

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 10:00 a.m. on Monday,
August 1, 2016.

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REHEARING VOLUME X

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105 - West Penn Power Company 1659 --
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OCC EXHIBITS IDENTIFIED ADMITTED

47 - S&P Global Ratings 1707 1835
 "FirstEnergy Solutions Corp.
 And Affiliates Placed On
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P3/EPSC EXHIBITS IDENTIFIED ADMITTED

21 - Moody's Investors Service 1772 1835
 "Rating Action: Moody's
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1 Monday Morning Session,
2 August 1, 2016.

3 - - -

4 EXAMINER PRICE: Let's go back on the
5 record.

6 Good morning. The Public Utilities
7 Commission has set for hearing at this time and place
8 Case 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 for a Standard
12 Service Offer Pursuant to Revised Code 4928.143 in
13 the Form of an Electric Security Plan. This is our
14 51st day of hearing in this matter, and I believe our
15 10th day of rehearing testimony.

16 My name is Gregory Price. With me is
17 Megan Addison. We are the Attorney Examiners
18 assigned to preside over today's hearing.

19 We will dispense with appearances. And
20 FirstEnergy can call its next witness.

21 MR. KUTIK: Yes, your Honor. The company
22 recalls Eileen M. Mikkelsen.

23 (Witness sworn.)

24 EXAMINER PRICE: Please be seated and
25 state your name and business address for the record.

1 THE WITNESS: Good morning. My name is
2 Eileen M. Mikkelsen. And my business address is 76
3 King James Way, Akron, Ohio 44308.

4 EXAMINER PRICE: Thank you. Please
5 proceed.

6 MR. KUTIK: Your Honor, at this time, we
7 would like to have marked for identification as
8 Company Exhibit 206, the Rehearing Rebuttal and
9 Surrebuttal Testimony of Eileen M. Mikkelsen on
10 behalf of Ohio Edison Company, The Cleveland Electric
11 Illuminating Company, and Toledo Edison.

12 EXAMINER PRICE: It will be so marked.

13 (EXHIBIT MARKED FOR IDENTIFICATION.)

14 - - -

15 EILEEN M. MIKKELSEN

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

18 DIRECT EXAMINATION

19 By Mr. Kutik:

20 Q. Ms. Mikkelsen, do you have before you
21 what has been marked as Company Exhibit 206?

22 A. Yes.

23 Q. What is that?

24 A. It is a copy of my prefiled rehearing
25 rebuttal and surrebuttal testimony in this

1 proceeding.

2 Q. Do you have any additions or corrections
3 to make to that document?

4 A. I do.

5 Q. What are they?

6 A. On page 3, line 10, there should be a
7 space between the word "proposal" and "provides." On
8 page 12 --

9 Q. Let go back to page 3. Is there another
10 correction on line 13?

11 A. Oh, I'm sorry, yes. On line 13, there
12 should be an "A" inserted prior to the word "no" for
13 the start of the answer. Thank you.

14 Q. What other corrections do you have?

15 A. On page 12 at line 13, after the word
16 "headcount" a comma should be inserted followed by
17 "customer count."

18 Q. So could you repeat that, please.

19 A. Yes. On line 13 following the word
20 "headcount" a comma should be inserted followed by
21 "customer count."

22 Q. Do you have any other corrections on that
23 page?

24 A. I do. In the footnote on page 12 in the
25 second line of the footnote, the word "customers"

1 should be deleted and it should be replaced with
2 "distribution employees." Further, the 35 percent in
3 the -- parentheses following "Ohio" should be changed
4 to "34 percent."

5 On line 3 in that footnote, following the
6 transcript reference "at 554," the reference to "738"
7 should be eliminated.

8 And finally, a sentence should be added
9 at the end of that footnote which reads "Another
10 potential allocator is the percentage of customers in
11 Ohio." And that should be followed by a "35 percent"
12 in parentheses

13 Q. So could you read that sentence again,
14 please.

15 A. Certainly. "Another potential allocator
16 is the percentage of customers in Ohio (35 percent)."

17 Q. Do you have any other additions or
18 corrections?

19 A. I do. On page 14 at line 22, the word
20 "to" as in "t-o" should be inserted between "not" and
21 "exceed." So that it reads "an additional amount not
22 to exceed." And on page 14 at line 23, the word
23 "outline" should be changed to "outlined" with a "d"
24 at the end.

