

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

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

- - -

PROCEEDINGS

before Mr. Gregory Price and Ms. Megan Addison,  
Attorney Examiners, at the Public Utilities  
Commission of Ohio, 180 East Broad Street, Room 11-A,  
Columbus, Ohio, called at 9:15 a.m. on Friday, July  
22, 2016.

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REHEARING VOLUME VII

- - -

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1334

1 Friday Morning Session,  
2 July 22, 2016.

3 - - -

4 EXAMINER ADDISON: Let's go ahead and go  
5 on the record.

6 The Public Utilities Commission of Ohio  
7 has set for hearing at this time and place, Case  
8 No. 14-1297-EL-SSO, being In the Matter of the  
9 Application of Ohio Edison Company, The Cleveland  
10 Electric Illuminating Company, and The Toledo Edison  
11 Company for Authority to Provide a Standard Service  
12 Offer Pursuant to R.C. 4928.143 in the Form of an  
13 Electric Security Plan.

14 My name is Megan Addison and with me is  
15 Gregory Price, and we are the Attorney Examiners  
16 assigned to preside over this hearing.

17 We will dispense taking appearances this  
18 morning.

19 Ms. Ghiloni.

20 MS. GHILONI: Good morning, your Honors.  
21 OMAEG calls Witness Thomas Lause.

22 (Witness sworn.)

23 EXAMINER ADDISON: Thank you. You may be  
24 seated.

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THOMAS N. LAUSE

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

DIRECT EXAMINATION

By Ms. Ghiloni:

Q. Please state your name and business  
address.

A. My name is Thomas -- is it on? Now is it  
on?

My name is Thomas Lause. Business  
address is 701 Lima Avenue, Findlay, Ohio 45840.

Q. Did you file or cause to be filed  
testimony regarding staff's proposal?

A. Yes, I did.

MS. GHILONI: Your Honors, I would like  
to mark as OMAEG, I believe it's Exhibit 39, titled  
"Rebuttal Testimony on Rehearing of Thomas Lause,"  
filed on July 15, 2016, in this proceeding. May I  
approach?

EXAMINER ADDISON: You may and it will be  
so marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. (By Ms. Ghiloni) Mr. Lause, do you have  
in front of you what's been marked as OMAEG Exhibit  
39?

1           A.    Yes, I do.

2           Q.    Do you recognize this document as your  
3 testimony?

4           A.    Yes, I do.

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

7           A.    Yes, it was prepared by me with input and  
8 guidance from counsel.

9           Q.    On whose behalf are you testifying today?

10          A.    I'm testifying on behalf of the Ohio  
11 Manufacturers' Association Energy Group, the OMAEG.

12          Q.    Since the filing of your testimony do you  
13 have any changes?

14          A.    No, I do not.

15                MS. GHILONI:  At this time, your Honor, I  
16 would like to move Exhibit OMAEG Exhibit 39, subject  
17 to cross, and I tender the witness for  
18 cross-examination.

19                EXAMINER ADDISON:  Thank you,  
20 Ms. Ghiloni.

21                Mr. Mendoza?

22                MR. MENDOZA:  No questions, your Honor.

23                EXAMINER ADDISON:  Mr. Settineri?

24                MR. SETTINERI:  No questions, your Honor.

25                EXAMINER ADDISON:  Ms. Willis?

1 MS. WILLIS: No questions, your Honor.

2 EXAMINER ADDISON: Mr. Kurtz?

3 MR. KURTZ: No questions.

4 EXAMINER ADDISON: Ms. Dunn?

5 MS. DUNN: Thank you, your Honor.

6 - - -

7 CROSS-EXAMINATION

8 By Ms. Dunn:

9 Q. Good morning, Mr. Lause.

10 A. Good morning, Ms. Dunn.

11 Q. Mr. Lause, drafting your July 15 rebuttal  
12 testimony on rehearing, you did not review last  
13 week's transcript from the cross-examination of Staff  
14 witness Turkenton, Choueiki, or Buckley; is that  
15 correct?

16 A. Excuse me. Did you say I did not?

17 Q. Yes.

18 A. Since I provided testimony? I want to  
19 make sure I understand the question.

20 Q. Sure. I'll repeat it. In drafting your  
21 rebuttal testimony, you did not review last week's  
22 hearing transcripts from the cross-examinations of  
23 Staff witnesses Turkenton, Choueiki, and/or Buckley,  
24 correct?

25 A. I reviewed their original testimony and

1     that's all I used.

