 Q. What is the basis -- sure. What is the
18 basis for your statement that "a properly designed
19 Rider DMR would benefit the public"?

20 A. That rider DMR would provide credit
21 support to the companies to put them in a position to
22 jump-start distribution grid modernization
23 initiatives.

24 Q. Is there any other basis that -- on which

1 you relied to -- is there any other basis on which
2 you conclude that a properly designed rider DMR would
3 benefit the public?

4 A. Well, as a result of that, the public
5 would benefit from the grid modernization initiatives
6 and all of the benefits that would flow to them
7 associated with that.

8 Q. Now, on page 5, line 13, you discuss how
9 rider DMR helps to jump-start grid modernization
10 initiatives. Do you see that?

11 A. I see the question and my testimony on
12 lines 13 and 14 at page 5.

13 Q. Yes. When you are responding to that
14 question that's posed on 13 and 14, when you are --
15 when you are responding, you are referring to rider
16 DMR as proposed by the staff, or rider DMR as
17 modified by the companies?

18 A. A properly-constructed rider DMR.

19 Q. And so by "properly-constructed," you
20 would mean the companies' proposed DMR as opposed to
21 the staff's proposed DMR; is that correct?

22 A. I think the companies are not proposing a
23 separate DMR. Rather, they are proposing
24 modifications to the calculation of the value to be

1 included in rider DMR in order to assure its proper
2 design.

3 Q. And it is your opinion that the staff's
4 proposed rider DMR is not properly constructed?

5 A. I think the -- there are four specific
6 modifications that need to be made to the staff's
7 calculation which, in concept, I believe to be
8 reasonable.

9 Q. Do you believe that rider DMR, as
10 proposed by the staff, helps to jump-start
11 distribution grid modernization initiatives?

12 MR. KUTIK: Can we have the question
13 reread, please?

14 (Record read.)

15 A. I think a properly-designed rider DMR
16 would help to jump-start distribution grid
17 modernization initiatives.

18 Q. And I understand your response, but I'm
19 asking you whether or not rider DMR, as proposed by
20 the staff, helps to jump-start distribution grid
21 modernization initiatives.

22 A. I think modifications to the calculation
23 of rider DMR are necessary.

24 Q. So is your testimony that you do not

1 believe rider DMR, as proposed by the staff, helps to
2 jump-start distribution grid modernization
3 initiatives because it is not properly designed
4 without your suggested modifications?

5 MR. KUTIK: Objection, asked and
6 answered.

7 A. I think there are necessary modifications
8 to the staff's calculation.

9 Q. Now, would you agree with me that you
10 testified that there are two reasons that rider DMR
11 will help jump-start the distribution grid
12 modernization initiatives. One, it will provide
13 capital support; and, two, it will provide access to
14 capital markets under more favorable terms. And I am
15 referring to your testimony on page 5, lines 15
16 through 16.

17 A. May I ask to have the question reread,
18 please.

19 (Record read.)

20 A. I think of rider DMR as providing credit
21 support to the companies that will allow them to
22 jump-start distribution grid modernization, either
23 through capital support or through access to the
24 capital markets under more favorable terms.

1 Q. So you are drawing a distinction between
2 capital support and credit support; is that correct?

3 A. I'm using the "credit support" term more
4 broadly.

5 Q. So credit support can take more -- or the
6 credit support can include more than capital support;
7 is that correct?

8 A. Correct.

9 Q. And would you define -- let me strike
10 that. When you say "credit support," is there any
11 other terms that you believe provide credit support?

12 MR. KUTIK: Objection.

13 A. May I ask you to rephrase the question?

14 Q. Yes. I think you indicated that when you
15 use the term "credit support," you are talking more
16 generally than capital support. So I was wanting you
17 to define what you mean by "credit support."

18 A. The credit support provided by rider DMR
19 will allow the companies to fund either, through
20 capital support or through access to the capital
21 markets, under more favorable terms, investments
22 associated with modernizing the distribution grid.

23 Q. Can you think of any other reasons why
24 rider DMR will help jump-start distribution grid

1 modernization initiatives beyond providing credit
2 support through capital support and access to capital
3 markets under more favorable terms?

4 A. Nothing comes to mind at this time.

5 Q. Now, on page 6, lines 10 through 11, you
6 indicate that -- it actually goes beyond 11. You
7 indicate that it is important for companies to have
8 access to capital markets under favorable terms and
9 conditions. Do you see that?

10 A. I see a question on page 6, at lines 10
11 to 11, that includes words like that.

12 Q. And do you believe it's important for the
13 companies to have access to capital markets under
14 favorable terms and conditions?

15 A. Yes.

16 Q. Ms. Mikkelsen, do you believe that any
17 witness that has testified in this rehearing portion
18 of this hearing disputes that it is important for the
19 companies to have access to capital markets under
20 favorable terms and conditions?

21 THE WITNESS: May I have that question
22 reread, please.

23 (Record read.)

24 A. It's difficult, as I sit here today, for

1 me to characterize the views of the intervenors in
2 this proceeding particularly as it relates to
3 testimony that was stricken and not stricken, so I'm
4 not sure I can answer that question.

5 Q. Could you point -- as we sit here today,
6 could you point to any witness testimony in the
7 rehearing portion of this proceeding that disputes
8 that it's important for the companies to have access
9 to capital markets under favorable terms and
10 conditions?

11 A. No.

12 Q. Now, on page 7, lines 1 through 5, you
13 indicate that "If the Companies, or FirstEnergy
14 Corp., cannot maintain financial metrics adequate for
15 investment grade ratings, a negative rating action
16 may follow, causing the Companies to fall below
17 investment grade...." Do you see that reference?

18 A. I'm sorry, may I have the reference
19 again, please.

20 Q. That would be page 7, lines 1 through 5.

21 A. And, I'm sorry, what was the question?

22 Q. The question is, do you see your
23 testimony on page 7, lines 1 through 5, where you
24 indicate that "If the Companies, or FirstEnergy

1 Corp., cannot maintain financial metrics adequate for
2 investment grade ratings, a negative rating action
3 may follow, causing the companies to fall below
4 investment grade...."?

5 A. I see that testimony.

6 Q. Do you believe any witness in the
7 rehearing portion of this proceeding disputes this?

8 A. There has certainly been discussion by
9 other witnesses in this phase of the hearing about
10 the financial need of the company and actions that
11 should or shouldn't -- should be taken with respect
12 to that need. That suggests to me that they may not
13 view this as necessarily a significant risk.

14 Q. Perhaps you misunderstood my question.
15 I'm specifically asking you with respect to your
16 testimony whether or not you believe any witness
17 disputes that if the companies or FirstEnergy Corp.
18 cannot maintain financial metrics adequate for
19 investment grade ratings, that a negative rating
20 action may follow, causing the companies to fall
21 below investment grade?

22 MR. KUTIK: Objection, asked and
23 answered.

24 A. I think I stand on my prior answer.

1 Q. Now, you testify on page 7, lines 4
2 through 5 --

3 MR. KUTIK: Before you go there, let's go
4 off the record.

5 (Discussion off the record.)

6 Q. (By Ms. Willis) Now, Ms. Mikkelsen, you
7 testify at page 7, lines 4 through 5, that falling
8 below investment grade would subject the companies
9 and customers to negative consequences. Do you see
10 that reference?

11 A. Yes.

12 Q. Do you believe any witness in the
13 rehearing portion of this proceeding disputes this?

14 A. I think they may insomuch as -- or they
15 may not deem it a real intangible risk because they
16 haven't expressed their support for rider DMR, so
17 they must not view these as valid concerns or risks
18 facing the companies.

19 Q. Okay. Ms. Mikkelsen, when you say
20 "they," can you tell me who "they" would be?

21 A. I think the witnesses -- the intervenor
22 witnesses that sponsored testimony with respect to
23 the staff proposal.

24 Q. And can you identify which witnesses you

1 are speaking of?

2 A. I'm thinking of Kalt, Kahal, and Lause.

3 Q. Thank you.

4 Now, you indicated that you believe that
5 the witnesses may dispute this because you are saying
6 they have not supported rider DMR and that's the
7 basis for your conclusion that they dispute this
8 statement that falling below investment grade would
9 subject the companies and customers to negative
10 consequences?

11 A. What I said was I don't -- they may not
12 view this risk as real.

13 Q. It's your understanding that -- that the
14 intervenor witnesses have not proposed alternatives
15 to rider DMR?

16 MR. KUTIK: Objection.

17 A. May I ask you to rephrase the question,
18 please?

19 Q. Well, you indicate that -- that -- that
20 the intervenor witnesses may or may not deem falling
21 below investment grade to subject the companies and
22 the customers to negative consequences, and you
23 indicated that that -- you conclude that because they
24 have not supported the DMR. Are -- is it your

1 understanding, for instance, that OCC Witness Kahal
2 presented an alternative or recommendation instead of
3 supporting rider DMR?

4 MR. KUTIK: Objection.

5 A. May I ask you to be more specific with
6 respect to the recommendation?

7 Q. Are you aware of whether witness -- OCC
8 Witness Kahal recommended ring fencing in this
9 proceeding?

10 A. My recollection he did not recommend ring
11 fencing.

12 Q. And what is -- what is your understanding
13 of what he recommended with regard to ring fencing?

14 A. My recollection is he recommended a
15 study.

16 Q. Now, on page 7, you testify to the
17 negative consequences of a rating downgrade to
18 non-investment grade. Do you see that? Go ahead.

19 MR. KUTIK: Have a line reference, I
20 think.

21 Q. Sure. The line reference would be
22 starting on line 15, concluding on page 16, line 3 --
23 I'm sorry. I misspoke. It's -- we are talking
24 about -- excuse me, page 7, line -- can I have a

1 moment? I am getting all choked up over this stuff.

2 MR. KUTIK: Apparently.

3 Q. It's the sour apple candy I have in my
4 mouth. Let me try again.

5 Starting on page 7, line 15, carrying
6 over to page 8, line 16, you testify to the negative
7 consequences of a rating downgrade to non-investment
8 grade. Do you see that testimony?

9 A. I apologize. I am still a little turned
10 around on the reference. Could you check your
11 references again?

12 Q. Well, you begin on line 15 by saying "A
13 downgrade to non-investment grade limits a company's
14 access to capital to more restrictive terms and
15 conditions...." That's the first statement. So
16 let's just focus on that statement.

17 Is it your belief that any witness in
18 this rehearing process disputes that a downgrade to
19 non-investment grade limits the companies' access to
20 capital to more restrictive terms and conditions?

21 A. I think the witnesses' testimonies go
22 more to the acknowledgment of the risk of these
23 actions occurring.

24 Q. And so you're saying that it's your

1 understanding that the witnesses do not dispute that
2 a non-investment grade rating can -- let me strike
3 that.

4 Now, you also make a statement that "A
5 non-investment grade rating can...disqualify a
6 company from competing for some investors' dollars."
7 Do you see that? That is further on up on page 7,
8 lines 8 through 10.

9 A. I see that.

10 Q. Do you believe that any witness in this
11 rehearing portion of the proceedings disputes that
12 statement?

13 A. Again, and I think it goes for all of the
14 elements of this particular answer you are pointing
15 to, I think the dispute goes more towards the
16 acceptance or acknowledgment of the risk that the
17 companies and FirstEnergy Corp. are facing these
18 negative consequences.

19 Q. So are you saying that you view the
20 dispute as one in which the intervenors -- let me
21 strike that. May I have her answer reread, please.

22 (Record read.)

23 Q. So are you testifying, Ms. Mikkelsen,
24 that the intervenors, it is your understanding that

1 the intervenors have acknowledged that there is this
2 risk?

3 MR. KUTIK: Objection, mischaracterizes
4 her testimony.

5 A. No.

6 Q. When you refer to acceptance or
7 acknowledgment of risk, what are you referring to?

8 A. That the intervenors were not supportive
9 of the staff's proposal to provide credit support.

10 Q. Now, you testify that "In addition, a
11 downgrade may have negative impacts on existing
12 borrowings and other contracts," and I am looking at
13 page 8, line 4. Do you see that testimony?

14 A. Yes.

15 Q. And you say a downgrade may "give rise to
16 a collateral requirement." Do you see that?

17 A. Yes.

18 Q. Do you believe any witness in this
19 rehearing stage disputes that a downgrade may give
20 rise to a collateral requirement?

21 MR. KUTIK: Objection. The witness never
22 said anywhere that any witness would dispute it
23 anyway, so it mischaracterizes her testimony. It's
24 also irrelevant. Go ahead.

1 A. The same answer for this is the answer I
2 gave to the prior question.

3 Q. Which is that the intervenors were not
4 supportive of the staff's proposal to produce -- or
5 to support -- for the credit support rider; is that
6 right?

7 A. Well, that they --

8 MR. KUTIK: Well, I'll object to the
9 characterization of the rider. Go ahead.

10 A. The intervenors have a -- appear to have
11 a different view on how real the risk is of these
12 consequences to the companies and FirstEnergy Corp.,
13 a very different view perhaps than the companies and
14 staff as demonstrated, I guess, by their lack of
15 support for the staff's proposal.

16 Q. And the basis for your -- your conclusion
17 that the intervenors dispute how real the risk is is
18 that they did not support rider DMR as proposed by
19 the staff; is that correct?

20 MR. KUTIK: Objection, asked and
21 answered.

22 A. I think that's generally correct, yes.

23 Q. Now, on page 8, you state that rider DMR
24 addresses these challenges in a number of ways, and I

1 am looking at page 8, line 12. Do you see that?

2 A. I do.

3 Q. Are you talking -- in that response are
4 you talking about rider DMR as proposed by the
5 company?

6 A. Again, I think rider DMR is proposed by
7 the staff. The companies are proposing modifications
8 to the calculation of the dollars that would be
9 included in rider DMR.

10 Q. So when you say "Rider DMR" in your
11 question on page 8, lines 10 and 11, and in your
12 response on line 12, are you referring to what you
13 have previously testified to as a properly
14 constructed rider DMR?

15 A. Yeah, properly designed or properly
16 constructed rider DMR, yes.

17 Q. Do you believe that the staff's proposed
18 DMR addresses these challenges?

19 MR. KUTIK: Objection, asked and
20 answered.

21 A. I think the staff proposed rider DMR was
22 designed to address these challenges. I think in
23 order to do so successfully, there needs to be a few
24 modifications to their calculation.

1 Q. Now, on page 3, lines 15 through 16, we
2 are going to go back to that, you talk about "Rider
3 RRS as originally approved and as modified by the
4 Proposal is not a subsidy" -- "is not a subsidy to
5 stabilize the Companies and protect them from
6 financial harm." Do you see that?

7 A. I see that.

8 Q. Okay. Would you agree with me that rider
9 RRS as originally pro -- approved is a subsidy?

10 MR. KUTIK: Well, I'm going to object,
11 asked and answered. We've been through this already.

12 A. No.

13 Q. And would you agree that rider RRS as
14 modified is a subsidy?

15 MR. KUTIK: Same objection. Now, we are
16 wasting time. Go ahead.

17 A. No.

18 Q. Will rider RRS originally approved
19 protect -- as originally approved protect the
20 companies from financial harm?

21 MR. KUTIK: Objection.

22 THE WITNESS: May I have the question
23 reread, please.

24 (Record read.)

1 A. No.

2 Q. And will rider RRS as modified protect
3 the companies from financial harm?

4 A. No.

5 Q. And why not?

6 A. Because it doesn't.

7 Q. Can you explain to me then,
8 Ms. Mikkelsen, if rider -- rider RRS as modified does
9 not protect the companies from financial harm and
10 modified DMR does -- let me strike that.

11 Is it your testimony that modified rider
12 DMR protects the companies from financial harm?

13 MR. KUTIK: Objection. I am not sure
14 what modified rider DMR means.

15 Q. DMR as modified -- I'm sorry. As
16 modified -- let me strike that.

17 Would you agree with me that DMR -- rider
18 DMR with the modifications that you have made in your
19 testimony to that rider protects the companies from
20 financial harm?

21 A. Rider DMR reflecting the modifications
22 proposed in my testimony provides credit support to
23 the companies to allow them to jump-start grid
24 modernization activities.

1 Q. And will that -- I'm sorry. You are
2 done?

3 A. Yes.

4 Q. And will that credit support protect the
5 companies from financial harm?

6 A. May I ask you to rephrase the question?

7 Q. What is it about my question you don't
8 understand?

9 A. Specifically what you mean by "financial
10 harm" in that context.

11 Q. I'm specifically looking at your phrase
12 on page 3, line 17, where you use the term "protect
13 them from financial harm." Using it the same way
14 that you have used it in that part of your
15 proceeding -- in that part of your testimony, I am
16 asking you does rider DMR as modified protect the
17 companies from financial harm?

18 A. I can't use that phrase in the context of
19 the question you are asking me because this phrase is
20 very specific to financial harm that may accrue to a
21 company as they transition SSO service to
22 market-based pricing and separate their generation
23 assets and there would be no such financial harm
24 opportunity to the companies because they've already

1 completed the transition and already separated their
2 generating assets so I can't -- I can't make that --
3 I can't answer the question as you've posed it.

4 Q. If I define "financial harm" as falling
5 below investment grade, would you agree with me that
6 rider DMR as modified by the companies protects the
7 companies from financial harm?

8 MR. KUTIK: Objection, asked and
9 answered.

10 A. I think rider DMR along with the other
11 actions that are being taken by the company and the
12 other entities within the FirstEnergy Corporation
13 collectively avoid that financial harm, as you've
14 described financial harm in that context.

15 Q. Can you explain to me, Ms. Mikkelsen --
16 let me strike that.

17 In your testimony you testify that
18 "Although a properly" -- and I am looking at page 4,
19 "Although a properly designed DMR can significantly
20 benefit customers, the proposal is more beneficial to
21 customers." Do you see that reference?

22 A. I do.

23 Q. Is it your understanding that the
24 proposal is more beneficial to the companies rather

1 than a properly designed rider DMR?

2 A. My testimony is the proposal is more
3 beneficial to customers.

4 Q. I understand what your testimony is. I
5 am asking your opinion on whether the proposal is
6 more beneficial to the companies than -- than a
7 properly designed rider DMR.

8 MR. KUTIK: Objection.

9 A. I think the proposal taken in totality
10 with all of the elements of the ESP IV is more
11 beneficial to the companies -- the customers in the
12 state.

13 Q. And in providing that testimony, are you
14 taking into account the credit that the company
15 projects will be paid to customers under the
16 proposal?

17 A. Yes.

18 Q. Now, on page 4, lines 17 through 18, you
19 state that "The Proposal should be maintained to
20 ensure these benefits of the PUCO-approved Stipulated
21 ESP IV remain intact." Do you see that?

22 A. Yes.

23 Q. By that testimony are you saying that if
24 the PUCO adopts the staff's proposed DMR, that the

1 stipulation commitments associated with the proposal
2 will not apply?

3 THE WITNESS: May I ask to have that
4 question reread, please.

5 Q. Let me rephrase that. I'm sorry. I
6 think I misspoke. Are you saying by your testimony
7 on page 4, lines 17 through 18, that if the PUCO
8 adopts the staff's proposed DMR, that the stipulation
9 commitments associated with the third supplemental
10 stipulation will not apply?

11 MR. KUTIK: Objection.

12 A. Not necessarily.

13 Q. And can you explain what you mean by "not
14 necessarily"?

15 A. I would need to understand fully what the
16 Commission was approving with what conditions, if
17 any. And I think based on that knowledge, the
18 company would need to make a determination -- pardon
19 me. The companies would need to make a determination
20 at that time whether or not to accept the modified
21 ESP IV.

22 Q. If we assume that the PUCO adopt the
23 staff's -- staff's proposed DMR with no modification,
24 is it your testimony that the stipulation commitments

1 associated with the third supplemental stipulation
2 will not apply?

3 MR. KUTIK: Objection, asked and
4 answered.

5 A. I think the companies would make a
6 judgment at that time whether to accept the ESP as
7 modified or not.

8 Q. Ms. Mikkelsen, are you testifying that if
9 the PUCO adopts the modifications to the DMR that you
10 present in your testimony, that the stipulation
11 commitments associated with the third supplemental
12 stipulation will continue to apply?

13 MR. KUTIK: Well, I'll object. Now I
14 will instruct her not to answer. You have asked that
15 question three times. She's given you answers. Move
16 on.