25 Q. Do you have additional corrections?

1 A. I do. On page 17 at line 18, the words
2 "the company" should be deleted and they should be
3 replaced with "FirstEnergy Corp."

4 Q. And let me direct you to line 10 of that
5 page. Do you have a correction there?

6 A. I do. On line 10 capital A period should
7 be inserted at the start of the sentence to indicate
8 the beginning of an answer.

9 Q. Do you have any other corrections?

10 A. I do. On page 20 at line 16, the word
11 "for," "f-o-r," should be inserted following the word
12 benefit."

13 MR. SETTINERI: What line reference was
14 that, please?

15 THE WITNESS: 16.

16 MR. SETTINERI: Thank you.

17 Q. That's at the end of the line.

18 A. Correct. And on line 17 between "MRO"
19 and "test" the lower case "e" should be deleted.

20 The final correction would be on page 21
21 at line 12, a space should be inserted between the
22 word "proposal" and the word "is."

23 Q. Ms. Mikkelsen, with those corrections, if
24 I asked you today the questions that appear in
25 Company Exhibit 206, would your answers be the same

1 as appear in that document?

2 A. Yes.

3 MR. KUTIK: Thank you, your Honor.

4 EXAMINER PRICE: Before we entertain
5 motions to strike, while we were off the record
6 Ms. Willis had reminded the Bench we had not ruled on
7 OCC's motion to take administrative notice of certain
8 documents from the distribution rate case. And we
9 are going to deny that motion at this time. That is
10 because no questions were asked regarding those
11 documents or any references made to them.

12 Any motions to strike?

13 MS. WILLIS: Yes, your Honor. Thank you.

14 Your Honor, we have three separate
15 motions to strike on three different grounds, so I am
16 just going through those by grounds and group the
17 motions to strike by grounds.

18 The first set of motions to strike relate
19 to Ms. Mikkelsen drawing legal opinions and being --
20 and Ms. Mikkelsen not being an attorney and,
21 therefore, not qualified to render legal opinions.

22 As earlier discussed in this proceeding,
23 the issue is that the expert witness is not providing
24 any fact or opinion as an expert that can be helpful
25 to the tribunal in making the decisions because the

1 tribunal is the one that reaches the legal conclusion
2 in the case, not the experts, and that's a reference
3 to Mr. Kutik's arguments on transcript Volume XXIII,
4 pages 4619 and 4620, with respect to the Attorney
5 Examiner's striking Professor -- portions of
6 Professor Ferrey's testimony on legal issues.

7 I would also remind the Bench that
8 rehearing testimony was struck on these very same
9 grounds with respect to Dr. Duann's testimony as can
10 be seen in the transcript Volume IV, page 905.

11 The beginning first motion to strike on
12 those grounds begins at page 2, starting at line 6,
13 beginning with "The Staff's alternative" and ending
14 with line 8 the phrase "grid modernization
15 initiatives." That is a legal opinion as to rider
16 DMR being permissible under the statute.

17 On page 4, beginning on line 5, at "Since
18 Rider RRS" and ending with line 7, "transition
19 charge." And this is legal testimony that rider RRS
20 is not a transition charge under the Ohio law which
21 is a legal -- clearly, a legal conclusion.

22 Page 5, line 9, beginning at "Rider DMR"
23 and ending with line 12, "job retention program."
24 This is an opinion on how the DMR is a permissible
25 ESP provision under the law. Clearly, another legal

1 position.

2 Page 14, line 13, beginning at "The
3 Staff's alternative" and ending with line 16, "of ESP
4 IV." Again, this is a legal opinion that the DMR
5 fits as an economic -- economic development provision
6 of the law.

7 Last motion to strike on this ground
8 relates to page 29, line 9, beginning with
9 "Dr. Duann's recommendation" and ending with line 11
10 "prospective only."