2             Q.     So the answer to my question is you did  
3     not review the hearing transcripts from last week?

4             A.     By -- yes, by saying that I only reviewed  
5     their original testimony, I think I mean yes, I did  
6     not review their rebuttal testimony.

7             Q.     And for over a decade, your title at  
8     Cooper Tire was Vice President of Finance, Global  
9     Operations, Controller, correct?

10            A.     That is correct.

11            Q.     And in that position, one of your job  
12     responsibilities would have been for the operational  
13     financial results of Cooper Tire, correct?

14            A.     That is correct.

15            Q.     And you also were responsible for  
16     financial forecasting and the development of business  
17     plans on a global basis, correct?

18            A.     Among other things, that would be one of  
19     the responsibilities, yes.

20            Q.     And you were also responsible for tax  
21     strategies, correct?

22            A.     No, not necessarily responsible. I was  
23     heavily involved with tax strategies. If you're  
24     involved in financial and operational issues, you  
25     have to understand and take into consideration the

1 tax ramifications, so I was involved with tax  
2 strategy, but I was not responsible for tax strategy  
3 in that particular role.

4 Q. Turning to your testimony on page 7,  
5 lines 16 to 17, you reference a "healthy capacity  
6 reserve margin in the PJM market," correct?

7 A. Yes, that's what's stated in my  
8 testimony, yes.

9 Q. And you do not know what PJM planning  
10 year you are referring to in this statement, correct?

11 A. You asked me that during deposition, and  
12 I did some brief follow-up with my colleagues at  
13 Cooper, and I believe -- and I'm paraphrasing what  
14 they described, I believe the planning years were out  
15 through 2020.

16 MS. DUNN: Your Honor, at this time, I  
17 would like to move to strike the terms from lines 16  
18 and 17, "and a healthy capacity reserve margin in the  
19 PJM market." The witness has no personal knowledge  
20 of this information and any information he would have  
21 gained regarding the PJM market would have been  
22 hearsay.

23 EXAMINER ADDISON: Thank you.

24 Ms. Ghiloni, response?

25 MS. GHILONI: Well, your Honor, he is --

1 he says in the statement "...it is my understanding  
2 that there are significant new generation  
3 resources...." He's responding to staff's proposal  
4 regarding diversity of supply and suppliers and he is  
5 able to gather some of that information from his  
6 discussions with his colleagues, so he's putting it  
7 in the context of saying this is my understanding of  
8 what's being put forward -- or what's coming on as  
9 new generation resources. He is not asserting it for  
10 the truth of the matter asserted, but merely to show  
11 that this is what his understanding of what the  
12 markets look like.

13 EXAMINER ADDISON: Thank you.

14 At this time, I am going to be granting  
15 the motion to strike. Did anyone need the reference  
16 for the actual language?

17 MR. McNAMEE: Yes.

18 MS. GHILONI: Yes.

19 EXAMINER ADDISON: So now the sentence  
20 beginning on line 15 reads "Currently, it is my  
21 understanding that there are significant new  
22 generation resources scheduled to come online."

23 MR. SETTINERI: Your Honor, if I may  
24 briefly?

25 EXAMINER ADDISON: Mr. Settineri.

1 MR. SETTINERI: For clarity on the  
2 record, I would just ask whether you would consider  
3 leaving in the "PJM market" because I believe that  
4 phrase also relates to the "significant new  
5 generation resources."

6 MS. DUNN: And, your Honor, I have  
7 requested "and a healthy capacity reserve margin in  
8 the PJM market."

9 MR. McNAMEE: Now, I'm confused.

10 EXAMINER ADDISON: Correct. I was  
11 reading the sentence as it stays in.

12 MS. DUNN: As it stays in. I apologize.  
13 I'm sorry.

14 EXAMINER ADDISON: That's my fault.

15 MS. GHILONI: Your Honor, can you repeat  
16 then what is being stricken?

17 MR. McNAMEE: I'm confused as well.

18 EXAMINER ADDISON: Absolutely.

19 Ms. Dunn, did you have any objection to  
20 leaving the phrase "in the PJM market"?

21 MS. DUNN: I would because he uses the  
22 term "new generation resources scheduled to come  
23 online" and I don't believe the "PJM market" was  
24 referencing the generation resources, so I don't  
25 think those two go together, so I would have an



1 objection to keeping that in.

2 MR. McNAMEE: Your Honors, so what comes  
3 out?

4 EXAMINER ADDISON: One moment.

5 Mr. Lause, when you used the phrase "in the PJM  
6 market" on line 17, does that also refer to the new  
7 generation resources you referred to on line 16 of  
8 that same page?