17 MS. WILLIS: This has to do with the
18 DMR --

19 MR. KUTIK: I'm sorry. I'm sorry. I
20 have given my instruction. Ask your next question.

21 Q. (By Ms. Willis) Are you testifying,
22 Ms. Mikkelsen, that if the PUCO adopts the DMR with
23 your proposed modifications, not the staff's proposed
24 DMR, that the stipulation commitments associated with

1 the third supplemental stipulation will not apply?

2 MR. KUTIK: I'll object. I am not sure
3 what that means. Go ahead.

4 A. That's not my testimony.

5 Q. Now, on page 5, lines 3 and 4, you are --
6 the question is posed "Are the Companies opposed to
7 Staff's recommended Rider DMR?" Do you see that
8 question?

9 A. Yes.

10 Q. Can you tell me whether or not the
11 companies are proposed to the staff's recommended --
12 are opposed to the staff's recommended rider?

13 A. The companies believe a properly designed
14 rider DMR would benefit the public, but that the
15 proposal of the companies provides the greatest
16 benefit to customers.

17 Q. Are the companies opposed to the staff's
18 recommended rider?

19 MR. KUTIK: Objection, asked and
20 answered.

21 You can stand on your answer, if you
22 wish.

23 A. I'll stand on my answer, thank you.

24 Q. Are the companies -- is it your testimony

1 the companies are not opposed to the concept of a DMR
2 but are opposed to how the staff designed the DMR?

3 A. My testimony is that the companies'
4 proposal is and remains the companies' recommendation
5 but that a properly designed rider DMR would benefit
6 the public.

7 Q. Now, on page 5, line 16, you testify that
8 the credit support provided by rider DMR will allow
9 the companies to fund investments to begin
10 modernizing the distribution system, preparing it for
11 integration with smart grid technologies, or for
12 evaluation and possible integration of battery
13 technology. Can you tell me what you mean there by
14 "capital support"?

15 MR. KUTIK: Objection, asked and
16 answered.

17 A. Capital support there is use of the
18 dollars received through the rider, rider DMR, to
19 fund grid modernization-related activities.

20 Q. So you are referring to the actual
21 funding of grid modernization investment before rider
22 AMR begins?

23 A. May I ask you to rephrase the question,
24 please?

1 Q. When you refer to the credit support, are
2 you referring to the actual funding of grid
3 modernization investment?

4 A. It could be used that way.

5 Q. But it does not necessarily have to be
6 used that way?

7 A. Correct.

8 Q. Is it your understanding that under the
9 staff's proposal the capital support would be used to
10 actually fund investments?

11 A. No.

12 Q. Is it your understanding that rider AMI
13 allows the company to collect a return on and a
14 return of its grid modernization investment?

15 A. I think rider AMI is in place to allow
16 recovery of dollars associated with grid
17 modernization.

18 Q. Is it appropriate to characterize the
19 monies associated with grid modernization as a return
20 on and a return of grid modernization investment?

21 THE WITNESS: May I have that question
22 reread, please.

23 (Record read.)

24 MS. WILLIS: I'm sorry, Karen. Let me

1 rephrase. If that's what I said, I misspoke.

2 Q. Is it your testimony that rider AMI is
3 designed to allow a collection -- is designed to
4 allow the companies to collect a return on and a
5 return of its investments in grid modernization?

6 A. Yes.

7 Q. Now, earlier this morning you -- you
8 testified on your -- about your testimony on page 5,
9 lines 19 through 21, and specifically you were
10 addressing questions with regard to the
11 rehabilitation of urban area network systems, the
12 replacement of underground cable, and upgrade of
13 overhead circuits and substation equipment. Do you
14 recall those questions?

15 A. Yes.

16 Q. Can you tell me if there are any efforts
17 currently underway for any of these items?

18 A. May I ask you to rephrase the question,
19 please?

20 Q. Can you tell me, Ms. Mikkelsen, whether
21 or not the company is currently investing in items
22 that would rehabilitate the urban area network
23 system?

24 A. The companies do not -- are not currently

1 implementing a program aimed at rehabilitating the
2 urban area network systems.

3 Q. Are the companies currently investing in
4 a program that is aimed at the replacement of
5 underground cable?

6 A. No.

7 Q. And are the companies currently investing
8 in a program that is aimed at upgrading overhead
9 circuits and substation equipment?

10 A. No.

11 Q. Now, would the credit support through
12 rider DMR that you speak of in this response to the
13 question and answer posed on page 5, lines 13 through
14 23, be a fund -- would it be directed to funding a
15 revenue requirement for the items you mentioned, or
16 would it be directed to financing the investment in
17 those items?

18 MR. KUTIK: Objection.

19 A. May I ask you to rephrase the question,
20 please?

21 Q. You indicate that -- that -- and I am
22 looking at lines 19 through 21 that "Significant
23 investments to modernize distribution system could
24 focus on," and then you indicate a number of items

1 that we have been discussing. And earlier in that
2 same answer you are talking about the credit support
3 allowing this type of significant investment, and so
4 my question is would the credit support that you are
5 talking about that would allow significant
6 investments, would that be credit support that's
7 related to funding the revenue requirements for these
8 items?

9 MR. KUTIK: Objection.

10 A. No.

11 Q. Would the credit support rather be
12 directed at financing the investment for these items?

13 A. I mean the credit support would be
14 provided by rider DMR either through capital support
15 or through access to the capital markets under more
16 favorable terms.

17 Q. And is it your testimony, Ms. Mikkelsen,
18 that the activities described on lines 20 through 22
19 is different from the activities listed on the top of
20 page 6 and lines 1 through 3?

21 A. Yes.

22 Q. And would you say that the activities
23 that you list on page 5, lines 19 through 22, are
24 related to distribution reliability and safety as

1 opposed to modernization?

2 A. No. I think they relate to modernizing
3 the distribution system which would benefit the
4 customers in terms of reliability, safety, and
5 customer satisfaction.

6 Q. Are you distinguishing the customer
7 benefits derived from those types of investment from
8 the customer benefits that would be derived from the
9 investments listed on the top of page 6, lines 1
10 through 5?

11 MR. KUTIK: Objection.

12 A. Yes.

13 Q. And can you -- let me strike that.

14 Now, on page 5, line 19, you use the term
15 "significant investment." Can you define what you
16 mean there by "significant investment"?

17 A. I think there are significant dollars
18 that could be spent to modernize the companies'
19 distribution system.

20 Q. And by significant dollars, can you tell
21 me the range of dollars that you're thinking of when
22 you call them significant?

23 A. I'm thinking that could range between
24 500 million and a billion dollars.

1 Q. And with regard to the significant
2 investments that you are referring to on page 5,
3 lines 20 through 22, is there an approved plan for
4 FirstEnergy utilities to engage in those activities?

5 MR. KUTIK: Objection, asked and
6 answered.

7 A. No.

8 Q. Now, on page 6, lines 6 through 8, you
9 state that "Ultimately, grid modernization will
10 benefit customers...by enabling an array of
11 innovative products and services." Do you see that
12 statement?

13 A. I mean, the statement in totality reads
14 "Ultimately, grid modernization will benefit
15 customers and competitive suppliers by enabling an
16 array of innovative products and services."

17 Q. Yes. And I want to focus on how
18 ultimately grid modernization will benefit customers,
19 leaving out the competitive suppliers at the moment.
20 Can you tell me what the basis of the statement is
21 that "Ultimately, grid modernization will benefit
22 customers...by enabling an array of innovative
23 products and services"?

24 A. That customers will be benefited by

1 having an array of innovative products and services.

2 Q. And is it your understanding that
3 customers are seeking an array of innovative products
4 and services? And when I say "customers," I am
5 talking about FirstEnergy utility customers.

6 A. I think there are customers who are
7 seeking more innovative products and services.

8 Q. And what's the basis of your statement
9 that you think that there are customers that are
10 "seeking more innovative products and services"?

11 A. Conversations with the supplier community
12 that communicates interest the customers have in
13 products that they are not currently able to offer,
14 discussions with customers who have net metering or
15 are considering distributed generation, things of
16 that nature, conversations of that nature.

17 Q. And how many conversations would you say
18 you've had with the supplier community about
19 customers wanting an array of more innovative
20 products and services over the past, let's say, year?

21 A. Maybe "conversations" is not the right
22 word. I certainly have heard much discussion in the
23 retail market investigation in different ESP
24 proceedings over time in separate supplier

1 collaborative meetings that we've had over the last
2 several years, that kind of combination of
3 discussions.

4 Q. And you mentioned discussions with the
5 customers with respect to net metering or that net.
6 Can you tell me how many discussions over the last
7 year you've had with customers over net metering
8 where they have indicated that they would like an
9 array of more innovative products and services?

10 A. I don't have an exact count for you.

11 Q. Can you give me a rough estimate of how
12 many discussions you had with customers that have net
13 metering with respect to their desire to have an
14 array of more innovative products and services than
15 currently offered?

16 A. I've had conversation -- a number of
17 conversations, either directly with customers or with
18 folks from our company, who are dealing with
19 customers as it relates to metering technologies
20 associated with distributed generation, whether it be
21 net metering or just stand-alone distributed
22 generation.

23 Q. And can you tell me with respect to the
24 discussions you've had with people within your cus --

1 within your company how many conversations those
2 would have been over the past year?

3 A. I don't have an estimate for you.

4 Q. And do you have an estimate for me how
5 many conversations you would have had directly with
6 customers over net metering that have net metering
7 about their desire to have an array of more
8 innovative products and services?

9 A. I don't have a number for you.

10 Q. Have you -- have you -- when I say "you,"
11 I am talking about you or any others within the
12 FirstEnergy utilities surveyed customers on whether
13 or not they desired to have an array of more
14 innovative products and services that are -- than are
15 currently offered by the company?

16 A. I can't think of a survey that
17 specifically fits that criteria.

18 Q. Can you think of any surveys that would
19 generally give you an indication of whether or not
20 there are customers who desire to have an array of
21 more innovative products and services than are
22 currently offered by the companies?

23 A. Well, we have certainly in the past
24 surveyed our customers who participated in our

1 SmartGrid pilot. And we have offered on a pilot
2 basis time-differentiated products to those customers
3 so that would inform my thinking as well.

4 Q. Now, you said you had surveyed customers
5 in the SmartGrid pilot. Can you tell me how many
6 customers are in the SmartGrid pilot that you might
7 have surveyed to determine whether or not they were
8 interested in obtaining an array -- more innovative
9 products and services?

10 A. Again, I think what I said is I don't
11 recall a survey that specifically addressed the
12 criteria that you are laying out but that more
13 generally we have surveyed customers as part of our
14 SmartGrid pilot, so I want to be clear that I don't
15 think you're quite properly --

16 Q. I appreciate -- I'm sorry. I do
17 appreciate that. I don't mean to cut you off either.
18 Can you tell me how many customers were surveyed in
19 the SmartGrid pilot, if you know?

20 A. I don't remember the number.

21 Q. Do you know how many customers there are
22 in the SmartGrid pilot?

23 A. Approximately 36,000.

24 Q. And you also indicated that I believe you

1 said there were customers that had the opportunity to
2 participate in a pilot offering time-differentiated
3 rates; is that correct?

4 A. Yes.

5 Q. And can you tell me in that pilot how
6 many customers opted to participate in the pilot
7 program for time-differentiated rates?

8 A. I don't recall. I don't remember the
9 number.

10 Q. Would you believe that that number would
11 be relatively small given the total number of
12 customers? And keep it with residential customers.

13 A. Yeah. I don't remember. There were a
14 couple of time-differentiated products that were
15 offered, so I would have to -- and it was, you know,
16 a couple of years ago. I would have to go back and
17 look. I don't remember the numbers.

18 Q. You don't remember whether or not the
19 number was small or large; is that correct?

20 MR. KUTIK: Objection, asked and
21 answered.

22 A. I stand by my prior answer.

23 Q. Can you tell me how competitive suppliers
24 would benefit by having grid modernization that will

1 enable an array of more innovative products and
2 services?

3 A. I think competitive suppliers would be
4 able to differentiate their product offering.

5 Q. And is it your understanding that if they
6 are able to differentiate their product offering,
7 they may increase their sales?

8 A. They may.

9 Q. They may get a larger market share of
10 customers, correct?

11 A. They may.

12 Q. Is there any other benefit that you can
13 identify that grid modernization will provide to
14 competitive suppliers by enabling an array of more
15 innovative products and services?

16 A. None that come to mind at this time.

17 Q. Now, earlier this morning you spoke of
18 the statement on page 6, lines 12 through 13, where
19 you were testifying on the "debt redemption
20 requirements, which exceed one billion dollars
21 through 2024." Do you recall that?

22 A. Yes.

23 Q. Can you specifically identify what those
24 "debt redemption requirements" are?

1 MR. KUTIK: Objection, asked and
2 answered.

3 A. May I ask you to rephrase the question?

4 Q. Can you tell me, Ms. Mikkelsen, what debt
5 instrument the one billion dollars -- over one
6 billion -- the over one billion debt redemption
7 refers to?

8 A. I know that there are \$1.1 billion of
9 maturing debt across the three Ohio companies through
10 2024.

11 Q. Now, you testify that there is a need for
12 cash to fund the capital expenditure program such as
13 the distribution grid modernization initiatives,
14 correct?

15 A. I mean, the testimony that I think you
16 are referring to says specifically that "The
17 Companies need access to capital markets for a
18 variety of reasons." Then it lists some of those
19 reasons.

20 Q. Right. So one of those reasons to access
21 the capital markets is that they need cash to fund
22 capital expenditure programs such as the distribution
23 grid modernization initiative?

24 A. Yes.

1 Q. Would you describe that as a short-term
2 or long-term need?

3 MR. KUTIK: Objection.

4 A. I think that's yet to be determined.

5 Q. And what factors will be determinative as
6 to whether or not it will be a short-term or a
7 long-term need?

8 MR. KUTIK: Objection.

9 A. I think in part the ultimate disposition
10 of the grid modernization business plan case pending
11 before the Commission.

12 Q. Is it your understanding that any of the
13 three -- let me strike that.

14 There are three scenarios proposed in the
15 grid modernization filing; is that correct?

16 A. Not entirely.

17 Q. And why is that not correct?

18 A. I think there were three scenarios
19 included in the grid modernization business plan
20 filing, but the companies were clear in their filing
21 that those were provided to facilitate a
22 collaborative discussion among the many, many
23 stakeholders to grid modernization, many of whom have
24 significant experience. So they were provided in

1 that spirit to initiate that collaborative
2 discussion.

3 Q. Could rider AMI provide cash to fund
4 capital expenditures associated with the grid
5 modernization initiative?

6 A. Yes, if the Commission were to approve
7 cash to be provided under rider AMI for that purpose.

8 Q. And does the company have a proposal in
9 the grid modernization proceeding to use rider AMI to
10 fund capital expenditures associated with the grid
11 modernization initiative?

12 A. No.

13 Q. Is your response that the company has
14 only filed a plan and not determined what that plan
15 will ultimately be because of the collaborative
16 process suggested?

17 A. No.

18 Q. Can you tell me why it's been -- you were
19 saying that the capital -- that the rider AMI is not
20 involved?

21 A. I didn't say that.

22 Q. Can you clarify then what the role of
23 rider AMI is with respect to the grid modernization
24 initiative proposal at -- filed at the Commission?

1 A. Rider AMI would be the rider where costs
2 associated with grid modernization are covered.

3 Q. Is it your testimony -- strike that.

4 Now, on page 7, footnote 7, you indicate
5 that S&P's "credit rating for FirstEnergy Corp. and
6 its rated subsidiaries is BBB-." Do you see that?

7 A. Yes.

8 Q. Can you tell me what -- who you are
9 referring to by the "rated subsidiaries"?

10 A. All of the subsidiaries of FirstEnergy
11 Corp.

12 Q. So that would include FirstEnergy
13 Solutions and the other subsidiaries who own
14 generation?

15 A. Yes.

16 Q. Can you tell me if any of the regulated
17 utilities in FirstEnergy Corp. are rated BBB- by S&P?

18 A. All of the subsidiaries of FirstEnergy
19 Corp. are rated BBB- by S&P.

20 Q. Ms. Mikkelsen, are you -- do you
21 generally keep abreast of recent rate -- of ratings
22 reports issued by entities such as Standard & Poor's
23 and Moody's?

24 A. Yes.

1 Q. And are you familiar with the term
2 "CreditWatch Negative"?

3 A. Yes.

4 MS. WILLIS: Karen, at this time I would
5 ask you to distribute to Ms. Mikkelsen the -- and
6 mark as Deposition Exhibit No. 3 the credit rating --
7 the credit report provided to you.

8 I'm sorry. To be precise, what I am
9 referring to is the single-page document from SNL
10 Financial dated Monday, July 25, 2016, with the title
11 "S&P Ratings places FirstEnergy Solutions, affiliates
12 on CreditWatch negative."

13 (EXHIBIT MARKED FOR IDENTIFICATION.)

14 Q. Do you have that before you,
15 Ms. Mikkelsen?

16 A. I do.

17 Q. And have you seen this report?

18 A. No.

19 Q. Are you aware of the fact that S&P
20 Ratings placed FirstEnergy Solutions and affiliates
21 on a CreditWatch Negative?

22 A. Yes.

23 Q. Can you take a moment to review this
24 document.

1 A. Okay. I have reviewed the document.

2 Q. Now, is it -- in the document there is a
3 reference to a 1.51 billion pretax impairment charge.
4 Do you see that reference?

5 MR. KUTIK: Note my objection with
6 respect to this document. She hasn't seen it before.

7 A. I see the reference.

8 Q. Do you know what is being referred to as
9 a 1.51 -- \$1.51 billion pretax impairment charge?

10 MR. KUTIK: Same objection.

11 THE WITNESS: May I have the question
12 reread, please.

13 (Record read.)

14 A. May I ask you to rephrase the question?
15 I am not sure I understand the question.

16 Q. Ms. Mikkelsen, do you have an
17 understanding that FirstEnergy Corp. announced on
18 July 22 that it would retire certain units at Sammis
19 and Bay Shore?

20 A. I think more precisely the announcement
21 was that they would retire the units at Sammis and
22 seek to sell or deactivate the unit at Bay Shore.

23 Q. Thank you. So you are familiar with that
24 activity, are you not?

1 A. I'm reading the line right out of this,
2 but yes.

3 Q. But apart from -- separate and apart from
4 this document, do you have an understanding and
5 knowledge of the fact that FirstEnergy Corp. made an
6 announcement with respect to its decision to
7 deactivate certain units and sell or deactivate other
8 units?

9 A. Yes.

10 Q. And you have familiarity with what
11 FirstEnergy proposed on its books relating to taking
12 an impairment charge for that action.

13 A. Yes.

14 Q. And can you tell me what an "impairment
15 charge" means and what the effect of an impairment
16 charge is on the financial -- let me strike that.

17 Can you tell me what a "pretax impairment
18 charge" is?

19 A. I think it in laymen's terms amounts to
20 the writing down of the value of certain assets
21 carried on the balance sheet.

22 Q. And it's your understanding that
23 associated with the FirstEnergy's announcement that
24 it was writing down the value of assets that were

1 related to generation?

2 A. Yes.

3 Q. And that it was writing down the value of
4 assets related to generation owned by unregulated
5 subsidiaries of FirstEnergy Corp.?

6 THE WITNESS: May I have that question
7 reread, please.

8 (Record read.)

9 A. The write-downs would have been related
10 to unregulated subsidiaries' activities.

11 Q. And so you would agree with -- let me
12 strike that.

13 Now, the document that has been marked as
14 Deposition Exhibit 3 states that that impairment
15 action affects \$3.6 million in debt at FES and its
16 affiliates. Do you see that?

17 MR. KUTIK: Objection, asking her to read
18 a document she has never seen before. Go ahead.

19 A. I see the reference in the document.

20 Q. Is it your understanding that the pretax
21 impairment charge affects \$3.6 million -- billion
22 dollars in debt at FES and its affiliates?

23 MR. KUTIK: May I have the question read,
24 please.

1 (Record read.)

2 Q. I am going to withdraw that question.

3 Now, in this document, there is a reference to the
4 FFO to debt ratio as declining due to milder weather,
5 combined lower natural gas prices, weaker economics
6 for the companies' fossil and nuclear fleet, and a
7 downward revision from projected retail sales. Do
8 you see that?