11 MR. KUTIK: What line was that?

12 MS. WILLIS: Page 29, line --

13 MR. KUTIK: There's no page 29.

14 EXAMINER PRICE: There's no page 29.

15 MS. WILLIS: I'm sorry. Let me get the
16 right cite then.

17 EXAMINER PRICE: 21 maybe?

18 MR. STINSON: 24.

19 MS. WILLIS: Thank you. Yes, I'm sorry.

20 That would be page 24, beginning on line 9,
21 "Dr. Duann's recommendation would require the
22 Commission to engage in retroactive ratemaking."
23 Through the -- the next sentence, "When the
24 Commission sets new rates they are prospective only."
25 That is an opinion on retroactive ratemaking. Highly

1 legal opinion. She is not qualified to give that
2 opinion. Shall we move on to the next set?

3 EXAMINER PRICE: Let's take arguments on
4 this.

5 Mr. Kutik.

6 MR. KUTIK: Your Honor, it's been the
7 Bench's practice in this proceeding to entertain
8 opinion testimony with respect to certain witnesses
9 on certain issues that may be legal, but may also be
10 policy issues. Ms. Mikkelsen, as the Vice President
11 of Rates and Regulatory Affairs relating to the
12 companies, certainly is -- has -- is an expert on
13 regulatory affairs; and as her experience of over 30
14 years in the area would attest, she is qualified to
15 render opinions on those things. We certainly agree
16 Ms. Mikkelsen is not rendering any opinion as a
17 lawyer. She is certainly not a lawyer, so she
18 couldn't render such an opinion.

19 The specifics of the motion, though, have
20 been addressed by several others in this case. For
21 example, the passage on line -- on page 4, relating
22 to transition charges, is directly responsive to
23 Dr. Choueiki's testimony on that subject. He
24 testified that he was not a lawyer and was giving his
25 opinion as an expert in the regulatory area in terms

1 of what a transition charge may or may not be, and
2 Ms. Mikkelsen is doing the same here.

3 With respect to the additional passage on
4 page 4 and the passage on page 14, Ms. Mikkelsen is
5 providing an opinion with respect to the economic
6 development benefits of the -- of the DMR as proposed
7 or modified by the company. And so that is just a
8 matter of policy. It's not necessarily given -- is
9 not given as opinion with respect to any legal
10 interpretation.

11 With respect to her commentary about
12 retroactive ratemaking, again, that is a regulatory
13 feature. Certainly, it is a legal issue, but it's
14 also a regulatory issue, and it's fair and common for
15 her to talk about that from a regulatory respect. So
16 the motion should be denied.

17 MS. WILLIS: If I may very quickly.

18 EXAMINER PRICE: I had a follow-up
19 question for him. Could you respond to the instances
20 where she is claiming the Bench had denied similar
21 circumstances?

22 MR. KUTIK: Well, frankly, I don't recall
23 the -- I don't recall either of those issues, and I
24 don't have the testimony. I understand, your Honor,
25 that you have stricken testimony with regard to

1 federal law as being beyond the scope of this
2 Commission to testify about, and with respect to the
3 others, I would have to read the transcript to
4 respond.

5 MS. WILLIS: I can provide those cites,
6 again, if your Honors -- if your Honors would like.

7 EXAMINER PRICE: The court reporter has
8 them. I am sure she took them down. Go ahead and
9 respond, last word.

10 MS. WILLIS: Yes, very quickly, your
11 Honor. Mr. Kutik tries to claim these are policy
12 issues. They are not policy issues. They are issues
13 of law, clearly issues of law. Ms. -- I understand
14 Ms. Mikkelsen does have regulatory expertise, but
15 that does not make her an expert on translating -- or
16 interpreting the law, and these are very highly legal
17 questions as questions have gone up to the court.
18 The courts have opined on them. They are legal
19 issues. They are not regulatory issues.

20 MR. KUTIK: Your Honor, I have been
21 advised with Mr. Duann -- or Dr. Duann, and that was
22 a sentence where he specifically says "on advice of
23 counsel."