9 THE WITNESS: Yes, it does, because when  
10 I was having discussions with our, what we call our  
11 "energy analysts" at Cooper, who is responsible for  
12 managing Cooper's energy buys, and he was explaining  
13 to me how there was an excess capacity, that it was  
14 above the minimum required 15 percent, he was  
15 speaking of the PJM market specifically.

16 So not only in relation to the "new  
17 generation resources," but also in my remarks the  
18 "healthy capacity reserve margin," he was  
19 specifically talking to me about Cooper's exact  
20 situation, so.

21 MS. DUNN: And, your Honor, based on  
22 Mr. Lause's statement, I actually would like to amend  
23 my motion to strike for the whole sentence because  
24 it's clear the whole sentence was based on his  
25 discussions with folks at Cooper Tire.

1 EXAMINER ADDISON: Ms. Ghiloni, would you  
2 like to respond to that?

3 MS. GHILONI: Same response, your Honor.

4 EXAMINER ADDISON: Thank you.

5 MR. SETTINERI: Your Honor, if I may?

6 EXAMINER ADDISON: Yes, Mr. Settineri.

7 MR. SETTINERI: In regard to these  
8 motions to strike after cross has already started,  
9 again, someone in his position is going to rely on  
10 staff as he prepares testimony, so I think it -- it's  
11 very fair for him, and someone in his position to be  
12 able to rely on his staff for information as he  
13 prepares his testimony; that goes towards his  
14 understanding. So I think it's fair to leave that  
15 in.

16 EXAMINER PRICE: The difficulty is these  
17 aren't staff that are at his supervisory direction,  
18 it is somebody within a different seemingly wing of  
19 the company, so it's not -- it's not like a  
20 individual who is relying on one of their  
21 subordinates to prepare a table here. You understand  
22 what I'm saying?

23 MR. SETTINERI: I just don't know the  
24 background here, but I would say given his position  
25 and level at the company, certainly it's like a CEO

1 going to someone, whether it's a different group or  
2 not, he is pulling together information for his  
3 testimony. It's within the same corporate structure;  
4 same company.

5 MS. GHILONI: Your Honor, if I may. I do  
6 think, in his position at Cooper Tire, he does have  
7 regular interaction with these individuals and some  
8 of them do report to him because of his role as the  
9 CFO. He is regularly talking to energy consultants  
10 about these types of issues. So I do think it's fair  
11 that he's gathering information from them,  
12 subordinates, colleagues, whatever you want to call  
13 them.

14 EXAMINER ADDISON: Thank you,  
15 Ms. Ghiloni.

16 Ms. Dunn, last word?

17 MS. DUNN: He's making a representation,  
18 as an expert, that there are significant resources  
19 based on knowledge that he gained from someone else  
20 that he really can't be cross-examined on because he  
21 doesn't have personal knowledge.

22 Regarding the capacity market, he's  
23 characterizing something as an expert as "healthy"  
24 and he has no personal knowledge or expertise in  
25 characterizing the PJM market as "healthy." For

1 those reasons, that sentence should be stricken.

2 EXAMINER ADDISON: Thank you.

3 At this time I am going to go ahead and  
4 grant the modified motion to strike, so now the  
5 entire sentence from -- starting on line 15 beginning  
6 with the word "Currently" and then Ms. Dunn were you  
7 also striking -- was your motion also pertaining to  
8 the phrase beginning with the word "therefore" on  
9 line 17?

10 MS. DUNN: Yes, your Honor, because it  
11 relates to the rest of the sentence.

12 EXAMINER ADDISON: Okay. Thank you for  
13 that clarification. I will be granting the motion to  
14 strike from lines 15 starting with the word  
15 "Currently" to line 18 on page 7.

16 MS. DUNN: Ready to proceed, your Honor?

17 EXAMINER ADDISON: Of course.

18 MS. DUNN: Thank you.

19 Q. (By Ms. Dunn) On page 9 of your  
20 testimony, Mr. Lause, lines 3 to 4, you start  
21 "FirstEnergy Corp. has failed to take the necessary  
22 actions required to manage its business," correct?

23 A. Yes, that's correct.

24 Q. And other than the first quarter  
25 transcript notes that we had discussed previously,

1 you are not aware of any major initiatives taken by  
2 FirstEnergy Corp. in the past three years to reduce  
3 spending, correct?

4 A. I have not read any other major  
5 announcement by FirstEnergy that would currently have  
6 had an influence on the rating agencies which were  
7 indicating they are not necessarily reducing spending  
8 but improving their cash flows such that would cause  
9 Moody's and first -- and Standard & Poor's to change  
10 their outlooks.