9 MR. KUTIK: Objection to the reference to
10 a double hearsay statement that this witness has
11 never seen before.

12 A. I see the statement you are referring to
13 in the document.

14 Q. Ms. Mikkelsen, do you have an
15 understanding that the FFO to debt ratio for
16 FirstEnergy Corp. has been declining due to milder
17 weather, combined lower natural gas prices, weaker
18 economics of the companies' fossil and nuclear fleet,
19 and downward revision in projected retail sales as --
20 and when I say the "FFO to debt ratio," I am speaking
21 of Standard & Poor's calculation of FFO to debt
22 ratio.

23 MR. KUTIK: Objection.

24 A. My read of this document suggests that

1 the reference here is to the FES and Allegheny Energy
2 Supply business on a stand-alone basis, not
3 FirstEnergy Corp.

4 Q. And so are the conditions that -- are the
5 conditions -- those conditions leading to an FFO to
6 debt ratio declining related to -- as you understand
7 it, related to the regulated utilities' subsidiary
8 operations?

9 MR. KUTIK: Objection, asking her to
10 review a double hearsay statement about a document
11 she has not seen and interpret it.

12 A. I would ask to rephrase the question. I
13 didn't understand the question.

14 Q. Are you generally aware of S&P's FFO to
15 debt ratio as pertaining to FES and AES on a
16 stand-alone basis?

17 A. No.

18 MR. KUTIK: Objection.

19 Q. Now, earlier you testified that S&P --
20 S&P's credit evaluation was done on what you called a
21 family approach. Do you recall those references?

22 A. Yes. Yes.

23 Q. And can you tell me then if lower ratings
24 for FirstEnergy Solutions and Allegheny Energy Supply

1 would affect the regulated subsidiaries of
2 FirstEnergy Corp.'s ratings under S&P's approach?

3 A. My read of this document suggests no.

4 Q. Let's say without -- outside that
5 document is it your understanding, given you've
6 testified to having a familiarity with S&P's family
7 approach to evaluating credit metrics, is it your
8 understanding that lower ratings for FES and
9 Allegheny Energy Supply would affect the regulated
10 subsidiaries ratings?

11 A. And I think the answer is no in this case
12 because they're making the distinction that -- in the
13 document that you have handed me that S&P, if they
14 were to do that, they would do that because they
15 determined that FES and Allegheny Energy are no
16 longer core to the parent company, which I think
17 means they are no longer treating it as part of the
18 FirstEnergy family, so they are separating it out.

19 The balance of the family would continue
20 to be rated at the same level, all of the remaining
21 subsidiaries that are core or part of the family
22 would continue to be rated at the same level as the
23 parent.

24 Q. Is it your understanding -- you have a

1 familiarity with the term core to the parent company,
2 is that correct, in terms of how S&P is using it --

3 MR. KUTIK: Objection.

4 Q. -- in this document?

5 MR. KUTIK: Objection. It's not how S&P
6 is using it. It is how a reporter is using it, No.
7 1. No. 2, there's nothing that's been established
8 she is understanding. All she is doing is reading
9 the document, which she's never seen before.

10 Q. You can answer.

11 THE WITNESS: May -- I apologize. May I
12 have the question reread, please.

13 Q. Let me try to rephrase the question.

14 Ms. Mikkelsen, do you recall your discussion this
15 morning with counsel for the Sierra Club where you
16 referred to parent and core entities as being rated
17 at the same level?

18 A. Yes.

19 Q. Can you tell me if an entity is
20 considered a core entity -- let me strike that.

21 If an entity is a subsidiary and is
22 considered a core entity of a -- of the organization,
23 under your understanding of the family approach that
24 S&P uses, would the ratings of the subsidiaries -- a

1 nonregulated subsidiary affect the ratings of a
2 regulated subsidiary?

3 MR. KUTIK: Objection.

4 A. May I ask you to rephrase the question?
5 I didn't understand the question.

6 Q. Sure. I'm sorry. It was -- it was a
7 doozy. You -- you spoke this morning about parents
8 and core entities as being rated at the same level,
9 correct?

10 A. I think --

11 Q. For purpose --

12 A. Go ahead.

13 Q. Go ahead.

14 MR. KUTIK: Somebody talk.

15 A. Go ahead.

16 Q. Okay. This morning you talk -- you spoke
17 about the parent and core entities being rated at the
18 same level for purposes of Standard & Poor's ratings.
19 Do you recall that?

20 A. Generally, yes.

21 Q. Okay. And if -- as far as you understand
22 it, the -- or do you have an understanding as to
23 whether the unregulated subsidiaries like FES and
24 Allegheny Energy Supply are considered core entities

1 in terms of Standard & Poor's review?

2 A. Yes.

3 Q. And what is your understanding?

4 A. That they currently are considered core
5 and are included in the family ratings but that S&P
6 placed those affiliates on CreditWatch Negative and
7 said it would review whether those entities should
8 still be considered core to the parent.

9 Q. And that information that you just
10 conveyed to me, is that based upon the deposition
11 exhibit that I just handed you, or is that knowledge
12 based on other information you have reviewed and are
13 familiar with?

14 A. Based on other information.

15 Q. So if -- so -- so as a core entity -- let
16 me strike that.

17 If -- let me strike that.

18 Currently the unregulated subsidiaries
19 holding generation which, would include FES and
20 Allegheny Energy Supply, are considered core
21 facilities which would mean for Standard & Poor's
22 that their ratings would affect other subsidiaries'
23 ratings; is that correct?

24 A. I would say that for Standard & Poor's,

1 they rate the parent corporation and all of the
2 underlying subsidiaries carry the parent rating as
3 their S&P rating.

4 Q. So is there no relationship between the
5 ratings -- under S&P's approach, is there no
6 relationship between the ratings of subsidiaries that
7 are core entities?

8 MR. KUTIK: Objection.

9 A. May I ask you to rephrase the question?

10 Q. Yes. So the -- so the ratings of -- it's
11 your understanding that the ratings of Allegheny
12 Energy Supply and FirstEnergy Solutions have no
13 impact on the unregulated subsidiaries within FE
14 Corp.; is that correct?

15 MR. KUTIK: May I have that read?

16 (Record read.)

17 Q. Let me rephrase. I'm sorry. Is it your
18 understanding, Ms. Mikkelsen, that under S&P's family
19 approach that the ratings of Allegheny Energy Supply
20 and FirstEnergy Solutions have no impact on the
21 ratings of the regulated subsidiaries of FirstEnergy
22 Corp. including FirstEnergy utilities?

23 MR. KUTIK: Objection, asked and
24 answered.

1 A. My understanding is S&P rates the parent
2 corporation, and then all of the underlying core
3 subsidiaries are assigned the same rating as the
4 parent.

5 Q. Is it your understanding that if
6 Allegheny Energy Supply and FirstEnergy Solutions are
7 not considered core entities for purposes of the
8 Standard & Poor's family approach to ratings, that
9 they will not affect the parent companies' ratings?

10 MR. KUTIK: Objection, also asked and
11 answered.

12 A. I think at that time they would be rated
13 separately from the parent and the remaining entities
14 under the parent that would be considered core or a
15 part of the parent family.

16 Q. So would it be beneficial to the parent,
17 being FirstEnergy Corp., if the -- if the unregulated
18 subsidiaries, AES and FirstEnergy Solutions, were
19 considered noncore entities for purposes of S&P's
20 family approach to ratings?

21 MR. KUTIK: Objection, calls for
22 speculation, incomplete hypothetical.

23 A. Yeah. I don't know.

24 Q. Is it your understanding that AES and

1 FirstEnergy Solutions' credit ratings are below the
2 credit ratings of the parent company, FirstEnergy
3 Corp., for purposes of S&P?

4 MR. KUTIK: Objection, asked and
5 answered.

6 A. No.

7 Q. Is it your understanding that the credit
8 ratings of FirstEnergy Corp. have not been -- let me
9 strike that.

10 Is it your understanding that the ratings
11 of FirstEnergy Corp. have been placed on CreditWatch
12 Negative by S&P?

13 A. May I ask to have that question reread,
14 please.

15 (Record read.)

16 A. No.

17 Q. So would you agree with me that the
18 credit ratings of FirstEnergy Corp. as we sit here
19 today are better than the credit rating associated
20 with FirstEnergy Solutions and Allegheny Energy
21 Supply?

22 MR. KUTIK: Objection.

23 A. I would agree that all of the entities'
24 credit ratings are BBB- with the parent on Negative

1 Outlook and FES and AES on CreditWatch Negative.

2 Q. And can you tell me the difference
3 between "Negative Outlook" and "CreditWatch
4 Negative"?

5 A. Not specifically, no.

6 Q. Are both of those terms associated with
7 Standard & Poor's ratings?

8 A. Yes.

9 Q. Is it your understanding, Ms. Mikkelsen,
10 that FirstEnergy Corp. receives about 40 percent of
11 its revenues from the unregulated segment, the
12 competitive energy services segment?

13 A. I don't know.

14 MR. KUTIK: Well, let's go off the
15 record.

16 (Recess taken.)

17 Q. (By Ms. Willis) Ms. Mikkelsen, a couple
18 more questions on Deposition Exhibit No. 3. We --
19 that article is based on S&P Ratings; is that your
20 understanding?

21 MR. KUTIK: Objection.

22 A. I don't know what the author relied upon
23 for this article.

24 Q. Did you see the S&P Ratings that placed

1 FirstEnergy Solutions and its affiliates on
2 CreditWatch Negative?

3 MR. KUTIK: Objection.

4 A. I saw a report from S&P Global.

5 Q. Okay. And when -- and so you're familiar
6 with that report from S&P Global?

7 A. Yes. I'm sorry. I said "yes," if you
8 didn't hear me.

9 Q. Yes. Thank you. I heard it.

10 A. Oh.

11 Q. And is it your understanding the S&P
12 Global ratings was July -- was issued July 22, 2016?

13 A. Yes.

14 Q. Do you have a copy of that S&P ratings
15 that was issued July 22, 2016, that placed
16 FirstEnergy Solutions and affiliates on CreditWatch
17 Negative?

18 A. I don't have a copy of that with me.

19 Q. And so you are -- you said you are
20 familiar with that report, and so my question is the
21 Deposition Exhibit No. 3 appears to be a synopsis of
22 that report, correct?

23 A. I haven't made that study. I can't -- I
24 mean, it certainly appears to be, but I haven't made

1 the analysis that it is.

2 Q. And do you know whether the statements
3 made in Deposition Exhibit No. 3 are true based upon
4 your review of the actual S&P ratings report?

5 MR. KUTIK: Objection.

6 A. I haven't made that analysis.

7 Q. Have you made an analysis to determine
8 whether or not the Deposition Exhibit No. 3 is
9 consistent with the S&P July 22 ratings report?

10 MR. KUTIK: Objection.

11 A. I haven't compared the two documents.
12 I've never seen this document before today, so I
13 haven't compared the two.

14 Q. Now, we talked about the core entities
15 and the core entities being within a -- within a
16 corporate structure being rated at the same level as
17 the parent. And I want to explore whether or not
18 FirstEnergy Corp. has the ability to decide that
19 entities within its corporate structure are noncore.
20 So my question is can FE Corp. decide that entities
21 within its corporate structure are noncore?

22 MR. KUTIK: Objection. Calls for
23 speculation if you are talking about S&P.

24 A. I think S&P makes judgments about what

1 they consider to be core and noncore.

2 Q. If FirstEnergy spins off or sells a --
3 sells AES and FirstEnergy Solutions, would those no
4 longer be core entities as -- in terms of rating
5 purposes for S&P's family approach?

6 A. They would no longer be relevant in any
7 fashion to the ratings of FirstEnergy Corp.

8 Q. Is there any other treatment of the AES
9 and FES by FirstEnergy Corp. that would ensure for
10 ratings purposes that they were not considered a core
11 entity of FirstEnergy Corp., if you know?

12 A. I don't know.

13 Q. Now, at page 7, line 21, of your
14 testimony -- we are done now with Deposition Exhibit
15 3. Thank you. On page 7, line 21, you indicate that
16 the "increase in the long-term costs of debt are
17 recovered from customers in a distribution rate
18 case." Do you see that?

19 A. Yes.

20 Q. For the company under the stipulation
21 this won't happen until the end of -- end of the ESP;
22 is that correct?

23 A. The ESP includes a base distribution rate
24 freeze provision through the end of the term of ESP

1 IV.

2 Q. And so would you agree with me that the
3 increases in the long-term cost of debt would not be
4 recovered from the customers in a distribution rate
5 case proceeding until after the term of the ESP under
6 the stipulation, the third supplemental stipulation?

7 A. Yes.

8 Q. And is that the case under modified rider
9 RRS as well as the companies' modified approach to
10 rider DMR?

11 MR. KUTIK: Objection.

12 A. May I ask you to rephrase the question,
13 please?

14 Q. Sure. You testified that an increase in
15 long-term debt cannot be recovered from customers in
16 a distribution rate case under the third supplemental
17 stipulation until after the term of the ESP. Is it
18 also your testimony that there can -- that the
19 increase in long-term cost of debt cannot be
20 recovered from customers in a distribution rate case
21 under modified rider RRS until after the ESP term has
22 expired?

23 A. The proposal does not in any way alter
24 the base rate -- base rate case freeze provision as

1 part of the ESP IV.

2 Q. And is it your understanding that
3 under -- if the Commission were to adopt a -- let me
4 strike that.

5 Now, on page 8, lines 2 through 3, you
6 indicate that "higher debt carrying costs reduce the
7 funds available to the Companies for investment in
8 the safe, reliable operation of the distribution
9 system." Do you see that?

10 A. Yes.

11 Q. Would you agree with me that funds are
12 made available to the companies for investment in
13 safe, reliable operation of the distribution system
14 under rider DCR?

15 A. I would agree that rider DCR provides a
16 return of and on certain distribution investments as
17 limited by the caps.

18 Q. And would you agree with me that that
19 allows funds to be made available to the company for
20 investing in safe, reliable operation of the
21 distribution system?

22 A. I think of that as a return of and on
23 investments the companies have made in safe -- in the
24 distribution system in support of safe, reliable

1 operations.

2 Q. Now, on page 8, line 17, you refer to
3 using dollars collected under rider DMR to fund a
4 pension obligation. Do you see that?

5 A. I see the reference to a pension
6 obligation.

7 Q. And do you also see the reference to the
8 fact that to the extent the dollars were collected to
9 reduce debt or to fund a pension obligation, that it
10 would improve the companies' debt to capitalization
11 credit metric?

12 A. I think the sentence properly reads "To
13 the extent the dollars collected were used to reduce
14 debt or to fund a pension obligation, it would
15 improve the Companies' debt to capitalization credit
16 metric."

17 Q. Can you tell me what the pension
18 obligations of the EDUs are for -- if you know, for
19 the eight-year period of the ESP?

20 MR. KUTIK: May I have the question read,
21 please.

22 (Record read.)

23 A. I don't know for the eight-year period of
24 the ESP.

1 Q. Do you know what the pension obligations
2 of the Ohio utilities are for on an annual basis
3 during the -- during any time period of the ESP?

4 A. Yes.

5 Q. And what are those pension obligations,
6 if you know?

7 A. I think as of the start of the ESP IV
8 period, the pension, in order to fund the companies'
9 pension obligation -- fully fund the companies'
10 pension obligation as of the end of May of 2016 as
11 well as an allocation to the company of service
12 company pension obligation, the amount would range
13 from \$750 million to a billion dollars and then, of
14 course, there would be additional obligations going
15 forward throughout the term of the ESP.

16 Q. And can you tell me where that
17 information -- is that information reported on the
18 FERC Form 1 if you know?

19 A. I don't think so.

20 Q. Do you know if that information is
21 published in any public document?

22 A. I don't know.

23 Q. Now, on page 8, line 19, you refer to
24 rider DMR as likely to "be viewed favorably by

1 Moody's when they assess the regulatory
2 framework...." Do you see that?

3 A. Yes.

4 Q. And when you are referring to "rider DMR"
5 there, are you referring to the rider as proposed by
6 the staff or the rider as modified by the company?

7 A. The rider DMR including the
8 company-proposed modifications.

9 Q. So you are excluding from that the
10 staff's proposal; is that correct?

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

12 Q. So you are testifying that rider DMR, as
13 proposed by the staff, is likely to be viewed
14 favorably by Moody's when they assess the regulatory
15 framework; is that correct?

16 A. I'm not comfortable with the manner in
17 which you are parsing rider DMR. Rider DMR is the
18 staff's proposal. We agree that the staff's
19 proposal, if properly designed, could provide benefit
20 to the customers. So we have suggested some
21 adjustments to the calculation of the value to be
22 included in rider DMR, but that doesn't change rider
23 DMR or the purpose of rider DMR. It more
24 appropriately aligns the dollars collected in DMR.

1 Q. So -- so is the answer that rider DMR, as
2 proposed by the staff, would likely -- and
3 understand -- and I understand that's not the
4 companies' proposal. It's not the companies'
5 modified proposal, but rider DMR, as proposed by the
6 staff, it's your testimony that it will likely be
7 viewed favorably by Moody's when they assess the
8 regulatory framework?

9 A. No.

10 MR. KUTIK: Objection.

11 A. My testimony was that rider DMR, with the
12 companies' modifications, would likely be viewed
13 favorably by Moody's when they assess --

14 Q. I'm sorry.

15 A. When they assess the regulatory framework
16 of the companies.

17 Q. Thank you. And what's the basis of your
18 statement that you believe rider DMR, properly
19 constructed, would be viewed favorably by Moody's
20 when they assess regulatory framework?

21 THE WITNESS: May I have that question
22 reread, please.

23 (Record read.)

24 A. Well, I think Moody's has provided a

1 range of 14 to 16 percent, so I think they would view
2 use of the midpoint of that range at 15 percent as
3 more favorable. I -- and again, I'm speculating, but
4 that Moody's would recognize, in order to have an
5 impact on the cash from operations to debt ratio, the
6 number would have to be grossed up to a pretax value.
7 Those are examples that come to mind.

8 Q. Have you had -- Ms. Mikkelsen, have you
9 had interactions with Moody's that would provide a
10 basis for your statement that rider DMR, properly
11 structured, would likely be viewed favorably by
12 Moody's when they assess the regulatory framework?

13 A. No.

14 Q. And are you aware of conversations that
15 may have been had with representatives of the company
16 or -- the companies or FirstEnergy Corp. with Moody's
17 with respect to rider DMR properly constructed?

18 A. No. And, again, my testimony here just
19 says what I think would likely be viewed. I'm not
20 asserting that it would be viewed. I'm not
21 speculating that they would view it that way. I am
22 simply saying that in my judgment, it's likely to be
23 viewed favorably.

24 Q. Now, on page 8, lines 21, you testified

1 "DMR credit support would improve the Companies'
2 access to the capital markets...." Do you see that
3 reference?

4 A. Yes.

5 Q. Would it improve other entities within
6 the corporate structure, would it improve their
7 access to capital markets?

8 MR. KUTIK: May I have the question read,
9 please.

10 (Record read.)

11 MR. KUTIK: Objection.

12 A. I don't think it would improve the access
13 of other subsidiaries beyond the companies.

14 Q. Is it your understanding the rider DMR
15 credit support would improve FirstEnergy Corp.'s
16 access to capital markets?

17 A. I think, as the companies' credit metrics
18 are improved, it may, in turn, improve the credit
19 metrics of FirstEnergy Corp.

20 Q. And when you use the term "may improve,
21 in turn," what does the improvement -- what are the
22 factors that would bear upon whether or not rider DMR
23 credit support would improve FirstEnergy Corp.'s
24 access to capital markets?

1 A. An overall improvement in FirstEnergy
2 Corp.'s credit metrics.

3 Q. So are you -- you are testifying that
4 rider DMR credit support would not necessarily
5 improve FirstEnergy Corp.'s access to capital
6 markets?

7 A. I'm testifying that rider DMR would
8 improve the companies' access to capital markets and
9 its credit metrics and that that may, in turn,
10 improve FirstEnergy Corp.'s credit metrics.

11 Q. And is that based upon a knowledge of the
12 S&P family approach to credit ratings?

13 A. I was speaking with respect to Moody's
14 there. But it probably -- if I think it through
15 would -- if the parent's credit metric is -- credit
16 metrics are improved under either Moody's or S&P then
17 I think that in both cases that would im- -- at least
18 would be taken into consideration when the rating
19 agencies rate those entities.