24 EXAMINER PRICE: That's what I suspected.

25 At this time we are going to deny the

1 motion to strike. It is a fine line in this
2 proceeding between what's a purely legal statement
3 and what is a regulatory, and we have tried to be
4 consistent, and we have tried to give everybody some
5 leeway on the regulatory side, and we are going to do
6 so in this case.

7 MS. WILLIS: Thank you, your Honor.

8 The second grounds relate to the fact
9 that the testimony is improper surrebuttal because it
10 is not rebutting anyone's testimony. The testimony
11 that we will go through does not articulate any new
12 points. It simply agrees with staff's testimony,
13 fails to provide anything additional.

14 At numerous points in the deposition of
15 Ms. Mikkelsen, I asked her directly about the
16 statements and if she could identify parties who had
17 disputed the statements in her testimony. For the
18 most part, she could not, other than to say she
19 believes that because -- because intervenors have not
20 supported rider DMR then they must disagree with her
21 on numerous points, which I think is very weak
22 reasoning.

23 But, in any event, it is not rebuttal.
24 It has not been raised by other parties. It does not
25 counteract, repel, or disprove facts that are given

1 by any adverse party in this proceeding, so I believe
2 it is improper rebuttal.

3 And we can begin on page 2, line 21,
4 beginning with "The analysis" and ending on page 3,
5 line 2, through "would be..." This is merely
6 testimony agreeing with the staff. It's not
7 rebuttal.

8 Page 3, line 18, beginning with "The
9 Companies" flowing on to page 4, line 2, through
10 "2005" and footnote 3. It's not proper rebuttal
11 testimony because it is not rebutting anything that
12 the staff has said. I would also note on this one it
13 should be struck on relevance grounds as well. I
14 believe, your Honors made the ruling that how we got
15 here today is not relevant. We are here today. And
16 so if you recall, there was information struck with
17 respect to Mr. Kahal's testimony about what was the
18 reason that the -- the investment grade ratings are
19 what they are and how did we get here.

20 EXAMINER PRICE: I don't think the two
21 statements are analogous whatsoever.

22 MS. WILLIS: I respectfully disagree, but
23 thank you, your Honor, for your opinion.

24 With respect to page 4, line 14, starting
25 with "While both" to the end of "job retention."

1 Again, it's not proper rebuttal testimony because it
2 doesn't provide any comment on staff or intervenors's
3 testimony. There was no staff or intervenors's
4 testimony on that to rebut.

5 Page 5, line 5, beginning with "a
6 properly designed rider" flowing on to line 9, "the
7 capital market" and including footnote 6. This does
8 not disagree with any staff testimony. It does not
9 rebut anything that staff says. It's just restating
10 staff's testimony and it's also, therefore,
11 cumulative and should be struck. It also should be
12 struck on grounds of relevance.

13 Page 5, line 13, beginning with "How does
14 rider" -- and this is a longer one -- extending on to
15 page 9, line 4, ending with "battery technology."
16 This section, your Honor, is entirely duplicative of
17 the staff's testimony. It makes the same exact
18 arguments and comes to the same conclusions. It
19 doesn't rebut staff's arguments and therefore is not
20 proper rebuttal testimony.

21 Beginning on page 10 with line 8,
22 beginning with the term "While" and ending on the
23 same line with "Rider DMR." Again, this agrees with
24 the staff testimony; therefore, it is not proper
25 rebuttal.

1 Starting on page 14, line 3, beginning
2 with "Rider DMR" and extending to line 5, ending with
3 "grid modernization"

4 MR. KUTIK: I'm sorry. Where are you
5 ending?

6 MS. WILLIS: On line 5 with "grid
7 modernization." Again, this agrees with the staff's
8 testimony and, therefore, it is not proper rebuttal
9 testimony.

10 Page 17, beginning on line 3, with "One
11 of the reasonable" to line 4 "OEG Witness Baron."
12 This agrees with Witness Baron's testimony. It cites
13 it directly. It is, therefore, not proper rebuttal
14 testimony.

15 Page 17, line 7, beginning with "Do you
16 share" ending at line 10 with "in that position."
17 Again, agrees with the staff's testimony; not proper
18 rebuttal.