11 Q. In the past three years you're also not  
12 aware of FirstEnergy Corp. making any dividend cuts,  
13 correct?

14 A. I have not read of any, no.

15 Q. And in the past three years, you are also  
16 not aware of any plant closures that FirstEnergy  
17 Corp. or its subsidiaries have done, correct?

18 A. Not that I'm aware of, that's correct.

19 Q. Could you turn to page 8 of your  
20 testimony, please. And lines 1 to 2, the Question:  
21 "Does Staff's Proposal and stated conditions promote  
22 economic development in the state of Ohio," do you  
23 see that?

24 A. Yes, I do.

25 Q. And as one of the stated conditions as

1 articulated in Mr. Buckley's testimony was to keep  
2 FirstEnergy's corporate headquarters and nexus of  
3 operations in Akron, Ohio, correct?

4 A. I believe I did -- do remember reading  
5 that in Buckley's testimony, yes.

6 Q. And you do not know the economic impact  
7 that would arise from FirstEnergy keeping its  
8 corporate headquarters and nexus of operations in  
9 Akron, Ohio, correct?

10 A. Could you state again, please?

11 Q. Sure. You do not know the economic  
12 impact that would arise from FirstEnergy Corp.  
13 keeping its corporate headquarters and nexus of  
14 operations in Akron, Ohio, correct?

15 A. On that end of the equation, which you  
16 are speaking purely of just the benefit side, no, I  
17 do not know the details of the economic benefit of  
18 keeping the headquarters in Akron.

19 Q. On page 8, lines 14 to 19, you reference  
20 witness Choueiki's testimony where he discusses  
21 investing the companies' investment -- excuse me,  
22 where he discusses the companies' investment in  
23 distribution grid modernization, correct?

24 A. Yes. I'm referring to witness Choueiki's  
25 testimony, yes.

1           Q.    And you have or are aware of at least a  
2   reference to the companies' grid modernization  
3   business plan, correct?

4           A.    If that is the document you presented to  
5   me at deposition the other day, that's the only  
6   familiarity that I have.

7           Q.    And is it fair to say then you do not  
8   know the estimated costs of the companies' grid  
9   modernization business plan?

10          A.    In doing a little bit of research after  
11   you presented that document to me, it seems like that  
12   is early in the process and I guess in reading a  
13   couple of references to it, I don't think there is  
14   any estimate of costs in that, but there may be, but  
15   I'm not aware of any.  But it seemed to be very early  
16   in the process.

17          Q.    And the "early in the process" that you  
18   reference, that was a fact you were not -- or that  
19   was a fact you were not aware of in drafting your  
20   testimony, correct?

21          A.    That's correct.

22          Q.    Could you turn to page 4 of your  
23   testimony, on lines 19 to 22, you state "Both  
24   proposals are a corporate bailout of FirstEnergy  
25   Corp. in the form of a subsidy by Ohio consumers,

1 which adds costs to consumers and all other Ohio  
2 businesses, making those businesses less competitive  
3 in the global economy." Do you see that?

4 A. Yes, I do.

5 Q. You define a bailout as when support is  
6 given to a person or entity at the cost to someone  
7 else, correct?

8 A. I believe that sounds how I described it  
9 in deposition, yes.

10 Q. Isn't it true that in 2008, Cooper Tire  
11 announced that it would close one of its four U.S.  
12 manufacturing facilities?

13 A. I believe they did, yes.

14 Q. And one of the four plants at risk at  
15 that time was the Findlay, Ohio plant, correct?

16 A. That would have been one of the four in  
17 the U.S., that's correct.

18 Q. And isn't it true that in 2009, the City  
19 of Findlay approved tax incentives for Cooper Tire?

20 A. There were some incentives provided to  
21 Cooper Tire. I can't speak for sure whether they  
22 were strictly around the tax.

23 Q. One of those incentives was a payroll tax  
24 credit, correct?

25 MS. GHILONI: Objection.



1           A.     I --

2                   EXAMINER ADDISON:  Mr. Lause, we have an  
3     objection.

4                   MS. GHILONI:  Beyond the scope of his  
5     testimony.  We are talking about incentives being  
6     provided to Cooper Tire.  His testimony relates to  
7     staff's proposal and what's going on specifically  
8     with FirstEnergy.