20 Q. The companies currently have access to
21 capital markets, correct?

22 A. Yes.

23 Q. And how -- would you describe that
24 capital access as favorable capital -- as favorable

1 access to capital markets?

2 MR. KUTIK: Objection.

3 A. Two of the three companies are rated one
4 notch above non-investment grade under Moody's and
5 all three of the companies are rated one notch above
6 non-investment grade under S&P's methodology, so I
7 think there is significant opportunity for
8 improvement with respect to those credit ratings for
9 the conditions and the corresponding benefits that
10 would accrue from access to the capital markets on
11 favorable terms.

12 Q. Would you consider, you used this term
13 this morning, would you use -- would you consider the
14 utilities's financially challenged?

15 A. I'm not, as I sit here now, remembering
16 the context of that discussion, so perhaps you could
17 rephrase the question.

18 Q. Sure. This morning you were asked
19 questions about without rider DMR, would FirstEnergy
20 Corp. move its headquarters, and your response was
21 there's a greater likelihood of
22 financially-challenged organizations taking that type
23 of action versus a financially-sound company.

24 MR. KUTIK: That's not really her

1 testimony, but go ahead.

2 Q. So I was using it in that context, that
3 my question is, in that context, are you considering
4 the utilities financially challenged?

5 MR. KUTIK: Since you didn't give it in
6 the right context, I am not sure you helped the
7 witness, so I object.

8 A. I did not -- I am certain I didn't use
9 the term in that context, so I can't agree to that as
10 a premise for further responses.

11 Q. Now, on page 8, lines 23, you testify
12 that "Better access to capital on more favorable
13 terms will in turn benefit customers." And then we
14 turn over to the page 9, and you indicate that the
15 "lower cost of capital is passed through to customers
16 over time." Do you see that reference?

17 A. Yes.

18 Q. Can you tell me what period of time that
19 the lower cost of capital is passed through to
20 customers?

21 A. The period of time that the lower cost of
22 capital exists after a distribution base rate case.

23 Q. Is that the only scenario where the --
24 where the lower cost of capital is passed through to

1 customers?

2 A. I think customers benefit from a lower
3 cost of capital during a period of a base rate freeze
4 insomuch as the companies have more -- I guess have
5 lower costs to service debt and, in turn, have access
6 to more resources to invest in the safe, reliable
7 operation of their distribution system.

8 MS. WILLIS: May I have that answer
9 reread.

10 MR. KUTIK: Could you read the question
11 and the answer, please.

12 MS. WILLIS: Thank you.

13 (Record read.)

14 Q. So, by your answer, are you -- are you
15 testifying that during the base rate freeze, that
16 customers -- that the company would have lower costs
17 of service debt and that ability to have lower cost
18 of service debt would give it access to more capital
19 resources to allow it to invest in the distribution
20 system?

21 A. I think what I meant there is if the
22 companies have better access to capital on more
23 favorable terms, they will have lower interest
24 payments, or any of the other provisions we've talked

1 about, whether they be collateral provisions or
2 contract terms, and to the extent that those benefits
3 exist and manifest themselves in a lower cost, then
4 that provides for additional dollars that would have
5 otherwise been spent to service that debt or service
6 those collateral requirements or what have you, that
7 could be used to, again, for the safe, reliable
8 operation of the distribution system.

9 MS. WILLIS: May I have that answer
10 reread, please.

11 (Record read.)

12 Q. Now, page 10, lines 2 through 3, you
13 indicate that -- and you are speaking of Moody's
14 here, you indicate that a more recent target range
15 for CFO to debt by Moody's is 14 to 16 percent, and
16 since that is a more recent opinion, it should be
17 followed, correct?

18 A. The companies are recommending the use of
19 the midpoint of the 14 to 16 percent range.

20 Q. Can you tell me how much Moody's changes
21 its CFO to debt target for FE Corp.?

22 A. I don't know.

23 Q. Do you know when the last time was that
24 Moody's changed the CFO to debt target for FE Corp.?

1 A. I don't know.

2 Q. And do you know what the basis for the
3 change is?

4 A. I don't know.

5 Q. Do you know what factors -- let me strike
6 that.

7 Now, going to page 11, lines 14 through
8 15, you indicate that Mr. Buckley's use of a 22 --
9 22 percent allocation factor based on the companies'
10 share of FE Corp.'s operating revenues in 2015,
11 inappropriately understates the significance of the
12 companies to FE Corp. Do you see that?

13 A. Yes.

14 Q. Would you agree with me that the
15 operating revenue from the regulated utilities
16 doesn't have generation revenue built into it?

17 MR. KUTIK: Objection.

18 A. No.

19 Q. You would not agree with me.

20 A. No, I would not agree with you.

21 Q. Is that because you believe -- is it your
22 testimony that the operating revenue for regulated
23 utilities would contain SSO generation revenues?

24 A. Yes. As I say in my testimony on that

1 very page, at line 21 to 22, "if a customer takes SSO
2 generation service from the utility its generation
3 related revenue is included in the utilities'
4 operating revenue."

5 Q. And as a corollary, the operating
6 revenues from the regulated utilities would not have
7 the generation revenues built into it from shop --
8 from shopping; is that correct?

9 A. Yes. As I say in the sentence that
10 immediately precedes that one, yes.

11 Q. And you indicate on line 11 -- or, on
12 page 11, line 22, which carries over to page 12,
13 line 4, that the companies' contribution to the
14 shortfall, what you call the "CFO shortfall," is
15 reduced because of the high level of shopping
16 compared to other FE Corp.'s utilities. Do you see
17 that?

18 A. Yes, I see -- yes.

19 Q. Can you tell me what utilities you are
20 referring to there?

21 A. Penn Power; Metropolitan Edison; Penn
22 Electric; West Penn Power; Jersey Central Power &
23 Light; Monongahela Power; Potomac, West Virginia; and
24 Potomac, Maryland.

1 Q. And those utilities would be regulated
2 utilities where there is no generation competition?

3 A. No.

4 Q. Can you then tell me which of those
5 utilities would be regulated utilities where there is
6 no retail competition?

7 A. The West Virginia utilities. Monongahela
8 Power, and Potomac, West Virginia.

9 Q. Those are regulated utilities where there
10 is no retail competition?

11 A. Correct.

12 Q. And the other utilities you mentioned
13 have retail competition, correct?

14 A. Customers in those service territories
15 are allowed to shop for a generation supplier.

16 Q. Is it your understanding that the
17 operating revenues from those entities that are
18 subject to competition would not have -- would only
19 have equivalent SSO generation revenues built in?

20 A. No.

21 Q. Is it your understanding then that the
22 operating revenue from the regulated utilities where
23 there is retail competition would have generation
24 revenues built into their operating revenues that

1 they report?

2 A. They would have generation revenues
3 associated with SSO load built into their operating
4 revenue numbers.

5 Q. And would you also agree with me that
6 those subsidiaries, those regulated subsidiaries
7 where there is retail competition, that they would
8 not have generation revenues built into their
9 operating revenues from shopping -- or from shoppers,
10 who are purchasing generation elsewhere?

11 A. Yes.

12 Q. Now, on page 12, on lines 4 through 5,
13 you state that "To reflect the impact of the higher
14 shopping in this allocation calculation is
15 inconsistent with state policy and is inappropriate."
16 Do you see that reference?

17 A. Yes.

18 Q. Can you tell me how reflecting the impact
19 of higher shopping in the allocation is inconsistent
20 with state policy?

21 A. The state policy is to support the retail
22 markets; and a calculation that penalizes the
23 companies for having high levels of shopping,
24 consistent with state policy, is inappropriate.

1 Q. Ms. Mikkelsen, how does a calculation
2 penalize the companies? If I -- I'm sorry. Let me
3 back up a second.

4 You testified that the calculation, the
5 allocation calculation penalizes the company. You
6 are talking about the staff's calculation as
7 penalizing the companies?

8 A. I am talking about the allocation. We
9 are talking about the allocation.

10 Q. And are you talking about the fact that
11 the staff allocates only 22 percent of the -- of the
12 credit support to Ohio utilities?

13 A. May I ask you to rephrase the question,
14 please?

15 Q. Let me try. You indicated in your
16 response that the allocation calculation penalizes
17 the companies. Can you explain what you mean by
18 that?

19 A. The three -- the companies have the
20 highest level of shopping as compared to any of the
21 other FirstEnergy utilities. So the other
22 FirstEnergy utilities would have greater amounts
23 of -- as a percent, greater proportion of their SSO
24 generation revenues that are included in their

1 operating revenue line than the companies would
2 because only the SSO generation revenue is included.

3 So, as a result, they will, all else
4 equal, have higher amounts of operating revenue
5 because they have lower amounts of shopping than what
6 the companies would have because they have higher
7 amounts of shopping. And so that would put downward
8 pressure on the allocation calculation used by the
9 staff.

10 Q. Ms. Mikkelsen, so if the higher -- if the
11 other FE utilities have higher amounts of operating
12 revenue, then is it your -- then under the -- under
13 the DMR proposal, whether it's staff's or your
14 modified DMR, wouldn't that mean that they would be
15 responsible for a higher amount of credit support?

16 A. No, because those dollars would be
17 collected and paid back out, dollar for dollar, to
18 the folks that were providing the generation for that
19 SSO load, so there would be no impact on the credit
20 metrics.

21 Q. And so the companies are penalized -- I
22 guess I am trying to understand how, when we use
23 either a -- when we use -- let me strike that.

24 Under the staff's proposed DMR, customers

1 are allocated 22 percent of the credit support
2 requirements of FirstEnergy Corp.; is that correct?

3 A. The staff's allocation proposal was 22
4 percent.

5 Q. And under your approach, which uses a
6 different allocation method, the customers -- the
7 FirstEnergy utilities are allocated a greater portion
8 of the credit support, correct?

9 A. Yes.

10 Q. So you are saying because customers --
11 because -- because FirstEnergy utilities are
12 allocated a greater portion of the credit support
13 responsibilities, they are penalized?

14 A. No.

15 Q. Can you explain how the allocation of 22
16 percent, as opposed to 40 percent, penalizes -- the
17 credit support arrangement would penalize the
18 companies?

19 MR. KUTIK: Objection, asked and
20 answered. We have been over this.

21 A. That was not at all what I said.

22 Q. So can you explain what you said then?
23 Because I am having trouble following this.

24 MR. KUTIK: Well, she did explain it. So

1 what's your next question?

2 MS. WILLIS: I would ask her to
3 reexplain.

4 Q. Tell me how the calculation --

5 MR. KUTIK: You want to stand on your
6 prior answers. She doesn't have to explain anything
7 to you if you don't understand it.

8 A. I'll stand on my prior answer.

9 MR. KUTIK: If you have a question, ask a
10 question, please.

11 Q. Can you explain to me what you mean by
12 down -- placing downward pressure on the allocation
13 calculation used by staff?

14 MR. KUTIK: Objection.

15 Q. What that means?

16 A. Could you provide me the reference?

17 Q. If we need to, we can have the court
18 reporter read back, several answers ago, where you
19 used the phrase "downward pressure on the allocation
20 calculation used by the staff."

21 MS. WILLIS: Karen, could you read back a
22 couple of questions -- a couple answers ago where she
23 used that phrase?

24 (Record read.)

1 proposed by the staff, which would, in your opinion,
2 result in inappropriately low operating revenues
3 being shown, how would that penalize the company
4 related to rider DMR?

5 MR. KUTIK: Objection, asked and
6 answered.

7 A. I don't think the allocation is the
8 appropriate metric to allocate, for the purpose it's
9 being used in this calculation, and I've pointed in
10 my testimony to a couple of reasons why that's an
11 inappropriate allocation methodology or calculation.

12 Q. I do understand that. And what I am
13 struggling with, Ms. Mikkelsen, is how using the
14 allocation, having a lower DMR rider, penalizes the
15 FirstEnergy utilities.

16 MR. KUTIK: Objection, asked and
17 answered.

18 A. I don't think I ever testified it
19 penalized the FirstEnergy utilities. I think it
20 is -- it is an inappropriate calculation -- if the
21 companies had no shopping, inconsistent with state
22 policy, they would have significantly higher
23 operating revenues. And then when you calculate
24 their share of operating revenues, vis-a-vis the

1 other utilities, their allocation percentage would be
2 much higher under the staff's methodology.

3 Q. Do you recall --

4 A. But it doesn't make sense.

5 Q. Do you recall using the term "penalizes
6 the companies"?

7 A. I don't. And if I did, I probably
8 shouldn't have used it in the context of the
9 discussion, but I used it in -- I used -- if I used
10 it, it was used in the context of it's an
11 inappropriate allocation. And if it's an
12 inappropriate calculation -- or allocation, then it
13 serves to penalize or not be appropriate in terms of
14 the allocation that's attempting to occur.

15 Q. And if it's not appropriate, what is the
16 impact on the companies? If the allocation is
17 inappropriate in that it is too low, how does that
18 affect the company?

19 A. Well, what that does is affect the
20 calculation, and it doesn't appropriately reflect the
21 significance of the companies to FirstEnergy
22 Corporation.

23 Q. And why is it necessarily -- necessary to
24 appropriately indicate the importance of the

1 companies to FirstEnergy Corporation?

2 A. In order to better reflect the
3 significance of the companies to FirstEnergy
4 Corporation.

5 Q. And why is it better to reflect the
6 significance of the companies to the FirstEnergy
7 Corporation?

8 MR. KUTIK: Well, now you are arguing
9 with the witness, so I am going to instruct her not
10 to answer.

11 MS. WILLIS: I didn't realize --

12 MR. KUTIK: No, no. You are arguing now.
13 She has given you answers. She has been through this
14 exhaustively. It's time to move on.

15 MS. WILLIS: Could I have the question
16 and answer reread, please.

17 (Record read.)

18 Q. Ms. Mikkelsen, how does better reflecting
19 the significance of the companies to FirstEnergy
20 Corporation benefit customers?

21 A. The customers would be benefited by the
22 improved credit support and the jump-starting of the
23 distribution modernization efforts.

24 Q. So are you saying that the more customers

1 pay under rider DMR, the more they will be benefited
2 by improved credit support?

3 MR. KUTIK: Objection, argumentative.

4 A. No.

5 Q. Now, referring to your testimony on
6 page -- at page 15, line 10, you think that the term
7 of rider DMR should be the same as the term of the
8 ESP. Do you see that?

9 A. Yes.

10 Q. Can you tell me why the term of rider DMR
11 should be the same as the term of ESP IV?

12 A. Because for consistency, over the term of
13 the ESP, I think rider DMR should be for the same
14 term as ESP IV, particularly as it relates to staff's
15 condition which is for the entire term of ESP IV.

16 Q. Is it your testimony that rider DMR will
17 be needed for the entire term of the ESP to provide
18 credit support?

19 A. I --

20 MR. KUTIK: Objection.

21 A. Yes.

22 Q. And what is that based on?

23 A. The cash requirements over the term of
24 the ESP IV.

1 Q. And the cash requirements of the term of
2 the ESP IV, what would those be?

3 A. The ones we've been discussing throughout
4 the day.

5 Q. Are those the cash requirements -- the
6 same cash requirements that were met by the -- the
7 third -- let me strike that.

8 Are you referring to the same cash
9 requirements that pertain to the third supplemental
10 stipulation?

11 MR. KUTIK: Objection.

12 A. No.

13 Q. What's the difference between the cash
14 requirements that you are referring to that
15 necessitate a need for the rider DMR over eight years
16 and the cash requirements that were necessitated
17 under the ESP IV as stipulated and approved?

18 MR. KUTIK: Objection. Mischaracterizes
19 her testimony. The question at this point is almost
20 incomprehensible. If you can answer, go ahead.

21 A. May I ask you to rephrase the question,
22 please?

23 Q. Sure. You were in -- in response to my
24 question -- I asked you a question about -- let me

1 strike that.

2 You said rider DMR is needed for the
3 entire term of the ESP IV; is that correct?

4 A. Yes, the term of rider DMR should be the
5 same as the term of the ESP IV.

6 Q. And you explained that the basis of that
7 statement was that rider DMR was needed to meet the
8 cash requirements over the term of the ESP IV and
9 that those cash requirements relate to the grid
10 modernization, correct?

11 MR. KUTIK: Objection.

12 A. No.

13 Q. Well, what did the cash requirements,
14 needed over the term of the ESP IV, relate to beyond
15 the grid modernization program?

16 MR. KUTIK: Objection, asked and
17 answered.

18 A. The vision laid out by the staff as part
19 of DMR for grid modernization as described by
20 Dr. Choueiki is much broader than the proposals that
21 would have been included in the companies' grid
22 modernization business plan. And, in addition, as we
23 discussed earlier today, there are cash needs
24 associated with those additional grid modernization

1 activities for funding the pension, for debt that
2 would mature, for other reasons that I don't know as
3 I sit here today that may occur over the term of the
4 ESP.

5 Q. Now, Ms. Mikkelsen, you referred to the
6 fact that you believe that the DMR grid modernization
7 program proposed by the staff is much broader than
8 the modernization proposal under the companies' filed
9 grid modernization plan; is that correct?

10 A. That is my understanding of
11 Dr. Choueiki's testimony.

12 Q. And can you give me -- can you explain to
13 me how it is broader? Can you identify what portions
14 or what testimony Mr. -- Dr. Choueiki submitted that
15 describes the more broad proposal?

16 A. It would have been his testimony on the
17 stand.

18 Q. And do you recall on the stand what the
19 broader elements of his proposal under the DMR grid
20 modernization are?

21 MR. KUTIK: Other than what she said
22 already?

23 Q. Other than what you have described
24 already in broad terms.

1 A. Not without reviewing the transcript.

2 Q. Now, on page 15, lines 10 through 11, you
3 refer to the "Staff's belief that three years is
4 sufficient time for FirstEnergy Corp. to address its
5 financial situation" and you state that that's
6 "contradicted by recent experience." Do you see
7 that?

8 A. I do.

9 Q. Can you tell me what recent experience
10 you are referring to?

11 MR. KUTIK: Objection.

12 A. The recent experience of FirstEnergy
13 Corp.

14 Q. Are you talking about the five-year
15 experience that you base your CFO to debt calculation
16 on?

17 A. No.

18 Q. And what would you be -- what other
19 recent experience are you referring to then?

20 A. I don't base my calc on five years of
21 experience.

22 Q. Then what recent experience are you
23 referring to that is -- that contradicts the staff's
24 belief that three years is sufficient time for

1 FirstEnergy Corp. to address its financial situation?

2 MR. KUTIK: Objection, asked and
3 answered.

4 A. The information contained in
5 Mr. Buckley's testimony.

6 Q. And, specifically, can you tell me what
7 information you are referring to?

8 A. The deteriorating credit metric of CFO to
9 debt.

10 Q. And that would be shown for the five-year
11 period; is that right?

12 A. Yes.

13 Q. And you testified that the five-year
14 period is inappropriate; is that correct? For
15 purposes of that calculation?

16 A. The five-year period -- the data used for
17 five years by Mr. Buckley was inappropriate. The
18 trend, I think, is very clear from 2012 forward, the
19 deteriorating trend.

20 Q. And that's the fact that there is a
21 deteriorating trend shown in Mr. Buckley's data is a
22 recent appearance that you believe contradicts his
23 belief that -- staff's belief that three years is
24 sufficient time to address -- for FirstEnergy Corp.

1 to address its financial situation, correct?

2 A. Yes.

3 Q. Specifically, do you have Mr. Buckley's
4 testimony in front of you?

5 A. No.

6 MS. WILLIS: Karen, do you have a copy of
7 Mr. Buckley's testimony?

8 MR. KUTIK: Well, actually it was marked
9 as an exhibit, so she has it now.

10 Q. Can you turn to that exhibit?

11 A. Yes.

12 Q. And can you turn to his part showing tax
13 from operations to debt?

14 A. I'm sorry, where did you want me to turn?

15 Q. The chart showing the cash from
16 operations to debt.

17 A. Yes.

18 Q. And when you say that the recent
19 experience contradicts staff's belief that three
20 years is sufficient time to address its financial
21 situation, are you referring to the CFO preworking
22 capital debt shown for what years?