19 Going on to page 18, beginning with
20 line 21, "Do you agree" and going on to page 19,
21 "under an MRO" ending, with "under an MRO."

22 MR. KUTIK: I'm sorry. Where are you?

23 MS. WILLIS: I'm sorry. Going to
24 page 19, line -- I think that is line 14. On the
25 basis that this again agrees with the staff's

1 testimony. It's not rebuttal.

2 MR. KUTIK: I'm sorry. I am still not
3 sure where you are. Are you ending mid sentence?

4 MS. WILLIS: Let me check on that for a
5 moment, your Honor. If I may have a minute. I think
6 that -- I think I misspoke. That would be the end of
7 line 5, "under an MRO." "...service under an MRO."

8 MR. KUTIK: So it's the sentence.

9 MS. WILLIS: "I agree" -- yes. "I agree
10 with Ms. Turkenton that Rider DMR revenues" could
11 have -- "would have no impact on the ESP...." Again,
12 agreeing with Ms. Turkenton, not rebuttal, and not
13 proper rebuttal.

14 MR. KUTIK: So, again, you are starting
15 on line 21 on page 18 and ending on page 19, line 5,
16 with the end of the sentence that says "service under
17 an MRO"?

18 MS. WILLIS: Yes, that's correct. Thank
19 you.

20 And that's the end of those motions to
21 strike on the basis that is not proper rebuttal or
22 surrebuttal.

23 EXAMINER PRICE: We are going to grant
24 the motion to strike with respect to page 17, line 3,
25 and ending on page 17, line 4 with respect to OEG

1 Witness Baron.

2 With respect to the remainder of the
3 motion, it will be denied.

4 Unique among any other party in this
5 proceeding, staff came up with an entirely new
6 alternative to present to the Commission. This is
7 the companies' one-and-only chance to respond to that
8 alternative and they should have the opportunity to
9 respond to what they agree with and don't agree with.

10 MR. KUTIK: May I be heard on the motion,
11 your Honor?

12 EXAMINER PRICE: You won.

13 MR. KUTIK: Well, not with respect to the
14 one line, your Honor.

15 EXAMINER PRICE: Okay. The one line.

16 MR. KUTIK: No. You know, rebuttal is,
17 in this particular case, particularly a response, and
18 we are responding to a variety of proposals,
19 particularly staff proposals, but we are also
20 responding to Mr. Baron's proposal to indicate our
21 agreement with that. Our agreement with that is a
22 fair comment. All we said is that's a possibility to
23 include. And so I would urge the Bench to reconsider
24 its ruling with respect to that line.

25 MS. WILLIS: Well, I would urge the Bench

1 to reconsider the other rulings which denied the
2 motion to strike as well.

3 MR. KUTIK: Since I didn't have an
4 opportunity, your Honor --

5 EXAMINER PRICE: I understand. I
6 wouldn't characterize Mr. Baron as an entirely new
7 alternative unlike the staff. The staff had an
8 alternative proposal. I agree you should have a
9 chance to respond to the staff's proposal, but we are
10 not going to reconsider anything, so let's move on.

11 MS. WILLIS: Last, your Honor, the ground
12 for striking the testimony is that it is outside the
13 scope of rehearing. This has to do with 4903.10, the
14 statutory scope of evidence that is supposed to be
15 presented on rehearing. That statute limits the
16 scope of rehearing to evidence that, with reasonable
17 diligence, could not have been offered earlier.

18 And so we go to page 13, line 13,
19 beginning with "Company witness Sarah Murley" and
20 ending with line 15, the phrase "benefits to the
21 State." It was -- not only is it -- should it be
22 disallowed under the scope, the statutory scope of
23 rehearing under 4903.10, it's cumulative, it was
24 the -- the companies' commitment to maintain its
25 headquarters was originally a commitment contained in

1 the third supplemental stipulation. It also --

2 EXAMINER PRICE: But isn't it true that
3 commitment is as long as rider RRS is in place?

4 MS. WILLIS: That is correct and at that
5 time --

6 EXAMINER PRICE: Now, let me finish.

7 MS. WILLIS: I am sorry.

8 EXAMINER PRICE: So if rider RRS is not
9 in place because the Commission has chosen an
10 entirely different alternative, the company would
11 have no commitment to maintain the headquarters;
12 isn't that true?