9                   EXAMINER ADDISON:  Ms. Dunn --

10                  MS. GHILONI:  It's beyond the scope.

11                  EXAMINER ADDISON:  I apologize,  
12     Ms. Ghiloni.

13                  Ms. Dunn.

14                  MS. DUNN:  The testimony I just quoted  
15     from Mr. Lause, characterizes staff's proposal as a  
16     corporate bailout that he states is a subsidy bad for  
17     business, bad for Ohio.  I am inquiring into Cooper  
18     Tire's receipt of certain government or tax  
19     incentives and benefits which goes directly to the  
20     credibility, the bias, and inconsistent conduct of  
21     this witness's company.  Therefore, it is relevant  
22     and it would be helpful for the Commission to weigh  
23     the credibility of Mr. Lause's testimony.

24                  EXAMINER ADDISON:  Overruled.

25                  MS. DUNN:  May I have the question

1 repeated, please.

2 EXAMINER ADDISON: You may.

3 Thank you, Karen.

4 (Record read.)

5 A. Cooper Tire did receive some incentives  
6 from the City of Findlay. One of the big differences  
7 there is that the City of Findlay has also offered  
8 incentives to multiple companies in the -- within our  
9 municipality which makes this much different because  
10 we are only talking about one company now, be it  
11 FirstEnergy.

12 And another major difference between the  
13 two is that is from general funds of a municipality;  
14 whereas, I think the subsidy that I am talking about  
15 in my testimony is going to be paid for by customers  
16 which are captive, and I think that's a very  
17 significant difference between the two.

18 MS. DUNN: Your Honor, I would move to  
19 strike everything after him agreeing that a tax  
20 credit was given. If that's an area they wish to  
21 explore on redirect, they may.

22 EXAMINER ADDISON: The motion will be  
23 granted starting with "One of the big differences."

24 Q. (By Ms. Dunn) And in 2009, the City of  
25 Findlay approved a job-retention credit valued at

1 \$1.9 million over three years to Cooper Tire,  
2 correct?

3 A. In general that sounds about -- I can't  
4 speak as to the exact numbers, but I know there was a  
5 job training credit, yes, there was.

6 Q. The City of Findlay also approved a tax  
7 credit of 35 percent on the payroll tax paid for any  
8 new manufacturing job created, correct?

9 A. Again, I don't have the details of that,  
10 so I can't speak to that. I'm sorry.

11 Q. The City of Findlay also offered a  
12 one-time incentive in the form of reduced water and  
13 sewer charges to Cooper Tire as well in the 2008 to  
14 2009 time period, correct?

15 A. I am aware of a water and sewer benefit  
16 given to the company, yes.

17 Q. And the Findlay, Ohio, plant has remained  
18 open in -- correct?

19 A. Yes, it has.

20 Q. And wouldn't you agree that maintaining  
21 the Findlay, Ohio, plant in Ohio promotes economic  
22 development?

23 A. Among other things, yes, it does, yes.

24 Q. And also we discussed earlier and you  
25 agreed that Cooper Tire had announced that it would

1 close one of its four manufacturing facilities,  
2 correct?

3 A. That is correct.

4 Q. And another one of those facilities was  
5 the Tupelo, Mississippi, plant, correct?

6 A. That was one of our four existing  
7 facilities, yes.

8 Q. And isn't it true that the State of  
9 Mississippi passed legislation to provide a specific  
10 incentive to Cooper Tire?

11 A. Again, just to make sure it's not taken  
12 out of context, these are programs that are available  
13 to multiple firms within the State of Mississippi.  
14 So to say the way you asked the question, I think it  
15 mischaracterizes the benefits given to the Tupelo  
16 plant.

17 Q. So the answer is yes, the State of  
18 Mississippi did provide benefits to the Tupelo plant.

19 A. Among other companies in the State of  
20 Mississippi who also received benefits, yes, the  
21 Tupelo plant did receive benefits.

22 Q. And the investment commitment from the  
23 State of Mississippi to Cooper Tire as a result of  
24 that legislation was \$25 million, correct?

25 A. Again, I'm not -- I don't have the

1 details of the programs in front of me, so I beg to  
2 not answer that categorically.

3 MS. DUNN: Your Honor, I would like to  
4 have marked as Company Exhibit 201, a report titled  
5 "Fiscal Year 2014 Mississippi Incentives Report" from  
6 the Mississippi Development Authority.

7 EXAMINER ADDISON: It will be so marked.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 MR. LANG: May I approach?

10 EXAMINER ADDISON: You may.

11 MR. SETTINERI: What was that number  
12 again?

13 MS. DUNN: Sure. 201.

14 Q. (By Ms. Dunn) Mr. Lause, I've handed you  
15 what's been marked as Company Exhibit 201. If you  
16 could turn, please, to page 9.