23 A. The deteriorating trend, as you see that
24 metric step down from '11 to '12, and down again from

1 '12 to '13, and down again from '13 to '14.

2 Q. Is there any other experience that you
3 are aware of where three years is sufficient time for
4 an entity to address its financial situation?

5 A. No.

6 Q. Now, on line 14 of page 15, you state
7 that "improving credit ratings takes time." Do you
8 see that?

9 A. Yes.

10 Q. Can you tell me what -- what the basis of
11 that statement is?

12 A. I think just past experience with credit
13 ratings, they are slow to change in either direction
14 typically.

15 Q. And that past experience is limited to
16 FirstEnergy Corp.'s credit ratings and ratings of
17 FirstEnergy utilities?

18 MR. KUTIK: Objection.

19 A. No.

20 Q. Can you tell me how much time it takes to
21 improve credit ratings? Based on your past
22 experience with credit ratings?

23 MR. KUTIK: Objection, argumentative.

24 A. I think it's very situational.

1 Q. And what does the situation depend upon?

2 A. Any number of factors.

3 Q. And what would those factors be?

4 A. I couldn't provide you an exhaustive
5 list.

6 Q. Could you provide me with a list of any
7 factors that would impact upon how much time it takes
8 to improve credit ratings?

9 A. I think the economy would matter. I
10 think that the status of the financial markets would
11 matter. I think the general business environment
12 would matter. Those are examples that come to mind.

13 Q. And would you agree with me that the
14 factors that you mentioned are all out of the control
15 of the FirstEnergy utilities or FirstEnergy Corp.?

16 A. I'm not sure the business condition one
17 is entirely outside of the control of the companies.

18 Q. How much time do you estimate that it
19 will take FirstEnergy Corp. to improve its credit
20 ratings?

21 MR. KUTIK: Objection.

22 A. Again, I think DMR, as proposed by the
23 staff, is designed to provide credit support to the
24 utilities to -- and to assist in jump-starting the

1 grid modernization process.

2 Q. Would you agree with me that three years
3 is not long enough for FirstEnergy Corp. to improve
4 its credit rating?

5 A. I don't know whether it is or isn't.
6 Which is the point that it's speculation on behalf of
7 the staff. So to limit it to three years, it is more
8 appropriate to align the term of the rider DMR with
9 the term of the ESP and the terms of the conditions
10 on rider DMR.

11 Q. Is eight years long enough to allow
12 FirstEnergy Corp. to improve its credit rating?

13 A. That is certainly something that could be
14 considered at the time of the next ESP.

15 Q. How much time do you estimate it will
16 take FirstEnergy utilities to improve their credit
17 ratings?

18 A. I don't have an estimate.

19 Q. Would you agree with me that three years
20 is not long enough?

21 A. I don't know. I would agree that the
22 term of rider DMR should be the term of the ESP.

23 Q. Do you believe that eight years is long
24 enough to -- for FirstEnergy utilities to improve

1 their credit ratings with rider DMR?

2 A. Again, I think that issue can be
3 addressed at the time of the next ESP.

4 Q. Now, on page 15, line 17, you refer to
5 the needs for grid modernization. Do you see that?

6 A. Yes.

7 Q. Whose needs are these?

8 A. This is referring to the credit support
9 and cash needs for distribution grid modernization.

10 Q. Now, on page 15, lines 21 through 23, you
11 state that "The minimum term of Rider DMR must be
12 sufficiently long to account for the time necessary
13 to make the required investments in distribution grid
14 modernization." So you define that time as eight
15 years; is that right?

16 A. Yes.

17 Q. And your testimony is that the monies
18 collected through rider DMR is necessary to make the
19 required investment in distribution grid
20 modernization; is that correct?

21 THE WITNESS: May I ask you to reread
22 that, please.

23 (Record read.)

24 A. May I ask you to rephrase the question,

1 please?

2 Q. What is it you don't understand about
3 that question, Ms. Mikkelsen?

4 A. I just -- I didn't understand the
5 question in its entirety.

6 Q. Okay. You state that the minimum term of
7 rider DMR should be eight years, so that it will
8 allow time necessary to make the required investment
9 in distribution grid modernization; is that correct?

10 A. The testimony reads "The minimum term of
11 Rider DMR must be sufficiently long to account for
12 the time necessary to make the required investments
13 in distribution grid modernization."

14 Q. And would you agree with me that the
15 money you collect through rider DMR is necessary for
16 the companies to make the required investment in
17 distribution grid modernization?

18 THE WITNESS: I'm sorry. May I ask you
19 to reread the question, please.

20 (Record read.)

21 MR. KUTIK: Objection.

22 A. Rider DMR is designed to provide credit
23 support to the companies to enable this vision of
24 having one of the most intelligent grids in the

1 nation.

2 Q. As you sit here today, do you know what
3 the required investments in distribution grid
4 modernization are that you refer to on page 15,
5 lines 22 and 23?

6 MR. KUTIK: Objection, asked and
7 answered.

8 A. No.

9 Q. Now, let's go to page 16, line 11, and
10 you refer there on the -- to "the need to
11 rehabilitate the Companies' credit metric before the
12 Companies...seek access to capital markets." Do you
13 see that?

14 A. Yes.

15 Q. What's your basis for believing that
16 there is a need to rehabilitate the companies' credit
17 metrics?

18 A. The fact that under Moody's, two of the
19 three companies are rated one level above
20 non-investment grade; and under S&P, all three of the
21 companies are rated one notch above non-investment
22 grade noncredit -- non-investment grade.

23 Q. Is there also a need to rehabilitate
24 FirstEnergy Corp.'s credit metrics?

1 A. Yes.

2 Q. If rider DMR is implemented immediately
3 upon PUCO approval, as you recommend under your --
4 under your modifications to rider DMR, is the company
5 committing to moving forward with grid modernization
6 within a specified time period?

7 A. There's no specified time period.

8 Q. Now, on page 17, lines 12 through 13, you
9 testify that FirstEnergy employees, management,
10 shareholders and others have already significantly
11 invested, and continue to invest in supporting
12 FirstEnergy Corp. as an investment grade entity. Do
13 you see that reference?

14 A. Yeah. I think your line reference may
15 have been off, but, yes, I see the testimony.

16 Q. And then in the -- at the bottom of
17 page 17, beginning on line 17 and running over to
18 page 18, line 12, you provide what you consider to be
19 investment in supporting FirstEnergy Corp. as an
20 investment grade entity; is that a fair
21 characterization?

22 A. This is -- this is a list, you know, of
23 initiatives that have been implemented by various
24 constituents to improve the companies' overall --

1 pardon me, the FirstEnergy Corporation overall
2 financial well-being.

3 Q. Would you consider these to be an
4 investment in supporting FirstEnergy Corp. as an
5 investment grade entity at this time?

6 A. Yes, as it says on line 12 in my
7 testimony.

8 Q. Now, under the bullet labeled
9 "FirstEnergy Management and Employees," you identify
10 "reductions across the company through changes to
11 medical and other benefits." Should that reference
12 be to "companies"?

13 A. This -- this "company" relates to
14 FirstEnergy Corp. So it should read "Reductions
15 across the FirstEnergy Corporation." Including the
16 companies.

17 Q. Now, when you talk about and use the term
18 "FE management," can you tell me what that term
19 refers to? Is that FE Corp. or FE utilities or some
20 combination?

21 A. A combination of, but primarily the
22 management of the company that resides at the service
23 company.

24 Q. You're talking about FE Services Corp.?

1 A. It's FE Service Company.

2 Q. Thank you. And when you refer to
3 employees there, who are you referring to?

4 A. All of the employees of all of the
5 entities within FirstEnergy Corp.

6 Q. And you state that management and
7 employees have "Completed reductions across the
8 company through changes to medical and other
9 benefits." Do you see that reference?

10 A. Yes.

11 Q. Can you tell me when these reductions
12 across the companies through changes to medical and
13 other benefits have been taken?

14 A. Over the last several years.

15 Q. And by "last several years," what years
16 would those be?

17 A. I believe starting in 2013 or '14.

18 Q. And are those reductions continuing or
19 are they completed?

20 A. There were a number of changes that were
21 implemented over the last several years at different
22 times to the medical and other benefits provided to
23 the employees. Those changes, once instituted,
24 continue on a going-forward basis.

1 Q. Now, with respect to the FE management,
2 are you aware of whether the FE management have
3 continued to receive bonuses over the past three
4 years?

5 MR. KUTIK: Objection.

6 A. I'm not familiar with what bonuses have
7 been paid to what members of management.

8 Q. Are you aware of the magnitude of bonuses
9 that are received by management?

10 MR. KUTIK: Same objection.

11 A. No.

12 Q. Are you aware of whether management has
13 taken pay reductions in the past three years?

14 MR. KUTIK: Same objection.

15 A. I don't know whether management has taken
16 pay reductions in the last three years.

17 Q. And are you aware of whether the
18 employees that you referred to there have taken pay
19 reductions in the last three years?

20 A. I am aware that merit increases for all
21 employees were delayed for a significant period of
22 time, at least twice, I believe, during this time
23 frame.

24 Q. And, again, when you use "during this

1 time frame," are you talking about 2013, 2014?

2 A. Forward, yes.

3 Q. And those delayed merit increases would
4 not be continuing, correct?

5 A. May I ask you to rephrase the question,
6 please?

7 Q. Well, you referred to when we spoke of
8 the reductions for changes in medical and other
9 benefits, you said once instituted, those changes
10 continue on. And I guess my question is, with
11 respect to delayed merit increases, those are a
12 one-time and they will not continue, it's just a
13 deferral; is that right? Or a delay of merit pay
14 increases?

15 A. I would agree it is a delay from when
16 merit increases were implemented vis-a-vis when they
17 have historically been implemented.

18 Q. And are you aware if that was a
19 corporation -- corporation-wide merit increases to
20 employees were delayed?

21 A. Yes.

22 Q. And you said for a significant period of
23 time; is that correct?

24 A. It felt significant to me.

1 Q. And yeah, how do you define

2 "significant"? How long were the merit increases
3 delayed, if you know?

4 A. I think my recollection is by a half a
5 year -- six months, a half a year.

6 Q. And you testified that has happened
7 several times; is that correct?

8 A. I think I testified that I thought it
9 occurred twice during the period.

10 MR. KUTIK: Actually, you said at least
11 twice.

12 Q. And, again, the period we are talking
13 about is 2013 forward?

14 A. Yes.

15 Q. And when you indicate in your testimony
16 there's staffing reductions under the first bullet,
17 can you tell me when those staffing reductions took
18 place?

19 A. They have occurred since 2012.

20 Q. And the staff reductions then have been
21 initiated on a going -- once instituted, they
22 continue on a going-forward basis; is that correct?

23 MR. KUTIK: Objection.

24 A. The staffing -- may I ask you to rephrase

1 the question, please?

2 Q. You indicated that since 2012 there have
3 been staff reductions. Can you -- can you explain
4 when the staff reductions would have been
5 implemented?

6 MR. KUTIK: Objection, asked and
7 answered.

8 A. They had -- they would have occurred 2012
9 forward, with the head count of the company -- pardon
10 me, the head count -- the total head count for
11 FirstEnergy Corporation being lower each and every
12 year starting in 2012 and moving through 2015.

13 Q. And is it your understanding the head
14 count for FirstEnergy utilities would have been lower
15 each and every year from 2012 through 2015?

16 A. I'm not certain with the "each and every
17 year," but I know they are lower at the end of '15
18 than they were at the end of '12 across all three
19 companies.

20 Q. Are you aware of any staff reductions for
21 FirstEnergy Service Company since 2015?

22 A. I think the reductions are across the
23 entire corporate entity.

24 Q. So you are -- you are testifying that

1 there have been staff reductions to FirstEnergy
2 Service Company since 2015?

3 A. Oh, I'm sorry, misunderstood the
4 question. Since '15?

5 Q. Yes.

6 A. I don't know.

7 Q. Do you know how many current employees
8 there are for FirstEnergy Service Company as we sit
9 here today?

10 A. Not the exact number, no.

11 Q. Do you know if the number varies from the
12 number of employees identified by Ms. Murley in her
13 economic development study?

14 A. Yes, I think the number of service
15 company employees is higher than the number used by
16 Ms. Murley in her testimony.

17 Q. So the employees with the FirstEnergy
18 Service Company have increased, not decreased since
19 2015, correct?

20 A. No.

21 Q. And I'm not sure that I follow you then.

22 MR. KUTIK: Well, what's your question?

23 Q. My question is, is your testimony that
24 the -- there are more -- you testified that today

1 there are more -- more employees for FirstEnergy
2 Service Company than in 2015, correct?

3 MR. KUTIK: No, that's not her testimony.
4 I object. Go ahead.

5 A. No, that's not my testimony.

6 Q. And then I missed --

7 MS. WILLIS: Can I have the answer, the
8 prior answer, question and answer reread, please.

9 (Record read.)

10 Q. Is that because the employees have
11 increased since -- since the figure -- or since the
12 figure used by Ms. Murley for 2015?

13 MR. KUTIK: Objection.

14 A. No.

15 Q. Why is there a difference between the
16 number of employees that Ms. Murley used versus what
17 is in effect today?

18 A. The numbers represent two different
19 things.

20 Q. Okay. Can you tell me what -- what the
21 numbers represent then?

22 MR. KUTIK: Objection.

23 A. Ms. Murley's testimony addresses the
24 employees located at the general office in Akron and

1 your questions to me were what are the total number
2 of service company employees.

3 Q. Do you understand that Ms. Murley --
4 Murley's number was related to the employees at the
5 FirstEnergy Service Company?

6 MR. KUTIK: Objection.

7 A. My recollection, as I said, is her
8 question -- her testimony addressed the number of
9 service company employees at the headquarters versus
10 the total number of service company employees which
11 was your question to me.

12 Q. Yes, thank you.

13 Do you know whether the employees located
14 at the headquarters in Akron have -- whether the
15 employees have increased or decreased since 2015?

16 MR. KUTIK: Objection.

17 A. Yeah, I don't know.

18 Q. Do you know the number of current
19 employees located in the Akron headquarters that
20 serve the generation business?

21 MR. KUTIK: Well, if this number is
22 proprietary, I would ask you to indicate that. If
23 you know either way.

24 THE WITNESS: I don't know. I don't even

1 know if there are.

2 MR. KUTIK: Okay.

3 Q. Did you review Ms. Murley's testimony?

4 A. Yes.

5 Q. And did you review her economic analysis
6 report which identified generation -- identified
7 employees in the headquarters that service the
8 generation business?

9 MR. KUTIK: Objection.

10 A. I'm looking at Exhibit 1 from today.
11 Would you like me to review that exhibit? Is that
12 your question of me?

13 Q. No. I am asking you if you reviewed,
14 prior to being filed, did you review that study that
15 presented the results and came up with an economic
16 development benefit number which you make a
17 recommendation on?

18 MR. KUTIK: Well, that wasn't your prior
19 question, and she can't answer that question before.

20 MS. WILLIS: Well, there is a new
21 question then.

22 MR. KUTIK: Well, no, you have -- we are
23 done with this line of questioning, so you better ask
24 another one.

1 Q. Did you review the -- prior to Ms. Murley
2 filing the economic development testimony, did you
3 have any input into the information that was provided
4 to Ms. Murley for purposes of her study?

5 A. No.

6 Q. And did you review the results of
7 Ms. Murley's study before her study was filed?

8 A. Yes.

9 Q. Now, under the bullet "Shareholders," you
10 indicate that the annual dividend has been reduced.
11 "A reduction of equaling over \$300 million annually."
12 Do you see that?

13 A. Yes.

14 Q. Can you tell me when that reduction
15 occurred?

16 A. I don't remember specifically.

17 Q. Now, you refer to "Issued equity through
18 stock investment and employee benefits plans." Do
19 you see that?

20 A. Yes.

21 Q. Can you identify how much equity was
22 issued through stock investment and employee benefit
23 plans and when that was issued?

24 A. I think that approaches \$100 million a

1 year for the last several years.

2 Q. Again, "last several years" being 2013,
3 2014?

4 MR. KUTIK: Objection.

5 A. And 2015. Continuing into '16, with four
6 full years, yes.

7 Q. Now, you also mentioned a number of
8 jurisdictions and you provide information about what
9 is going on in New Jersey, Pennsylvania, and West
10 Virginia. In any of those jurisdictions, did the
11 utilities' subsidiaries propose a credit support
12 charge?

13 MR. KUTIK: Objection.

14 Q. If you know.

15 MR. KUTIK: Asked and answered.

16 A. May I ask you to rephrase the question,
17 please?

18 Q. What is it that you don't understand?

19 A. A credit support charge.

20 Q. Did -- in the jurisdictions listed, did
21 the companies propose a charge to provide support to
22 enable the utility or its parent to maintain
23 investment grade ratings?

24 MR. KUTIK: Objection.

1 A. I think all of the regulatory actions
2 listed here that give rise or potentially give rise
3 to additional revenues would support the credit
4 ratings of the companies that the activities occurred
5 within.

6 Q. Do you know if any of the utilities
7 actually characterized or labeled their proposal as a
8 credit support or a financial support to maintain
9 investment grade ratings?

10 MR. KUTIK: Objection.

11 A. I'm not aware of a request with that
12 title.

13 Q. Are you aware of a request with that
14 purpose?

15 MR. KUTIK: Objection, asked and
16 answered.

17 A. Again, the --

18 Q. I was going to say I'll withdraw.

19 Have the other constituents that you --
20 and I am using the term that the -- that you used on
21 page 18, lines 15, have the other constituents
22 committed to fund the remaining 60 percent of cash
23 needed to achieve a CFO to debt ratio of 15 percent?

24 A. I think FirstEnergy Corp. and the

1 constituents listed here, the other companies have
2 continued to look for opportunities to improve the
3 credit metrics of the individual subsidiaries as well
4 as FirstEnergy Corp.

5 Q. And you would -- is it your testimony
6 that there -- there -- by continuing to look for
7 opportunities to -- let me strike that.

8 MS. WILLIS: May I have her answer
9 reread, please.

10 (Record read.)

11 Q. Is it your testimony that the fact that
12 the other constituents are continuing to look for
13 opportunities to improve credit metrics of the
14 individual subsidiaries and the FE Corp., a
15 commitment to fund the remaining 60 percent of cash
16 is needed to achieve a CFO to debt ratio of
17 15 percent?

18 MR. KUTIK: Objection, asked and
19 answered.

20 A. The various subsidiaries listed here, as
21 well as FirstEnergy Corp., I believe will continue to
22 seek out and identify initiatives that would support
23 individual subsidiary credit metrics as well as the
24 credit metrics of FirstEnergy Corp.

1 Q. When you indicate that the utility --
2 the -- that the constituents continue to look for
3 opportunities to improve the credit metrics of the
4 individual subsidiaries and FE Corp., are you
5 testifying that the -- what we call the investments
6 shown on -- on lines 1 through 12 of page 18, is
7 evidence that they are continuing to look for
8 opportunities?

9 A. These are things they are doing, they
10 have done and are doing, and I believe they will
11 continue to look for additional things that can be
12 done.

13 Q. And what is your belief that they will
14 continue to look for opportunities to improve credit
15 metrics of the individual subsidiaries and FE Corp.
16 based on?

17 A. Past experience.

18 Q. And the past experience would be
19 reflected in the actions that you have listed here on
20 the top of page 18 on lines 1 through 12?

21 A. As well as the actions on lines 17,
22 page -- pardon me, page 17, lines 17 through 30.

23 Q. Do you know, Ms. Mikkelsen, if
24 FirstEnergy Corp. intends to seek a commitment from

1 other constituents to achieve a CFO to debt ratio of
2 15 percent?

3 MR. KUTIK: Objection.

4 A. No.

5 Q. Now, on page 18, lines 24 through 25, you
6 state that the analysis conducted by staff to reach
7 its conclusion on the MRO versus ESP needs to be
8 augmented. Do you see that?

9 A. Yes.

10 Q. And why does the staff analysis need to
11 be augmented?

12 MR. KUTIK: Well, I am going to object
13 and now I am going to instruct her not to answer.
14 You have done this a bunch of times. She has
15 testimony. It's in her testimony. She doesn't need
16 to restate her testimony. If you have a more
17 specific question, let's get to that question. It's
18 after 5 o'clock. Let's move on.