13 MS. WILLIS: Perhaps you can run that by
14 me again.

15 EXAMINER PRICE: If the Commission
16 chooses either of the two alternatives currently in
17 front of it, doesn't the commitment -- the companies'
18 commitment to maintain rider RRS in Akron go away,
19 since it was only under the terms of the original
20 RRS?

21 MS. WILLIS: I believe the testimony in
22 cross-examination you will hear today will establish
23 that that --

24 EXAMINER PRICE: I don't care about the
25 testimony. I care about the plain words of the

1 stipulation.

2 MS. WILLIS: Well, the -- through the
3 deposition testimony, it's very clear that the
4 commitment remains the same. It is the exact same
5 commitment that was made in the proposal and is also
6 the same --

7 EXAMINER PRICE: That's not what I asked.
8 I didn't say it was a similar commitment. I said
9 isn't it true that the commitment is contingent upon
10 rider RRS being in place.

11 MS. WILLIS: Yes, your Honor, it was.

12 EXAMINER PRICE: And if rider RRS goes
13 away, there will be no commitment.

14 MS. WILLIS: If rider RRS goes away, that
15 commitment contained there will go away. However,
16 that commitment has been replaced and is present in
17 the proposal and is also present in the staff's
18 alternative so it is the same commitment. It just
19 was with a different rider. Back then it was with
20 rider RRS. Now it's with the proposal and it's also
21 with the staff's -- staff's alternative.

22 This commitment -- the point is, your
23 Honor, that commitment, the company made that
24 commitment back in December of 2015. They could have
25 presented evidence as to the benefits of that

1 proposal at that time. They also could have
2 presented evidence when they presented their proposal
3 as to when they made the commitment or reinforced the
4 commitment. They could have presented testimony as
5 to what those benefits are, those economic benefits
6 of keeping the headquarters. They chose not to at
7 their own peril.

8 Under the statute, the rehearing statute,
9 4903.10, the rehearing scope shall be limited to that
10 evidence that could have reasonably been provided at
11 the beginning -- at the initial stage of the hearing.

12 EXAMINER PRICE: There is no reason for
13 the company to have foreseen that the staff would
14 propose an entirely new proposal on rehearing.

15 MS. WILLIS: They had reason to believe
16 and they presented the commitment. The commitment
17 has not changed. They could have presented evidence
18 on the economic benefit of that commitment throughout
19 this proceeding. They chose not to. Whether or not
20 it's contained in the staff's proposal is really
21 irrelevant. The fact of the matter is they could
22 have presented this evidence earlier and they chose
23 not to. That commitment has been around since
24 December of 2015. Then it reemerged in the proposal
25 and now it's part of the staff's proposal.

1 EXAMINER PRICE: It's a different
2 commitment. It might be similar, but it's a
3 commitment related to a different rider.

4 MS. WILLIS: Yes, your Honor, that is
5 true, but it still is related to what is the economic
6 benefit of maintaining the headquarters in Akron; an
7 issue that's been around since December of 2015.

8 EXAMINER PRICE: Mr. Kutik.

9 MR. KUTIK: Your Honor, the -- I find it
10 remarkable that Counsel would say that testimony that
11 is in response to the staff's proposal is irrelevant.
12 It is a specific proposal by staff that the
13 commitment to continue the headquarters and nexus of
14 operation in operation be a condition of continuing
15 rider DMR; and, further, that there be a potential
16 for a refund, which certainly was not part of the
17 third supplemental stipulation.

18 Given those facts, the fact that the
19 company -- given those facts, the company believes
20 that it is appropriate for the Commission to consider
21 the value of that commitment as part of determining
22 what rider DMR should be in terms of the charge and
23 that's the point of her testimony. It's clearly
24 relevant and it's clearly something that the
25 companies could not have anticipated given that the

1 condition of rider DMR was unknown at the time of the
2 prior testimony as was rider DMR.