17 A. Okay.

18 Q. And I believe your testimony was that you  
19 could not recall the amount of the investment  
20 commitment from the State of Mississippi to the  
21 Tupelo Mississippi plant, correct?

22 A. Correct.

23 Q. And if you see on page 9, in the chart it  
24 says "Cooper Tire Company," it has a chart, it says  
25 "Bonding Authority," "Spend to Date," "Jobs

1 Committed," "Investment Commitment," \$25 million. Do  
2 you see that?

3 MS. GHILONI: Objection.

4 EXAMINER ADDISON: Grounds?

5 MS. GHILONI: She hasn't even asked if he  
6 has ever seen this document before. I feel like  
7 there is a lack of foundation here with respect to  
8 just reading from a document. We have no idea that  
9 he has any knowledge of this document, and she is  
10 asking him questions about it.

11 EXAMINER ADDISON: Ms. Dunn.

12 MS. DUNN: I am refreshing his  
13 recollection, your Honor.

14 EXAMINER ADDISON: Thank you.

15 You may answer.

16 A. If you are talking about the one that's  
17 listed above the other four companies that have a  
18 total \$260 million of bonding authority, yes, I see  
19 it.

20 Q. And does that refresh your recollection  
21 that the amount was \$25 million in the investment  
22 commitment for the Tupelo, Mississippi, plant?

23 A. That sounds familiar, yes.

24 Q. And also I believe your testimony was  
25 that the investment commitments were also given to

1 other companies in the State of Mississippi, correct?

2 A. To the best of my knowledge, yes.

3 Q. And under "Project Summaries" --

4 MS. DUNN: Your Honor, if I could have --  
5 could just have a minute, I may be done.

6 EXAMINER ADDISON: You may.

7 Q. (By Ms. Dunn) Mr. Lause, isn't it true  
8 Mississippi was forced to compete with three other  
9 states to keep their Cooper Tire plant open?

10 MR. SETTINERI: Just object, calls for  
11 speculation. This witness can't speak for the State  
12 of Mississippi.

13 MS. DUNN: It's a Cooper Tire plant. He  
14 has knowledge of whether or not they were competing  
15 in other -- in states for the plant closure or not.

16 EXAMINER ADDISON: Overruled. I will  
17 allow him to have a little clarification if he thinks  
18 it's necessary, so.

19 A. I'll take it back to I think my original  
20 testimony. The way business actually operates -- and  
21 that's the whole purpose of my testimony, I -- I am  
22 going to go off on a tangent, if you would allow me.

23 MS. DUNN: Your Honor, I would object and  
24 request a responsive answer to my question.

25 THE WITNESS: Then why am I here?

1 MS. DUNN: He has the opportunity to  
2 address anything that's within the scope.

3 THE WITNESS: I will keep it -- I will  
4 bring it back.

5 EXAMINER ADDISON: Well, Mr. Lause, if  
6 you feel that that's necessary to bring out in  
7 redirect, you will have the opportunity to do that.  
8 Right now let's just limit it to Ms. Dunn's question.

9 MR. SETTINERI: Could we have that  
10 question reread, please?

11 EXAMINER ADDISON: Absolutely. Thank  
12 you.

13 (Record read.)

14 A. We can't force anybody to do anything.  
15 They had -- we provided the states an opportunity to  
16 offer to us the programs that they offer other  
17 businesses, and we know states offer incentives out  
18 of their general funds. Knowing that these states  
19 have programs, we wanted to make sure that we were  
20 aware of all programs that states make available to  
21 multiple companies. That's what we did.

22 MS. DUNN: Your Honor, I would move to  
23 strike everything after "we know."

24 MR. MENDOZA: Your Honor, if I may. The  
25 question is vague. What does it mean to force the



1 company to do something? He gave the answer to the  
2 question to -- if the question had been appropriate,  
3 he gave an answer that was, you know, in the  
4 wheelhouse of responding to it.

5 MS. GHILONI: Can I add, your Honor?

6 EXAMINER ADDISON: Absolutely.

7 MS. GHILONI: I agree there was an  
8 objection made on speculation, and it was allowed to  
9 see if he could answer, and this is the way he can  
10 answer it to the best of his knowledge, so the  
11 companies asked the question and he is just  
12 responding to that in the best way he can.

13 EXAMINER ADDISON: Thank you.

14 I think I did promise him a little leeway  
15 in his answer, so the motion to strike will be  
16 denied.

17 THE WITNESS: Thank you.

18 MS. DUNN: One more moment, your Honor.

19 EXAMINER ADDISON: Of course.

20 Q. (By Ms. Dunn) So, Mr. Lause, if I  
21 understand your testimony correctly, Cooper Tire had  
22 four states compete with one another to keep certain  
23 of Cooper Tire's plants open, correct?