19 MS. WILLIS: Do you need to take a break,
20 Ms. Mikkelsen?

21 MR. KUTIK: We'll tell you when we need
22 to take a break, but right now you need to ask
23 another question.

24 Q. Now, you testify on page 19 equivalent

1 revenues would be recovered -- "could potentially be
2 recovered in a base rate case proceeding, in the
3 Companies' existing Rider AMI or in another mechanism
4 similar to Rider DMR while the Companies are
5 providing SSO service under an MRO." What mechanism,
6 besides the existing rider AMI, are you referring to?

7 A. A mechanism similar to rider DMR.

8 Q. And that opinion that they could do this
9 in the context of an MRO, what is that based upon?

10 MR. KUTIK: Objection, that's not her
11 testimony.

12 A. Can I ask you to rephrase the question,
13 please?

14 Q. Yes. You state on lines -- on page 19,
15 line -- line 5, that the companies could -- could
16 potentially be recovering DMR revenues in a base rate
17 proceeding, while the companies are providing SSO
18 under an MRO, so I am asking you what is that opinion
19 based on that you believe this could be done under an
20 MRO?

21 MR. KUTIK: Objection. That is not her
22 testimony.

23 THE WITNESS: May I ask you to reread the
24 question, please.

1 (Record read.)

2 A. I think what my testimony states is that
3 equivalent revenues could potentially be recovered in
4 a base rate case proceeding, or in the companies'
5 existing rider AMI, or in another mechanism similar
6 to DMR, while the companies are providing SSO service
7 under an MRO, but not as a provision necessarily of
8 an MRO.

9 Q. But for the companies, would you --
10 wouldn't you agree that given their agreement to
11 freeze base rates, then the equivalent revenues could
12 not be recovered in a base rate case proceeding?

13 MR. KUTIK: Well, I'll object. You are
14 assuming that the ESP goes forward. If the ESP goes
15 forward, it goes forward with the DMR. If there is
16 no ESP, there is no base rate freeze.

17 A. Like I said, more simply, there would be
18 no base rate freeze under an MRO.

19 Q. Okay. And so how would -- how would this
20 occur under an MRO?

21 Never mind. Let me withdraw that.

22 MR. KUTIK: Well, at this point, why
23 don't we take a break.

24 MS. WILLIS: Thank you.

1 (Recess taken.)

2 Q. (By Ms. Willis) Ms. Mikkelsen, on
3 page 11, line 19, you testify that it is likely that
4 the companies would still move forward with a grid
5 modernization initiative under an MRO. Do you see
6 that?

7 MR. KUTIK: Where are you?

8 A. You said page 11?

9 Q. I'm sorry, no, that would be page 19,
10 line 11. And that's -- I'm paraphrasing. You do say
11 given the state policy, and the grid-related actions
12 to date, and the staff advocacy, it is likely the
13 companies will still move forward with a grid
14 modernization initiative under an MRO. Do you see
15 that?

16 A. Your rough paraphrase, yes.

17 Q. Yes. And do you believe that the
18 standard that it is like -- that the companies are
19 likely to move forward to -- is the appropriate
20 standard to determine whether the expenses are
21 weighed as an MRO expense in the MRO versus SSO test?

22 MR. KUTIK: May I have the question read,
23 please.

24 (Record read.)

1 Q. Let me try to rephrase that. Thank you.

2 It is rather awkward.

3 Ms. Mikkelsen, when you say that the
4 companies are likely to move forward with a grid
5 modernization initiative under an MRO, do you believe
6 that to be the appropriate standard to determine
7 whether the expenses should be considered as an MRO
8 expense in the MRO versus ESP test?

9 A. Yes.

10 Q. And what's the basis of your conclusion?

11 A. That if it is the expectation that the
12 dollars would be spent under an MRO or an ESP, it
13 should be treated as such in the test.

14 Q. And is that opinion based on your -- that
15 is a nonlegal opinion, correct?

16 MR. KUTIK: Again, for the 1,300th time,
17 she is not providing legal opinions. How many times
18 do we have to tell you that?

19 MS. WILLIS: 1,301.

20 MR. KUTIK: Let's hopefully not make it
21 1,302.

22 MS. WILLIS: Okay.

23 Q. Now, you also testify, Ms. Mikkelsen,
24 that you believe that the cash can be collected for

1 credit support for FirstEnergy Corp. in base
2 distribution rates. Do you see that?

3 A. Yes.

4 Q. And can you tell me the basis of that
5 belief?

6 A. I believe in a base distribution rate
7 case, the Commission could make an adjustment, as
8 they deem appropriate, to test your expense, or
9 normalize test your expenses, or provide an
10 incentive -- incentivize return on equity to
11 accomplish these -- this objective.

12 Q. And you indicate also in your testimony
13 that you believe that cash -- let me go back.

14 When I asked you the question, I was -- I
15 mentioned that -- I was asking whether cash can be
16 collected for credit support for FirstEnergy Corp.
17 Is that your understanding of my question?

18 A. No.

19 Q. Let me try it again. You testify -- do
20 you believe that cash can be collected for credit
21 support for FirstEnergy Corp. in -- in FirstEnergy
22 utilities' base distribution rate case?

23 MR. KUTIK: Objection.

24 A. I think the cash would be collected for

1 support for the companies.

2 Q. And you conclude that cash can be
3 collected for credit support in an electric security
4 plan, correct?

5 MR. KUTIK: Objection.

6 A. May -- may I ask you to point to me what
7 you are referring to?

8 Q. Sure. If you give me a moment, I will
9 find it. Well, you make the reference on page 19,
10 lines 12 through 13, "Cash collected for support
11 under Rider DMR in an ESP...." I'm asking you
12 whether that testimony is that you -- are you saying
13 that cash can be collected for credit support in an
14 ESP?

15 A. Yes. I think we discussed that earlier
16 today with respect to the statute.

17 Q. Now, on page 19, lines 21 through 22, you
18 state that the quantitative benefits of keeping the
19 corporate headquarters in Akron will be equal to or
20 greater than the recommended maximum annual amount of
21 the associated portion of rider DMR. Are you
22 referring there to the value assigned to the
23 headquarters by Ms. Murley, the \$568 million per
24 year?

1 MR. KUTIK: Objection.

2 A. May I ask you to rephrase the question,
3 please?

4 Q. When you refer to the quantitative
5 benefit on page 19, lines 21 through 22, are you
6 referring to the economic development value assigned
7 to maintaining the headquarters in Akron by
8 Ms. Murley?

9 MR. KUTIK: Objection, asked and answer.
10 This was thoroughly discussed with Mr. Fisk.

11 A. As the testimony says here, the
12 "quantitative benefit associated with this economic
13 development condition will be equal to or greater
14 than the recommended maximum annual amount of the
15 associated portion of Rider DMR."

16 Q. And by the "associated portion of Rider
17 DMR," you are focusing on the 500 -- the up to
18 \$568 million annual charge per year?

19 A. Well, when I'm focusing on the "maximum
20 annual amount of the associated portion of Rider
21 DMR," I'm talking about the amount that the
22 Commission determines is appropriate for inclusion in
23 rider DMR.

24 Q. You say that the "net of Rider DMR costs

1 and the quantitative benefit of the commitment to
2 maintain...headquarters in Akron will be greater than
3 or equal to zero." Do you see that reference?

4 A. Yes.

5 Q. Can you define what you mean by "net of
6 Rider DMR costs?"

7 MR. KUTIK: Well, that miss -- that
8 misstates and mischaracterizes the sentence, so I'll
9 object.

10 A. This is referring to the netting of the
11 dollars included in rider DMR associated with the
12 headquarters and nexus of operations commitment as
13 compared to the benefit calculated by Ms. Murley.

14 Q. Now, you conclude on page 20, lines 10
15 and 11, that the "ESP IV, including...adjustments to
16 Rider DMR, is more favorable than an MRO by at least
17 \$51.1 million on a quantitative basis." Do you see
18 that?

19 A. Yes.

20 Q. Are you stating then that these portions
21 of the stipulation would be part of the deal with the
22 company accepting modified rider DMR?

23 A. If the ESP moves forward, these
24 commitments would continue and they would provide a

1 benefit from a quantitative perspective to the MRO
2 versus ESP. If the company doesn't move forward with
3 the modified ESP, there's no test to satisfy.

4 Q. Ms. Mikkelsen, I hate to go here, but
5 what's the status of the stipulation?

6 MR. KUTIK: Well, I'll object, and I will
7 instruct her not to answer. That's way beyond the
8 scope at this point.

9 Q. Let me try it this way. Have the
10 original signatory parties agreed to the terms of the
11 companies' modified rider -- let me strike -- let's
12 strike it and be more precise.

13 Have the original signatory parties
14 agreed to the terms of the company's proposal to
15 modify rider DMR?

16 MR. KUTIK: That's also beyond the scope.

17 A. The companies continue to recommend that
18 the Commission approve the proposal.

19 MR. KUTIK: As we've defined that term
20 throughout the rehearing, correct?

21 THE WITNESS: Yes.

22 Q. Have there been stipulation discussions
23 with regard to the companies' proposed modifications
24 to rider DMR?

4 Q. Does the company intend to have
5 discussions with signatory parties with respect to
6 the companies' proposed modifications to rider DMR?

8 Q. Now, on page 20, lines 17 through 18, you
9 testify that rider DMR does not impact any of the
10 other qualitative benefits of Stipulated ESP IV
11 relied upon by the PUCO in its order. Do you see
12 that?

14 Q. And are you referring there to rider --
15 properly-constructed rider DMR as modified by -- as
16 modified consistent with the companies' proposal?

24 You testify on page 20, lines 17 through

1 18, that rider DMR does not impact any -- any of the
2 other qualitative benefits of stipulated ESP IV
3 relied upon by the Commission in its order. When you
4 are referencing "rider DMR," are you referencing the
5 staff's proposed rider DMR or are you referencing --
6 are you referencing a -- what you consider to be a
7 properly-constructed rider DMR?

8 A. Rider DMR is adjusted per the companies'
9 modifications.

10 Q. Does rider DMR, as adjusted by the
11 companies' modification, promote rate stability and
12 certainty?

13 A. No.

14 Q. Does rider DMR promote fuel diversity?

15 A. It may.

16 Q. And in what sense?

17 A. If a -- the grid modernization efforts
18 enable distributed generation.

19 Q. Does rider DMR provide greater price
20 certainty during the term of the ESP? Let me strike
21 that.

22 Does rider DMR provide price certainty
23 during the term of the ESP?

24 MR. KUTIK: Objection, asked and

1 answered.

2 A. No.

3 Q. Does rider DMR promote predictably-priced
4 service?

5 A. No.

6 Q. Does rider DMR satisfy the AEP Ohio
7 factors?

8 MR. KUTIK: Objection. Assuming that
9 those factors apply.

10 A. Rider DMR would have nothing to do with
11 the AEP factors which were based on purchase power
12 agreements.

13 Q. Does rider DMR protect against rate
14 volatility and price fluctuations?

15 MR. KUTIK: Objection, objection, asked
16 and answered.

17 A. No.

18 Q. I'm sorry, did you answer, Ms. Mikkelsen?

19 MR. KUTIK: She said "no."

20 MS. WILLIS: Okay. Thank you.

21 Q. Now, you indicate on page 21, you're
22 discussing SEET, and you indicate that on line 12,
23 that the proposal -- the companies' proposal "is not
24 related to or only incidentally related to typical

1 utility operations." Do you see that?

2 A. Yes.

3 Q. Can you tell me what you mean by that?

4 A. That the proposal is not related to or
5 only incidentally related to typical utility
6 operations.

7 Q. And how is that only incidentally related
8 to typical utility operations?

9 A. Well, I mean, the statement says it is
10 "not related to or only incidentally related to."

11 Q. And I guess I am trying to find out what
12 you mean by that.

13 A. The typical utility operations would be
14 the provision of distribution service to our
15 customers.

16 Q. So would you agree with me that the
17 proposal is not related to distribution service?

18 A. I said it is not related to the typical
19 utility operations as it relates to distribution
20 service.

21 Q. Now, on page 22, line 10, you state that
22 "A SEET refund associated with Rider DMR would defeat
23 the purpose of the rider." Do you see that?

24 A. Yes.

1 Q. And you go on to state that "If Rider DMR
2 dollars are refunded, they would not improve the
3 Companies' credit metrics." Do you see that?

4 A. Yes.

5 Q. And when you talk about a refund, are you
6 speaking of a total or a partial refund under the
7 SEET process?

8 MR. KUTIK: Objection.

9 A. A total refund would not improve the
10 companies' credit metrics. A partial refund would
11 have a partial effect.

12 Q. Now, you indicate on lines 19 and 20 on
13 page 22, that rider DMR is intended to incentivize --
14 let me strike that.

15 You indicate on lines 17 through 20 on
16 page 22, that if Rider DMR dollars are refunded, they
17 would not provide the incentive to retain the
18 FirstEnergy headquarters. Do you see that?

19 A. Yes.

20 Q. Do you believe that FE needs to be
21 incented to retain its corporate headquarters and
22 nexus of operations in Akron, Ohio?

23 MR. KUTIK: Objection.

24 A. I believe that is a condition the staff

1 felt was important to include in rider DMR.

2 Q. I understand that's what the staff
3 concluded, but do you -- do you believe that FE is --
4 needs to be incented to retain its headquarters and
5 nexus of operations in Akron, Ohio?

6 MR. KUTIK: Objection, asked and
7 answered. This witness has already indicated this is
8 not the company's proposal, it is the staff's
9 proposal, and she is testifying in terms of what she
10 understands staff's intent is with respect to this.
11 That's the clear intent of this testimony. So your
12 questions are out of bounds. She has already
13 answered your questions.

14 Q. Ms. Mikkelsen, was there an incentive
15 provided under FirstEnergy's proposal to keep the
16 headquarters in Akron under the third supplemental
17 stipulation and recommendation?

18 A. That provision was part of a
19 multiple-provision stipulation entered into by
20 multiple parties.

21 Q. And do you believe that there was an
22 incentive built into the stipulation for FE to keep
23 its headquarters in the Akron -- in Akron, Ohio?

24 A. No. As I said, I believe it was a

1 provision among a number of provisions agreed to in a
2 stipulation by a number of parties.

3 Q. Now, you testify on page 22, line 23,
4 carrying over to page 23, lines 1 to 4, that the
5 charges associated with rider DMR could be excluded
6 from SEET because the credit support and the
7 commitment to maintain FirstEnergy Corp.'s
8 headquarters are both extraordinary in nature. Do
9 you see that?

10 A. Recognizing you omitted the "nexus of
11 operations" language, yes.

12 Q. Yes. And can you tell me why you use the
13 word "could" instead of "should"?

14 A. I'm sorry. Could you show me the word
15 "could," please?

16 Q. Sure.

17 MR. KUTIK: I see the word "would."

18 THE WITNESS: I do, too, that's why I'm
19 asking.

20 Q. I'm sorry. It's a typo. Important typo,
21 I guess. So let me withdraw that question and here
22 is another.

23 Can you explain how the credit support
24 provided -- associated with rider DMR is

1 extraordinary?

2 A. Insomuch as it's unusual in nature.

3 Q. And how is it unusual in nature?

4 MR. KUTIK: Objection. Now you are
5 arguing with the witness.

6 A. Because it is not usual.

7 Q. Is it your testimony that -- are you
8 aware of other instances where credit support has
9 been granted in -- as a credit -- as a -- let me
10 strike that.

11 Now, with respect to FirstEnergy Service
12 Corp. -- I'm sorry, FirstEnergy Service Company,
13 would you agree with me that FirstEnergy Service
14 Company provides services to all of the subsidiaries
15 within FE's corporate structure?

16 MR. KUTIK: Well, I'll object at this
17 point. Beyond the scope. What's your next question?

18 MS. WILLIS: That is my question until it
19 is answered by the witness.

20 MR. KUTIK: Well, I will instruct her not
21 to answer that question at this point.

22 MS. WILLIS: Well, in terms of relevancy,
23 it relates to Ms. Murley's recommendation on economic
24 development. And the economic development benefits

1 are derived from FirstEnergy Service Company
2 employees located in the headquarters in Akron, Ohio.
3 So I believe it is relevant and within the scope of
4 the hearing and within the scope of judging the
5 relevant -- or judging the economic development
6 credit used by Ms. Murley and adopted by
7 Ms. Mikkelsen.

8 MR. KUTIK: My instruction stands.

9 MS. WILLIS: Well, I am going to take
10 this up with the Attorney Examiner because I have a
11 whole line of questions with respect to that.

12 MR. KUTIK: Well, we are going to take up
13 with the Attorney Examiner the abusive nature of this
14 deposition, but, you know, let's just go on, and we
15 can catalog a whole bunch of things we can talk to
16 the Attorney Examiner with. So what's your next
17 question?

18 MS. WILLIS: Right. That's my intention
19 just so you know. I will move on to another topic.

20 Q. (By Ms. Willis) Now, Ms. Mikkelsen, the
21 companies made a decision to support the proposal in
22 this proceeding instead of going with the staff's
23 proposal or instead of going with a modified rider
24 DMR; is that correct?

1 MR. KUTIK: Objection, mischaracterizes
2 her testimony. This has also been asked and answered
3 so I will instruct her not to answer that too. We
4 have been through this thoroughly. What's your next
5 question?

6 Q. Well, when, Ms. Mikkelsen, did -- was the
7 decision made to support the proposal in lieu of a
8 properly-constructed rider DMR or staff's rider DMR?

9 MR. KUTIK: I'll also instruct her not to
10 answer that question.

11 MS. WILLIS: And what's the basis for
12 that instruction?

13 MR. KUTIK: Not relevant. Beyond the
14 scope of her testimony.

15 Q. (By Ms. Willis) Ms. Mikkelsen, what
16 metrics did you look at to determine that you would
17 support the proposal in lieu of a modified rider DMR
18 or a staff rider DMR?

19 MR. KUTIK: Well, again, I am going to
20 instruct her not to answer that question. Again, you
21 are asking her to summarize testimony that she has
22 clearly laid out. It's not her job to tell you where
23 in her testimony she says something when it clearly
24 is in her testimony and she has already testified

1 about it in prior questions for the now nine hours
2 that she has been testifying.

3 Q. Did you do a comparison, Ms. Mikkelsen,
4 between the -- any financial metrics associated with
5 rider DMR as proposed by the staff and the proposal
6 presented?

7 MR. KUTIK: May I have the question read,
8 please.

9 (Record read.)

10 MR. KUTIK: Objection.

11 A. No.

12 Q. In your testimony at page 13, on
13 Figure 1, you calculated rider DMR revenue with the
14 tax grossed up to be 558 million; is that correct?

15 A. Yes.

16 Q. And you also show the allocated annual
17 averaging of CFO shortfalls, 357 million, correct?

18 A. Before the gross up for tax, yes.

19 Q. And that \$357 million is the same as an
20 aftertax net income?

21 A. It is the cash from operations value.

22 Q. Is the cash from operations value the
23 same as the aftertax net income?

24 MR. KUTIK: Objection.

1 A. I think it's the cash from operations
2 value. I haven't thought about your question. I
3 don't know how to answer it as I sit here, but it is
4 as this states. It is intended to be the cash from
5 operations value.

6 Q. Are you aware of the calculation of the
7 return -- you are familiar with the calculation of
8 return on equity?

9 A. Yes.

10 Q. And would you agree that the return on
11 equity is calculated as net income divided by
12 shareholder equity?

13 A. Yes.

14 Q. And earlier today you testified that you
15 reviewed Mr. Buckley's testimony, and I want you to
16 look at Attachment 1 of his -- to his testimony, if
17 you could.

18 A. I'm there.

19 Q. And that attachment is a financial
20 highlights compiled by SNL of the three EDUs and
21 FirstEnergy Corp., correct?

22 MR. KUTIK: We've been through this.
23 Next question.

24 Q. Do you know the return on equity for

1 financial reporting purposes of the three Ohio EDUs
2 in 2015, assuming we use the financial data compiled
3 by SNL and included in Attachment 1?

4 A. I have not performed that calculation.

5 Q. Do you know the combined net income of
6 these EDUs in 2015 as reported in Attachment 1?

7 A. That would have been provided in my
8 workpaper.

9 Q. Okay. And do you also know the combined
10 average shareholder equity of the EDU in 2015 as
11 reported in Attachment 1 of Mr. Buckley's testimony?