3 MS. WILLIS: Very quickly, your Honor. I
4 didn't mean to, if I indicated the staff's proposal
5 was irrelevant, I did not mean that. I meant that it
6 is -- the relevant fact is that this issue -- the
7 commitment to maintain the headquarters has been here
8 since December of 2015.

9 In fact, the Commission ruled on -- in
10 its Opinion and Order, ruled that the company should
11 maintain their headquarters and their nexus of
12 operations. That was already addressed by the
13 Commission. It's been around.

14 EXAMINER PRICE: I totally disagree with
15 your assertions that this is foreseeable. Nobody
16 could have foreseen we would be here today, first of
17 all. But this is a -- although it might be a similar
18 commitment; it is a new commitment based upon a
19 totally different rider. The plain language of the
20 stipulation says that it's -- the commitment was
21 contingent upon rider RRS being in place. I believe
22 that was what the Commission ruled.

23 And the companies' point here is that
24 they don't -- they object to the staff's proposal
25 anyways, because, as Mr. Kutik pointed out, it is

1 subject to refund. And rightly or wrongly, the
2 company also believes that the staff undervalued the
3 commitment. So the motion to strike will be denied.

4 MS. WILLIS: Thank you, your Honor.
5 That's all I have.

6 EXAMINER PRICE: Mr. Fisk. Waiting
7 patiently.

8 MR. FISK: Thank you, your Honors.

9 - - -

10 CROSS-EXAMINATION

11 By Mr. Fisk:

12 Q. Good morning, Ms. Mikkelsen.

13 A. Good morning, Mr. Fisk.

14 Q. How are you doing today?

15 A. Fine, thank you.

16 Q. Just a couple things to make sure we are
17 on the same page. Can we agree, for purposes of our
18 conversation today, that unless otherwise noted, if I
19 refer to "your testimony," I am referring to your
20 "Rehearing Rebuttal and Surrebuttal Testimony" that's
21 been marked as Exhibit 206?

22 A. Yes.

23 Q. And in your testimony you discuss the
24 "staff's proposed distribution modernization rider,"
25 correct?

1 A. Yes.

2 Q. Okay. Can we agree to refer to that
3 proposal as "rider DMR"?

4 A. Yes.

5 Q. Okay. And if you turn to page 14 of your
6 testimony, starting down at line 17, there is a
7 question about what are -- are companies proposing
8 regarding the term of rider DMR? Do you see that?

9 A. Yes.

10 Q. And am I correct that the companies are
11 proposing that the value of rider DMR would be set
12 based on two objectives? One being providing credit
13 support and one being with regards to keeping the
14 headquarters and nexus of operations in Akron?

15 A. No.

16 Q. Okay. The companies are proposing that
17 rider DMR would include \$558 million per year for
18 credit support, correct?

19 A. Yes.

20 Q. Okay. And then the companies are also
21 proposing that rider DMR would include an additional
22 amount not to exceed the economic development value
23 of having FirstEnergy Corp.'s headquarters and nexus
24 of operations in Akron, Ohio; is that correct?

25 A. Yes. The companies are proposing that

1 the Commission determine an additional amount to be
2 included in rider DMR associated with the condition
3 of keeping the headquarters and the nexus of
4 operations in Akron, Ohio.

5 Q. And so the companies are proposing that
6 the value of rider DMR be the \$558 million plus
7 whatever that additional amount the Commission
8 determines it is, correct?

9 A. Yes.

10 Q. Okay. And under the companies' proposed
11 modifications to rider DMR, that additional amount
12 could be as high as \$568 million per year, correct?

13 A. The companies' proposal is that the
14 Commission will determine an appropriate value
15 associated with the condition established by the
16 staff to retain the corporate headquarters and the
17 nexus of the operations in Akron, Ohio.

18 Q. Okay. And that additional amount, under
19 the companies' proposal, is that it could be as high
20 as \$568 million per year, correct?

21 A. Again, the companies' proposal is that
22 the Commission determine the appropriate amount. The
23 companies are not making a proposal with respect to
24 the amount.