24 MS. GHILONI: Objection, speculation.  
25 Calls for speculation.

1 EXAMINER PRICE: Okay. Then I am just  
2 going to ask the question. Did you announce that one  
3 of four plants was going to close and invite states  
4 to make proposals to keep it open?

5 THE WITNESS: Yes. Thank you.

6 EXAMINER PRICE: Thank you.

7 MS. DUNN: Your Honor, I have no further  
8 questions.

9 EXAMINER ADDISON: Thank you, Ms. Dunn.  
10 Mr. McNamee?

11 MR. McNAMEE: I only have two.

12 - - -

13 CROSS-EXAMINATION

14 By Mr. McNamee:

15 Q. Good morning, Mr. Lause.

16 A. Good morning.

17 Q. You are not familiar with mechanism --  
18 the mechanics of the umbrella or family way that  
19 Standard & Poor's uses to assess creditworthiness of  
20 companies, are you?

21 A. I'm generally familiar. Again, to add  
22 context, I tend to always look at the parent company  
23 ratings. The subratings of the subsidiaries are not  
24 as meaningful to me because of the parental  
25 guarantees, so I always look at the parental. I

1 understand it conceptually, but my focus is always on  
2 looking at the parent rating.

3 Q. That's your focus. But my question is  
4 about Standard & Poor's.

5 A. My focus of looking at Standard & Poor's  
6 ratings, I'm sorry.

7 Q. Okay.

8 A. So when I look at a Standard & Poor's  
9 rating, I tend to always look at the parental rating.  
10 I don't look at the subratings of the subsidiaries.

11 Q. Okay. Does Cooper make passenger car  
12 tires in Findlay?

13 A. Yes, we do.

14 MR. McNAMEE: Okay. That's all I have.  
15 Thank you.

16 EXAMINER ADDISON: Thank you.

17 Ms. Ghiloni, redirect?

18 MS. GHILONI: A few moments, your Honor.

19 EXAMINER ADDISON: Of course. Let's go  
20 off the record.

21 (Discussion off the record.)

22 EXAMINER ADDISON: Let's go back on the  
23 record.

24 Ms. Ghiloni.

25 MS. GHILONI: Thank you, your Honor.



1 offering it to large companies. I see plural, not  
2 one company, so it is a significant difference.

3 MS. GHILONI: No further questions, your  
4 Honor.

5 EXAMINER ADDISON: Thank you.

6 Mr. Mendoza?

7 MR. MENDOZA: No questions, your Honor.

8 EXAMINER ADDISON: Mr. Settineri?

9 MR. SETTINERI: No questions, your Honor.

10 EXAMINER ADDISON: Ms. Willis?

11 MS. WILLIS: No questions, your Honor.

12 EXAMINER ADDISON: Mr. Kurtz?

13 MR. KURTZ: No questions, your Honor.

14 EXAMINER ADDISON: Ms. Dunn?

15 MS. DUNN: A few questions.

16 - - -

17 RECROSS-EXAMINATION

18 By Ms. Dunn:

19 Q. Mr. Lause, in 2008 to 2009, what other  
20 companies received a tax credit of 35 percent on the  
21 payroll tax from the City of Findlay?

22 A. Are you speaking strictly 2008 and 2009?

23 Q. Yes.

24 A. I don't know that any company did, but I  
25 also don't know that any company didn't.

1           Q.   And in 2008 to 2009, what other companies  
2 received reduced water and sewage from the City of  
3 Findlay?

4           A.   Again, I can't speak that any company  
5 did, but I also very clearly can't state any other  
6 companies that did not.

7           Q.   And also in 2008 -- is one of the  
8 conditions of receiving the tax credit from the City  
9 of Findlay, if the Findlay plant were to have closed,  
10 Cooper Tire would have had to pay the credits back to  
11 the City of Findlay, correct?

12          A.   I don't have those details.

13               MS. DUNN:  No further questions, your  
14 Honor.

15               EXAMINER ADDISON:  Thank you, Ms. Dunn.

16               Mr. McNamee?

17               MR. McNAMEE:  No questions.  Thank you.

18               EXAMINER ADDISON:  Examiner Price.

19                               - - -

20                               EXAMINATION

21   By Examiner Price:

22           Q.   Just one question.  Looking at ESP IV as  
23 approved by the Commission as a whole, are you aware  
24 of whether there are any other provisions for  
25 economic development which will provide funds to

1 companies in the service territories, let's say in  
2 the form of interruptible credits for economic  
3 development purposes?