12 A. No. I haven't performed that
13 calculation.

14 Q. Do you know if -- would you agree with
15 me, subject to check, that the combined return on
16 equity of the three EDUs is approximately
17 8.82 percent?

18 A. I haven't performed the calculation, so I
19 can't -- I can't agree to an answer.

20 Q. Would you agree with me that assuming the
21 proposed rider DMR of 500 -- with a value of
22 558 million for the three EDUs is adopted by the
23 Commission, would you agree that the aftertax net
24 income will increase by about \$357 million by using

1 your income tax rate of 36 percent as shown in
2 Figure 1 of your testimony?

3 A. May I ask you to rephrase the question,
4 please?

5 Q. And what don't you understand?

6 A. The characterization of our proposal.

7 Q. Assuming -- assuming that the Commission
8 adopts the modifications you propose to rider DMR and
9 permits a DMR charge of \$558 million per year for the
10 three EDUs, the aftertax net income of the three EDUs
11 would increase by about \$357 million using your
12 income tax rate of 36 percent, correct?

13 A. There's a lot of assumptions in that
14 question so I'm not entirely sure I'm comfortable
15 answering it.

16 Q. Would you agree with me that if the
17 staff's proposal of rider DMR with the \$131 million
18 collected per year, if that were adopted by the
19 Commission, that the net income of the three EDUs
20 would increase but not as much as under your --
21 your -- not as much under your modifications to rider
22 DMR?

23 MR. KUTIK: Objection.

24 A. Yes.

1 Q. Have you looked at the effect of using an
2 income tax rate of 35.43 percent as reported in
3 Attachment 1 of Buckley's testimony with a \$131
4 million revenue collection to determine how much
5 aftertax income will be generated?

6 A. I haven't performed that calculation.

7 Q. And would your answer be the same with
8 respect to using an effective income tax rate of
9 35.43 percent with a DMR of \$558 million?

10 A. I --

11 MR. KUTIK: Objection.

12 A. I haven't performed that calculation.

13 MS. WILLIS: If I may have a moment, I
14 believe I'm done, but I need a moment to look at my
15 notes. Should we take a 2-minute break?

16 MR. KUTIK: Fine.

17 (Discussion off the record.)

18 MR. KUTIK: Let's go back on the record.

19 MS. WILLIS: Thank you.

20 Q. (By Ms. Willis) Now, on page 11 through
21 12 of your testimony, you testified to the 40 percent
22 allocation if the Commission is to adopt your
23 modifications to rider DMR. Do you see that?

24 A. May I ask you to be more specific,

1 please?

2 Q. Well, you indicate, do you not, that you
3 recommend an allocation factor of 40 percent rather
4 than Mr. Buckley's allocation of 22 percent? And
5 that's on page 12, line 16.

6 A. Yes. I see my testimony at page 12,
7 line 16, and that is what it says.

8 Q. And do you believe that the 40 percent
9 allocation factor is -- let me strike that.

10 Is Ohio's share of the credit support a
11 higher percentage than other jurisdictions such as
12 Pennsylvania, New York, West Virginia, and Maryland?

13 MR. KUTIK: Objection. If you have done
14 those calculations.

15 A. Yeah, I have not.

16 Q. So you don't know how much Ohio's share
17 is relative to the other jurisdictions and also
18 relative to the other subsidiaries; is that correct?

19 A. That's right.

20 Q. Is it fair to say that Ohio utilities
21 have contributed a significant amount to FE's net
22 income and cash flow in the past?

23 A. It is fair to say, based on Mr. Buckley's
24 attachment, that in 2015, they provided 40 percent of

1 the net income.

2 Q. And which attachment are you referring
3 to, Ms. Mikkelsen?

4 A. Mr. Buckley's Attachment 1.

5 Q. And would you characterize that as a
6 significant contribution to FirstEnergy Corp.'s net
7 income and cash flow?

8 MR. KUTIK: Objection, argumentative.

9 A. Yes.

10 Q. Is it fair to say -- let me strike that.

11 Is it fair to say under your
12 modifications to rider DMR that a -- using a
13 40 percent allocation factor is essentially asking --
14 is asking Ohio customers to continue to pay a
15 significant part of FE's credit support?

16 MR. KUTIK: Objection.

17 A. I think it creates alignment with the
18 support and significance of the companies to the
19 FirstEnergy Corporation.

20 MS. WILLIS: That's all the questions I
21 have. Thank you, Ms. Mikkelsen.

22 And thank you, Mr. Kutik.

23 MR. KUTIK: Let's go off the record.

24 (Discussion off the record.)

1 MR. KUTIK: Okay. Let's go back on the
2 record.

3 Mr. Settineri.

4 MR. SETTINERI: Thanks, David.

5 - - -

6 CROSS-EXAMINATION

7 By Mr. Settineri:

8 Q. Good evening, Ms. Mikkelsen. In the very
9 beginning of the deposition today, there was some
10 discussion about your testimony at page 14, line 22,
11 you talked about the annual amount of DMR would equal
12 the \$558 million plus an additional amount not to
13 exceed the economic development value outlined by
14 Murley. So am I correct then that what you are
15 proposing for your DMR proposal would be an upper
16 limit of \$1.126 billion for rider DMR?

17 MR. KUTIK: Objection, asked and
18 answered.

19 A. What I am proposing is that the DMR
20 amount would equal 558 million plus an additional
21 amount determined by the Commission --

22 Q. And I know those --

23 MR. KUTIK: Hold on a second. She hasn't
24 finished her answer.

1 Q. Oh, I'm sorry. Go ahead.

2 A. Associated with the commitment to keep
3 the FirstEnergy Corp. headquarters and nexus of
4 operations in Akron, Ohio.

5 Q. And I understand you gave that answer. I
6 am asking a different question though. Are you
7 proposing an upper limit to rider DMR of 1.1 -- 1.126
8 billion?

9 MR. KUTIK: Objection, asked and
10 answered.

11 A. I stand by my prior answers.

12 Q. Well, let me ask you this, you said
13 not -- in your testimony at line 22, you say "an
14 additional amount not" to, and I assume there is a
15 missing word, "to exceed the economic development
16 value." Do you see that?

17 A. Yes.

18 Q. So when you say "not to exceed," that
19 would be an upper limit, correct?

20 MR. KUTIK: Objection, argumentative.

21 A. I think the Commission will determine
22 what the appropriate level is to be --

23 Q. So you are not reference --

24 MR. KUTIK: Excuse me. She is not

1 finished with her answer.

2 A. To be included in rider DMR arising from
3 the headquarters and nexus of operations commitment.

4 Q. And so then in your testimony you are not
5 recommending an upper limit for rider DMR, correct?

6 MR. KUTIK: Objection, asked and
7 answered.

8 A. I stand by my prior answers.

9 Q. That's a completely different question I
10 am asking you though.

11 MR. KUTIK: Well, she's -- move on.
12 What's your next question?

13 MR. SETTINERI: I am just replaying your
14 role, David, from the Joseph Kalt deposition, so.

15 MR. KUTIK: Well, this witness is a heck
16 of a lot more responsive, but go ahead.

17 MR. SETTINERI: And I am laughing, so let
18 the record reflect that.

19 Q. (By Mr. Settineri) All right.
20 Dr. Choueiki's testimony, he -- he makes a
21 statement -- or a recommendation the Commission
22 should direct the companies to invest in
23 modernization of the distribution grid. Do you
24 recall that recommendation?

1 A. Yes.

2 Q. Okay. Do you disagree with that
3 recommendation by Dr. Choueiki?

4 MR. KUTIK: Well, I'll object as beyond
5 the scope of her rebuttal, but she can answer.

6 A. I didn't -- I didn't support any
7 testimony in opposition to that statement.

8 Q. Do you -- do you agree with his
9 recommendation? That's what I am asking you.

10 MR. KUTIK: Objection, asked and
11 answered.

12 A. The companies believe the Commission
13 should approve the proposal. That is the companies'
14 position in this proceeding.

15 Q. When you say proposal, you are referring
16 to the modified rider RRS proposal?

17 A. Yes.

18 Q. Okay. Going back to the question I asked
19 you, though, is do you agree with Mr. --
20 Dr. Choueiki's recommendation that the Commission
21 should direct the companies to invest in modernizing
22 the distribution grid?

23 MR. KUTIK: She's answered that question.

24 MR. SETTINERI: No, she hasn't.

1 MR. KUTIK: Well, she has. You just
2 don't like the answer.

3 MR. SETTINERI: She didn't answer the
4 question.

5 MR. KUTIK: No, she did. And it's 6:15
6 and at this point I really don't want to have
7 arguments on the record. So either move on or ask
8 another question or stop asking questions and let's
9 go.

10 MR. SETTINERI: Well, we have a witness
11 that should be able to answer these questions. She's
12 proposing an --

13 MR. KUTIK: What is your next question?

14 MR. SETTINERI: -- alternative DMR.
15 Certainly as part of that alternative, it is fair to
16 ask whether she agrees with Dr. Choueiki's
17 recommendation.

18 MR. KUTIK: Let's stop arguing and let's
19 ask another question, please.

20 MR. SETTINERI: That is the question I am
21 asking.

22 MR. KUTIK: Well, she answered that
23 question.

24 Q. (By Mr. Settineri) I will ask it again.

1 Ms. Mikkelsen, do you agree that Dr. Choueiki's
2 recommendation that the Commission direct the company
3 to invest in modernizing the distribution grid?

4 MR. KUTIK: Beyond the scope of her
5 testimony, asked and answered. I will instruct her
6 at this time not to answer. She's already answered.
7 Go ahead. Next question.

8 MR. SETTINERI: At this time we will
9 reserve our right to recall her for deposition.

10 MR. KUTIK: You can do -- you can say
11 whatever you want. You can waste more time. I'm
12 really getting tired of having to deal with, you
13 know, people repeating stuff. This witness has been
14 here now for nine hours. It's an abuse of this
15 witness. It's an abuse of the process. So if you
16 want to do arguments on the record, I have plenty of
17 arguments to make. You want to ask another question,
18 let's ask another question.

19 MR. SETTINERI: I understand it's been a
20 long day.

21 Q. (By Mr. Settineri) Ms. Mikkelsen, you are
22 presenting a -- what you may call your modified rider
23 DMR proposal, correct?

24 MR. KUTIK: Objection, asked and

1 answered.

2 A. I believe proposing modifications to the
3 calculation of the value to be included in rider DMR.

4 Q. Okay. Are you recommending any form of
5 guarantee whereby the companies would invest in
6 modernizing the distribution grid if rider DMR was
7 approved as you have presented?

8 MR. KUTIK: Objection, asked and
9 answered. Mr. Fisk asked these questions earlier
10 today. You can tell him again.

11 A. No.

12 Q. And as of today, are the companies under
13 any requirement to invest in distribution grid
14 modernization projects?

15 MR. KUTIK: Objection, asked and answered
16 previously in this case. Go ahead and the record is
17 what it is. Go ahead.

18 A. Not beyond commitments associated with
19 the Commission-approved pilot.

20 MR. SETTINERI: Can I have that answer
21 reread, please.

22 (Record read.)

23 MR. SETTINERI: Thank you.

24 Q. (By Mr. Settineri) Earlier,

1 Ms. Mikkelsen, there was a question from Ms. Willis
2 about whether the proposal was more beneficial to the
3 company than a properly-designed DMR as you propose.
4 And your answer referred also both to the companies
5 and customers, so I want to ask the question
6 specifically as to the companies. Is the proposal,
7 which would be the modified rider RRS proposal, more
8 beneficial to the companies than a properly-designed
9 DMR as you have presented?

10 MR. KUTIK: She answered that exact
11 question, so I'll instruct her not to answer. She's
12 already answered.

13 MR. SETTINERI: Well, her answer actually
14 stepped a little sideways because she didn't answer
15 it as to the conditions. She included the customers
16 as well so that's why I am asking the question.

17 MR. KUTIK: Well, she did answer the
18 question.

19 MR. SETTINERI: Are you going to instruct
20 her not to answer?

21 MR. KUTIK: Yes, I am.

22 MR. SETTINERI: We will reserve our right
23 to recall her for deposition. And I would also offer
24 that we can ask that question in interrogatory to you

1 as well.

2 MR. KUTIK: Well, discovery is closed, so
3 you can do whatever -- you can waste your time doing
4 whatever you want, like we are wasting time now
5 talking about it and wasting time quote reserving
6 your right to take depositions. Let's go ahead.
7 What's your next question?

8 MR. SETTINERI: Well, again, as I've
9 said, her answer stepped sideways, and the record
10 will reflect that.

11 MR. KUTIK: The record will reflect her
12 answer was her answer without your characterization.
13 Let's go. Next question, please.

14 Q. (By Mr. Settineri) Could the D -- rider
15 DMR you had proposed benefit FirstEnergy Solutions'
16 credit rating?

17 MR. KUTIK: Objection, beyond the scope
18 of her testimony.

19 A. The staff's proposal is for rider DMR. I
20 am sponsoring testimony about modifications to the
21 calculation, but it's staff's proposal.

22 Q. All right. What I am asking you is could
23 rider DMR, as you have suggested modifying, would
24 that have any benefit for -- to FirstEnergy

1 Solutions' credit rating?

2 MR. KUTIK: Same objection.

3 A. No.

4 Q. Why not?

5 A. FirstEnergy Solutions is not a party to
6 rider DMR.

7 Q. So under the S&P family approach, if
8 rider DMR improved FirstEnergy Corp.'s credit rating,
9 then your -- you believe that FirstEnergy Solutions
10 would not benefit if that occurred, correct?

11 THE WITNESS: May I have the question
12 reread, please.

13 (Record read.)

14 A. I don't know. As we discussed earlier,
15 the S&P has FirstEnergy Solutions on CreditWatch
16 Negative and is considering removing it from the
17 family.

18 Q. So your answer is you don't know?

19 MR. KUTIK: Her answer is her answer so
20 I'll object. Don't argue with the witness, please.

21 MR. SETTINERI: I am not arguing with
22 her. I am just asking to understand her answer.

23 Q. Is your answer you don't know,
24 Ms. Mikkelsen?

1 MR. KUTIK: Asked and answered.

2 A. My answer is what my answer is.

3 Q. All right. Let me ask you this question,
4 in order to enable an array of innovative products
5 and services, do you believe that CRES suppliers
6 should have access to smart meter data?

7 MR. KUTIK: Objection, beyond the scope
8 of her testimony.

9 A. Yes.

10 Q. And in order to enable an array of
11 innovative products and service, do you believe it is
12 important to avoid barriers to CRES suppliers from
13 providing an array of innovative products and
14 services?

15 MR. KUTIK: Well, at this point I'll
16 object and instruct her not to answer, well beyond
17 her testimony.

18 Q. Ms. Mikkelsen, at page 6, line 7, of your
19 testimony, do you have that with you?

20 A. I do.

21 Q. Starting at line 6, do you see the
22 sentence that says "Ultimately, grid modernization
23 will benefit customers and competitive suppliers by
24 enabling an array of innovative products and

1 services"?

2 A. I see that sentence.

3 Q. So in order to enable an array of
4 innovative products and services, do you believe it's
5 important to avoid barriers to CRES suppliers from
6 providing an array of innovative products and
7 services?

8 MR. KUTIK: Objection, beyond the scope
9 of her testimony. I'll instruct her not to answer.

10 MR. SETTINERI: That's the most
11 ridiculous objection I've ever heard.

12 MR. KUTIK: Well, it matches the most
13 ridiculous question I have ever heard, if we are
14 going to use superlatives that neither of us really
15 mean so go ahead.

16 MR. SETTINERI: Well, it's par for the
17 course on this; but, again, I am reading -- I
18 referred to her testimony and I posed a question and
19 I would like that question answered.

20 MR. KUTIK: Well, we have the objection
21 so move forward, please, and the instruction.

22 MR. SETTINERI: And, again, we will
23 reserve our right to recall her for deposition to
24 answer that question.

1 MR. KUTIK: Something, of course, you
2 don't need to do on the record which is a waste of
3 time but go ahead.

4 Q. (By Mr. Settineri) Ms. Mikkelsen, at page
5 17 of your testimony, line 28, do you see the bullet
6 point "Issued equity through stock investment and
7 other employee benefits plans"?

8 A. Yes.

9 Q. Are those -- when you refer to the other
10 "stock investment and other employee benefit plans,"
11 are those stock compensation plans for employees?

12 THE WITNESS: May I ask to have that
13 question reread, please.

14 (Record read.)

15 A. The stock investment plan is not. The
16 other employee benefit plans may be.

17 Q. So those could include, for example, a
18 stock -- like a stock option plan?

19 A. Yes.

20 Q. Are you aware that FirstEnergy maintains
21 some historical credit rating information on its
22 website for FirstEnergy Corp. and its subsidiaries?

23 A. I don't remember.

24 Q. Okay. Do you know for the three -- for

1 the companies, are you aware of when, if ever, the
2 companies had a Moody's long-term rating that was in
3 the A category?

4 A. I don't know.

5 Q. And would you agree with me that over the
6 last 10 years that the utilities -- the companies
7 have been in the Baa3 category generally with the
8 exception of Ohio Edison which has moved between Baa2
9 to Baa1?

10 A. I don't remember the 10-year history.

11 Q. You are recommending to the Commission
12 that it adopt the modified rider RRS proposal still,
13 and so my question to you is why do you still -- why
14 do you favor modified rider RRS over rider DMR as you
15 have modified through your testimony, propose to
16 modify through your testimony?

17 MR. KUTIK: Objection.

18 A. As I say in my testimony, the proposal
19 provides the additional retail rate stability
20 benefits by mitigating future retail rate increases
21 and volatility.

22 Q. Any other reasons why you would favor the
23 proposal?

24 A. To maintain the benefits of the

1 Commission-approved ESP IV.

2 Q. Any others?

3 A. None that come to mind right now.

4 Q. And would you agree with me then that
5 modified rider RRS has a different purpose than rider
6 DMR?

7 A. Yes.

8 Q. Would you agree with me that they are two
9 separate proposals?

10 A. Yes.

11 Q. And that if the Commission elects rider
12 DMR, whether it's presented by staff or as you have
13 recommended modifying, and does not adopt modified
14 rider RRS, that the rate stability benefit that you
15 believe exists under rider RRS would not be realized;
16 is that correct?

17 MR. KUTIK: Well, objection, asked and
18 answered.

19 A. Yes.

20 Q. How does rider DMR promote job retention?

21 MR. KUTIK: Objection, asked and answered
22 earlier today with Mr. Fisk.

23 Q. You can go ahead and answer.

24 A. Rider DMR promotes job -- economic

1 development and job retention as it relates to the
2 condition associated with the maintenance of the
3 headquarters in -- and the nexus of operations in
4 Akron, Ohio, as well as other economic development
5 benefits associated with -- arising from performing
6 the work associated with the grid modernization
7 program.

8 And, finally, to the extent that the grid
9 is modernized and customers are benefited by better
10 ability to manage their product -- pardon me, their
11 energy consumption as well as opportunities for other
12 smart technologies and improved reliability that
13 would contribute additionally to economic
14 development.

15 Q. And you would agree with me then that if
16 grid investments are not made, the economic
17 development component that you just mentioned in your
18 answer would not take place, correct?

19 MR. KUTIK: Objection.

20 A. The economic development and job
21 retention benefits arising from the maintenance of
22 the headquarters would still occur.

23 Q. In regards to, again though, if grid
24 investment does not take place, there would be no

1 economic development related to the actual grid
2 investment itself, correct?

3 A. If there is no grid investment, there
4 would be no economic development associated with grid
5 investment.

6 Q. Are the -- we discussed earlier -- you
7 mentioned earlier today I believe there is some
8 pension funding commitments that are pending, but my
9 question here is the FirstEnergy pension fund is
10 underfunded, correct?

11 MR. KUTIK: Objection.

12 A. My testimony today related to the funding
13 of the companies' pension obligation and their share
14 of FirstEnergy Service Company's pension obligation.

15 Q. Okay. And are you aware of the funding
16 status of the FirstEnergy Service pension fund?

17 A. Could I ask you to rephrase the question?

18 Q. What didn't you understand?

19 A. FirstEnergy Service pension fund.

20 Q. What pension fund are you -- when you
21 mention the companies have to fund a pension plan,
22 what pension plan are you referring to?