4 A. If it's within that ESP IV, I believe  
5 there are potential incentives for energy-efficiency  
6 programs. I believe. I am almost looking to experts  
7 here to confirm that.

8 Q. We want your understanding.

9 A. Okay. My understanding there are --  
10 there are energy-efficiency incentives within the  
11 markets, which, quite honestly, Cooper Tire has  
12 looked at to take advantage of because the  
13 cost/benefit of an incentive like that is -- is  
14 better for the State of Ohio because it's reducing  
15 energy consumption. And given the amount of  
16 investment it takes to put in, it's good for the  
17 greater good of the State of Ohio, good for the  
18 energy companies, and good for the consumers.

19 Q. Now you have caused me to have a  
20 follow-up, but if you have got two --

21 A. I have got all morning.

22 Q. So do we apparently. If you have two  
23 similarly-situated companies, one that takes  
24 advantage of the program and one that does not, the  
25 one that does not take advantage of the program will

1 be paying incrementally-higher rates to subsidize the  
2 company that does take advantage of the programs; is  
3 that correct?

4 A. I am going out on a limb here with my  
5 knowledge.

6 Q. I don't want you to speculate.

7 A. No. It's my understanding the companies  
8 had a choice whether they could choose a rider or  
9 not; and if they chose the rider to pay the higher  
10 costs, then they would be eligible to go after or  
11 pursue energy-efficiency projects. So if you chose  
12 not to take on the rider, then you didn't have to pay  
13 the higher rate, but then you were then also not  
14 eligible to pursue those energy-efficiency projects,  
15 so it really wasn't layered on the back of those  
16 companies that chose not to pursue the  
17 energy-efficiency projects to the best of my  
18 understanding.

19 Q. And you have no knowledge of -- when I  
20 use the term "interruptible credits," do you  
21 understand what I am talking about?

22 A. Not enough to answer a question.

23 EXAMINER PRICE: That's fine. Thank you.

24 EXAMINER ADDISON: Thank you. I have no  
25 additional questions, Mr. Lause. You are excused.



1 THE WITNESS: Thank you.

2 EXAMINER ADDISON: Thank you very much.

3 Ms. Ghiloni, I believe you previously  
4 moved for the admission of OMAEG Exhibit No. 39.

5 MS. GHILONI: Yes, your Honor.

6 EXAMINER ADDISON: Are there any  
7 objections to the OMAEG Exhibit 39, subject to the  
8 motions to strike?

9 MS. DUNN: No, your Honor.

10 EXAMINER ADDISON: Thank you.

11 Hearing none, it will be admitted.

12 (EXHIBIT ADMITTED INTO EVIDENCE.)

13 EXAMINER ADDISON: At this time we will  
14 take a brief break and return around 10:30.

15 We are off the record.

16 (Recess taken.)

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

19 Okay. In light of the unavailability of  
20 OCC Witness Kahal, FirstEnergy will file Ms. Murley's  
21 testimony this afternoon as scheduled, and we will  
22 take Ms. Murley on Thursday at 9 o'clock.

23 Ms. Mikkelsen's testimony will not be due  
24 until Monday at 4:00. The companies will arrange a  
25 rescheduled -- the parties will arrange a rescheduled

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1 deposition time for Ms. Mikkelsen, and we will take  
2 Ms. Mikkelsen the following Monday at 10 o'clock.

3 MR. KUTIK: Mr. Kahal will begin Monday  
4 at 9:00?

5 EXAMINER PRICE: Normally we start Monday  
6 hearings at 9:00 or 10:00, but I am happy to do  
7 9 o'clock.

8 MR. KUTIK: 10:00 is fine.

9 EXAMINER PRICE: Let's do it at 10:00.

10 MS. WILLIS: Thank you.

11 EXAMINER PRICE: Okay? With that, we are  
12 adjourned until Monday at 10 o'clock. Thank you,  
13 all.

14 (Thereupon, at 10:37 a.m., the hearing  
15 was adjourned.)

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CERTIFICATE

I do hereby certify that the foregoing is  
a true and correct transcript of the proceedings  
taken by me in this matter on Friday, July 22, 2016,  
and carefully compared with my original stenographic  
notes.

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Karen Sue Gibson, Registered  
Merit Reporter.

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Carolyn M. Burke, Registered  
Professional Reporter.

(KSG-6225)

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Summary: Transcript in the matter of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company hearing held on 07/22/16 - Volume VII electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.