23 A. The companies have funding obligations
24 for the -- their pension plans as well as an

1 obligation associated with funding part of the
2 FirstEnergy Services Company pension.

3 Q. Okay. Are any of those pension plans
4 underfunded to your -- that you are aware of?

5 A. Yes. They all are.

6 Q. Okay. Do you know to what level they are
7 underfunded to?

8 A. Yes. As I described earlier, to bring
9 those to 100 percent funded as of the end of May of
10 2016, would require between 750 million and a billion
11 dollars.

12 Q. Do you know what -- I'm sorry. I didn't
13 want to interrupt you. Go ahead.

14 A. No. I'm done.

15 Q. Okay. Do you know though what percent
16 underfunded they are?

17 A. No.

18 Q. Okay. Rider DMR, that will be a monthly
19 charge, correct?

20 A. May I ask you to rephrase the question,
21 please?

22 Q. Sure. I'll just back up. Page 15 at
23 line 2, you state that "Once the amount is
24 established it would be collected annually."

1 A. Yes.

2 Q. And so are you saying that rider DMR will
3 be a once a year charge to customers?

4 A. No.

5 Q. And so it will be collected on a monthly
6 basis, correct?

7 A. It will be collected throughout the year.

8 Q. Okay. And throughout the year it will be
9 collected and each month invoiced to the customers,
10 correct?

11 A. I am trying to be careful. You posed --
12 when I said collected annually, it's not a one-time
13 charge. And then you said collected monthly, and I
14 am trying not to agree with you that it will be a
15 monthly charge. It will be billed based on some
16 billing determinant to be determined by the
17 Commission.

18 Q. Okay. You answered my question. Thank
19 you.

20 MR. KUTIK: Had you finished your answer?

21 THE WITNESS: Yes.

22 Q. On that same page, line 14, you say
23 "However, improving credit ratings takes time,"
24 correct?

1 A. Yes.

2 Q. Do you see that?

3 A. Yes.

4 Q. Okay. Is the purpose of the rider DMR to
5 improve the companies' credit ratings?

6 A. It is to provide credit support to the
7 companies.

8 Q. And could that credit support also be
9 used to maintain the existing credit ratings?

10 A. Yes.

11 Q. And do you believe that to maintain the
12 credit rating will take time?

13 A. May I ask you to rephrase the question?
14 I don't understand the question.

15 Q. Sure. Fifth -- page 15, line 14, you say
16 "However, improving credit ratings takes time." And
17 so I'm switching to is maintain a credit rating, do
18 you believe that also will take time?

19 A. And I'm saying I don't understand the
20 question.

21 Q. Well, let me try it a different way then.
22 Do you believe that rider DMR should be -- the term
23 of rider DMR should be equal to the term of the ESP
24 IV, correct?

1 A. Yes.

2 Q. Okay. And one of the reasons you believe
3 that is because improving credit ratings takes time,
4 correct?

5 A. When I'm addressing "improving credit
6 ratings takes time," I'm addressing the fact that
7 staff believes three years is a sufficient amount of
8 time, and I'm saying it takes -- improving credit
9 ratings takes time. I don't know that three years
10 will be sufficient.

11 Q. Do you believe three years would be
12 sufficient if the goal is to maintain the credit
13 ratings and not improve the credit ratings?

14 A. If the elimination of the charge were to
15 adversely affect the maintenance of the credit
16 rating, then I would not agree.

17 Q. And did I --

18 MR. SETTINERI: I'm sorry. If I could
19 have that answer reread. I didn't understand it.

20 (Record read.)

21 Q. Okay. What is -- you used the phrase
22 single-issue ratemaking at page 5, line 11. Page 5,
23 line 11. What do you mean by the phrase
24 "single-issue ratemaking" at line 11, page 5?

1 MR. KUTIK: Objection, asked and
2 answered. She covered this thoroughly before. I
3 will instruct her not to answer.

4 MR. SETTINERI: She didn't answer this
5 question. There were some questions about the
6 statute but I want to know what single-issue
7 ratemaking is to her.

8 MR. KUTIK: She talked about it. She
9 said that this was a -- to the extent it provided
10 credit support, it dealt with that specific issue.
11 That was her answer.

12 MR. SETTINERI: No. It was in regards to
13 answering the statute.

14 MR. KUTIK: No, no, no. Hey, I've made
15 my -- I've made my instruction, damn it. Will you
16 just stop arguing and ask your next question? It's
17 now 6:40. You said you would be done in 20 minutes.
18 You are now a half-hour over time, just wasting time
19 and screwing around, so what's your next question?

20 MR. SETTINERI: You don't have to yell.

21 MR. KUTIK: I do have to yell because you
22 are being ridiculous and all of you have been
23 ridiculous in this thing. You have abused this
24 witness, and I am mad because you have abused this

1 witness, and you shouldn't do that.

2 MR. SETTINERI: You know what --

3 MR. KUTIK: And you shouldn't do that and
4 you know it.

5 MR. SETTINERI: We can go off the record.

6 Ask your witness. She knows. I want to know what
7 she understands single-issue ratemaking to be.

8 MR. KUTIK: Damn it. I have already
9 instructed her not to answer. I told you what the
10 answer is. Let's move on. Do you have another
11 question?

12 MR. SETTINERI: She is being deposed.
13 And, again, if you need to go off the record, she
14 will tell you she didn't answer this question because
15 I know -- I know she will, so I would just like to
16 know. It won't take long.

17 MR. KUTIK: All right. I guess you have
18 all your questions done. We will go now to
19 Ms. Walter. You're done. No. You are done.
20 Ms. Walter is next.

21 MR. SETTINERI: Go off the record and
22 talk to your witness.

23 MR. KUTIK: I don't have to do anything,
24 and I certainly am not going to take instruction from

1 you. I have already made my instruction. I told you
2 what the answer is. I don't even have to do that,
3 and you are just screwing around at this point. So
4 you're done as far as I'm concerned, and we will move
5 to Ms. Walter.

6 MR. SETTINERI: Let me ask another.

7 MR. KUTIK: No. You're done.

8 Q. (By Mr. Settineri) Ms. Mikkelsen --

9 MR. KUTIK: You are done. I'm sorry.

10 Q. -- when you use the phrase "single-issue
11 ratemaking" in your testimony, what do you mean?

12 MR. KUTIK: We're done. We've asked that
13 question. She's answered that question. If you have
14 no other questions, then Ms. Walter is next.

15 MR. SETTINERI: Well, again, I'll have
16 to -- this one I'm definitely going to reserve the
17 right. We will call -- have to call the attorney
18 examiners in the morning. We will set up a
19 conference and talk to them about this because
20 certainly these questions were not posed.

21 MR. KUTIK: You can do it -- you can do
22 it bright and early at 9 o'clock in the morning, and
23 I'll be prepared to talk about how all of you have
24 abused the process. Are you done? Do you have any

1 more questions or are you done?

2 MR. SETTINERI: I am going to take a
3 second and look at my notes, Mr. Kutik. Is that a
4 problem with you?

5 MR. KUTIK: If you have -- if you want to
6 ask more questions that have not been answered, you
7 can go ahead. But I don't want to argue with you any
8 more, and if you continue to argue with me, I am
9 going to assume that you are done.

10 MR. SETTINERI: Oh, Lord.

11 All right. Subject to all of my own
12 objections and my reservations, I'll turn it over to
13 Danielle.

14 MR. KUTIK: All right. Ms. Walter, do
15 you have any questions?

16 MS. GHILONI: Yes, briefly.

17 - - -

18 CROSS-EXAMINATION

19 By Ms. Ghiloni:

20 Q. Good evening, Ms. Mikkelsen. Thank you
21 for your patience. I am going to hop right in.
22 Currently, the stipulated ESP IV is in effect, is
23 that correct, to your understanding?

24 A. Yes.

1 Q. And on page 4, line 17, of your
2 testimony, you state "The Proposal should be
3 maintained to ensure these benefits of the
4 Commission-approved Stipulated ESP IV remain intact."
5 You are referring there to the companies' proposal,
6 correct?

7 A. Yes.

8 Q. Okay. And at footnote 5 on that same
9 page, you highlight there one of the commitments
10 under the ESP IV; is that correct?

11 A. Yes.

12 Q. Why did you highlight that particular
13 commitment?

14 A. Just by way of example to indicate to the
15 Commission staff and the other parties that the
16 companies consistent with this commitment, as with a
17 number of other commitments, plan to file their
18 carbon emission report by November 1 of 2016 and that
19 the companies will include in their filing a report
20 on the status of nuclear power and strategies for the
21 preservation of the nuclear zero carbon resource in
22 the state.

23 Q. Thank you. So all other commitments are
24 still currently intact -- all other commitments in

1 the stipulated ESP IV are still currently intact as
2 well.

3 MR. KUTIK: Objection.

4 A. The statement that you are pointing to
5 refers to the benefits of the stipulation or the
6 Commission-approved ESP IV, stipulated ESP IV, and
7 not all of those benefits are currently in effect.
8 Specifically this refers to the benefits associated
9 with retail rate stability for our customers.

10 Q. So but the footnote says "Among the
11 benefits included in Stipulated ESP IV was a
12 commitment."

13 A. Uh-huh, yes.

14 Q. So you're saying this is just an example
15 of one of the benefits that will remain intact.
16 Let's put it this way: Will the other benefits
17 remain intact?

18 MR. KUTIK: Objection.

19 A. The -- should the Commission approve the
20 proposal and the company adopt or accept the modified
21 ESP, then all of the benefits contemplated under the
22 Commission-approved stipulated ESP IV would remain in
23 tact.

24 Q. Thank you. If staff's proposal is

1 adopted without modification, would the companies
2 withdraw the stipulated ESP IV?

3 A. I don't know.

4 Q. If the companies' modifications to
5 staff's proposal are adopted, would the companies
6 withdraw the stipulated ESP IV?

7 A. I don't know.

8 Q. Turning to page 7, line 19.

9 A. I'm there.

10 Q. Okay. You discuss higher borrowing
11 costs. Do you know what the current interest rate is
12 that the companies can borrow at?

13 A. No.

14 Q. Are you aware of a range at all?

15 A. No.

16 Q. And if the companies are downgraded, do
17 you know what that interest rate would be that the
18 companies would be able to borrow at?

19 MR. KUTIK: Objection, asked and answered
20 both today and in her July 8 deposition.

21 A. No.

22 Q. Okay. Page 8, line 1, you mention a
23 distribution rate freeze. The companies agreed to
24 that in the stipulated ESP IV, correct?

1 A. Yes.

2 Q. The companies' commitment to not file a
3 rate case is still a commitment that they intend to
4 offer if staff's proposal is adopted, correct?

5 MR. KUTIK: Objection, also object to the
6 extent it calls for a legal conclusion.

7 A. That would be dependent upon whether or
8 not the company chose to accept the modified ESP --
9 companies chose to accept the modified ESP.

10 Q. Page 14, lines 22 to 23.

11 A. I'm there.

12 Q. The economic development value referenced
13 there, that -- does that include employees that work
14 for other FE Corporation subsidiaries?

15 MR. KUTIK: Objection.

16 A. It reflects FirstEnergy Service Company
17 employees that work at the corporate headquarters
18 building.

19 Q. At page 16, line 13.

20 A. I'm there.

21 Q. Are you stating here that with the DMR
22 revenue, the companies will get a lower rate
23 regardless of their investment grade status?

24 A. No. I think what is being said here is

1 that the rider DMR should begin immediately upon
2 Commission approval so that the companies can
3 immediately begin to see the benefits to their credit
4 market -- pardon me, credit metrics so that when the
5 companies do need to obtain financing costs, the
6 positive benefits associated with this credit support
7 have already started to accrue to the companies.

8 Q. Okay. Now turn to page 17. At the
9 bottom of 17, those bullet points, there's two bullet
10 points, correct? Do you see those?

11 A. Two primary bullet points with a series
12 of six sub-bullet points.

13 Q. Yes. Thank you. So under the primary
14 bullet point "FE Management and Employees," you have
15 listed here a variety of intend -- actions I will
16 call them, and I want to go through -- do you know
17 the date or an estimate of the date related to when
18 FE management and employees completed reductions
19 across the company through changes to medical and
20 other benefits?

21 MR. KUTIK: Objection, assumes that they
22 are completed.

23 A. There have been a number of changes to
24 medical and other benefits that have been implemented

1 at various times over the last several years.

2 Q. Can you tell me, do you have an idea of
3 when that began?

4 MR. KUTIK: Objection, asked and
5 answered.

6 A. I think this would have been in the
7 2013-2014 time frame.

8 Q. And is that ongoing?

9 A. Yes.

10 Q. What about staff reduction, do you know
11 when that began?

12 MR. KUTIK: Well, these questions were
13 asked by Ms. Willis.

14 A. Staff reductions have occurred each year
15 since 2012.

16 Q. What about the cash flow improvement
17 plan?

18 MR. KUTIK: What about the cash flow
19 improvement plan?

20 Q. When did that begin? When was that first
21 implemented?

22 MR. KUTIK: Objection.

23 A. I believe that initiative would have
24 been -- would have begun in late 2014 or early 2015,

1 and it continues and continues prospectively.

2 Q. Refer back to the next bullet,
3 "Shareholders," the reduced annual dividends, when
4 specifically -- was there one point in time when that
5 occurred?

6 A. It was a one-time adjustment to the
7 dividend amount.

8 Q. And when was that?

9 MR. KUTIK: Objection.

10 A. As I said earlier, I don't remember the
11 exact date that that dividend change occurred.

12 Q. Do you remember if it was before 2016?

13 A. Oh, it was before 2016. It was before
14 2015, I believe.

15 Q. And the action related to issuing equity
16 through stock investment and other employee benefits
17 plan, do you recall when that occurred?

18 A. Again, the change would have occurred and
19 then would continue and continue today and I think
20 that has -- those changes have been in effect for
21 '16, '15, '14, and possibly part of '13.

22 Q. And the final bullet says "FirstEnergy
23 continues to assess the appropriateness and timing
24 associated with issuing additional equity," so

1 obviously they have been continuing. Do you know
2 when that began?

3 A. I think that is a continuous action
4 performed by the management of the FirstEnergy Corp.

5 Q. Okay. I have only a few more questions,
6 I promise. Turning to the top of page 18.

7 A. Yes.

8 Q. Do these -- not the primary bullet points
9 that include the states, but the secondary bullet
10 points, do those all refer to separate cases and/or
11 proceedings?

12 MR. KUTIK: Objection.

13 A. I think in large measure they do all
14 refer to separate -- I mean, as I mentioned earlier,
15 the second bullet under "Pennsylvania" refers really
16 to four separate rate cases pending across four
17 different jurisdictions in Pennsylvania so, you know,
18 make that caveat, but I think in the main they are
19 separate proceedings. There may be some that
20 overlap.

21 Q. So with respect to the 2011 and 2012
22 storm costs in New Jersey, do you know the date of
23 the order or when that action occurred?

24 A. I don't know the date of the order.

1 Q. Do you know generally speaking the time
2 frame for that order?

3 MR. KUTIK: Objection.

4 A. I think it would have been in 2015.

5 Q. Okay. And do you know if collection
6 began immediately or at some other point in time?

7 A. I'm not sure what "immediately" means,
8 but I think it would have occurred very shortly
9 thereafter.

10 Q. And the rate case pending seeking
11 \$142 million annually, do you have a sense of when
12 that was filed? I'm sorry, not a sense of. Do you
13 know when that was filed?

14 A. Yes.

15 Q. Can you tell me when that was filed?

16 A. April 28, 2016.

17 Q. When is recovery requested or proposed to
18 begin in that case?

19 MR. KUTIK: Objection.

20 A. January 2017.

21 Q. Under the primary bullet "Pennsylvania"
22 for the 2015 rate case, do you know when was the
23 order in that case?

24 A. I don't recall the date.

1 Q. Do you have a general idea of when the
2 order was?

3 MR. KUTIK: Objection.

4 A. I think that would have been in 2015 is
5 my recollection.

6 Q. And do you know when collection began --

7 A. Very --

8 Q. -- or was proposed to begin?

9 A. Very shortly after the order.

10 Q. And the next bullet which you indicated
11 is the four separate rate cases and the four
12 jurisdictions in Pennsylvania, do you have -- do you
13 know -- or what the date of those rate cases?

14 A. May I ask you to rephrase?

15 Q. When they were filed.

16 A. Yes.

17 Q. And when were they filed? Or, I'm
18 sorry -- yes, when were they filed?

19 A. April 28, 2016.

20 Q. Is that for all of them?

21 A. Yes.

22 Q. And do you know when collection -- when
23 recovery is requested or proposed to begin?

24 A. January 2017.

1 Q. And the capital recovery filing, when was
2 the order issued in that case?

3 A. I don't recall --

4 Q. Or cases?

5 A. I don't recall the specific dates.

6 Q. Do you have a general date?

7 MR. KUTIK: Objection.

8 A. Would have been late 2015 or early 2016
9 is my recollection.

10 Q. And do you -- and collection was proposed
11 to begin or began when?

12 A. I believe collection began -- I don't
13 remember actually.

14 Q. And under the primary bullet "West
15 Virginia," the "Harrison asset transfer to MonPower,"
16 when did that occur?

17 A. I don't remember the exact date.

18 Q. Do you have a general idea?

19 A. No. My -- I don't remember.

20 Q. Okay. And then the "2015 rate case and
21 vegetation management rider," has this case been
22 completed?

23 A. Yes.

24 Q. And when was the order issued?

1 A. 2015.

2 Q. And when did collection begin or propose
3 to begin?

4 A. It would have begun very shortly after
5 the order.

6 Q. Okay. If you could turn to your
7 workpaper, it was the one that was sent last evening,
8 so it's the second workpaper that we have.

9 A. I have it.

10 Q. Okay. And it's the one that at the top
11 it says "2015 Distribution Sales."

12 A. I have it.

13 Q. Okay. I was just trying to make sure it
14 was the same one. On the workpaper you have a 2015
15 distribution employee headcount for Ohio of 2,326.
16 Do you see that on the bottom right?

17 A. Yes.

18 Q. Okay. Are these employees employed by
19 the distribution companies or Shared Services -- or
20 Shared Services Company?

21 MR. KUTIK: Objection.

22 A. These are distribution company employees.

23 MS. GHILONI: Okay. Thank you,

24 Ms. Mikkelsen. That's all that I have.

MR. KUTIK: Okay. We will review the

We should note that it's 7:04, and we

record. Thank you very much.

(Thereupon, at 7:04 p.m., the deposition

ed.)

— — —

1 State of Ohio :
 : SS:
 2 County of _____ :

3 I, Eileen M. Mikkelsen, do hereby certify that
 4 I have read the foregoing transcript of my deposition
 given on Wednesday, July 27, 2016; that together with
 the correction page attached hereto noting changes in
 5 form or substance, if any, it is true and correct.

6

7

 Eileen M. Mikkelsen

8

9 I do hereby certify that the foregoing
 transcript of the deposition of Eileen M. Mikkelsen
 10 was submitted to the witness for reading and signing;
 that after she had stated to the undersigned Notary
 11 Public that she had read and examined her deposition,
 she signed the same in my presence on the _____
 12 day of _____, 2016.

13

14

 Notary Public

15

16 My commission expires _____, _____.

17

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24

1 CERTIFICATE

2 State of Ohio :
3 County of Franklin : SS:

4 I, Karen Sue Gibson, Notary Public in and for
5 the State of Ohio, duly commissioned and qualified,
6 certify that the within named Eileen M. Mikkelsen was
7 by me duly sworn to testify to the whole truth in the
8 cause aforesaid; that the testimony was taken down by
9 me in stenotypy in the presence of said witness,
afterwards transcribed upon a computer; that the
foregoing is a true and correct transcript of the
testimony given by said witness taken at the time and
place in the foregoing caption specified and
completed without adjournment.

10 I certify that I am not a relative, employee,
11 or attorney of any of the parties hereto, or of any
12 attorney or counsel employed by the parties, or
financially interested in the action.

13 IN WITNESS WHEREOF, I have hereunto set my
14 hand and affixed my seal of office at Columbus, Ohio,
on this 28th day of July, 2016.

15 _____
16 Karen Sue Gibson, Registered
17 Merit Reporter and Notary Public
in and for the State of Ohio.

18 My commission expires August 14, 2020.

19 (KSG-6228)

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Case No(s). 14-1297-EL-SSO

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