25 MR. FISK: Your Honors, may I approach?

1 EXAMINER PRICE: You may.

2 Q. (By Mr. Fisk) Ms. Mikkelsen, do you
3 recall being deposed in this proceeding on July 27,
4 2016?

5 A. Yes.

6 Q. Okay. And you were under oath in that
7 deposition; is that correct?

8 A. Yes.

9 Q. Okay. And I have handed you a copy of
10 the transcript of that deposition; is that correct?

11 A. Yes.

12 Q. Okay. And if you could turn to page 10
13 of the transcript. I'm sorry. Actually, if you
14 start on page 9, line 22, there is a question that
15 says: "Okay. So when you say in your testimony on
16 page 14 'not to exceed the economic development value
17 outlined by Company witness Murley,' is it your
18 testimony that the additional amount that you are
19 proposing to be included in rider DMR would not
20 exceed 568 million?"

21 "Answer: Yes."

22 "Question: Okay. But that additional
23 amount could be as high as 568 million under your
24 proposal?"

25 "Answer: Yes."

1 Did I read that correctly?

2 A. Yes.

3 Q. And if you add the \$558 million per year
4 for credit support to the "not to exceed additional
5 amount" of 568 million, the Commission could,
6 consistent with the companies' proposal, approve a
7 rider DMR amount of \$1.126 billion per year, correct?

8 A. Again, the companies' proposal is that
9 rider DMR include \$558 million associated with credit
10 support and an amount to be determined by the
11 Commission associated with the condition proposed by
12 the staff regarding the headquarters of FirstEnergy
13 and the nexus of the operations.

14 MR. FISK: Your Honor, I would move to
15 strike that answer as not responsive. I was asking
16 what the Commission could approve consistent with
17 Ms. Mikkelsen's proposal.

18 EXAMINER PRICE: Mr. Kutik.

19 MR. KUTIK: Your Honor, I think she has
20 stated what the companies' position is. The company
21 doesn't have a position with respect to the value
22 that should be placed on rider DMR above 558 million.
23 And that's what she said time and time again.

24 EXAMINER PRICE: We are going to go ahead
25 and grant the motion to strike. Could you just be

1 more responsive to his question.

2 THE WITNESS: Thank you.

3 May I have the question reread, please?

4 EXAMINER PRICE: You may.

5 (Record read.)

6 A. Yes.

7 Q. Okay. Thank you. And under the
8 companies' proposed modifications to rider DMR, the
9 rider would remain in effect for the entire term of
10 ESP IV so long as FirstEnergy Corp. maintains its
11 headquarters and nexus of operations in Akron,
12 correct?

13 A. Yes.

14 Q. Okay. And under the companies' proposed
15 modifications to rider DMR, if FirstEnergy Corp.
16 moved its headquarters and nexus of operations away
17 from Akron, during the term of ESP IV, any amounts
18 that had already been included under rider DMR would
19 not be subject to refund, correct?

20 A. Yes.

21 Q. And no one has told you that FirstEnergy
22 Corp. might move its corporate headquarters and nexus
23 of operations out of Akron, correct?

24 MR. KUTIK: Objection.

25 EXAMINER PRICE: Grounds?

1 MR. KUTIK: Relevance.

2 EXAMINER PRICE: Overruled.

3 You can answer if you know.

4 A. Yes.

5 Q. And you have not seen any evaluation of
6 whether FirstEnergy Corp.'s headquarters would remain
7 in Akron for the term of ESP IV; is that correct?

8 A. Yes.

9 Q. And FirstEnergy Corp. has a lease for the
10 office space that serves as its corporate
11 headquarters in Akron, correct?

12 A. Yes.

13 Q. Okay. And you do not know when that
14 lease expires, correct?

15 A. Yes.

16 Q. Okay. The companies are not willing to
17 commit to using the revenues collected under rider
18 DMR only within the companies, correct?

19 A. It is the intention of the companies to
20 use the dollars collected in DMR for purposes of
21 company operations.

22 Q. But the companies are not willing to
23 commit that that is the only thing that revenues
24 collected under rider DMR will be used for, correct?

25 A. The commitment we are making is that it's

1 our intention to use those rider DMR funds for
2 purposes within the companies.

3 Q. But consistent with the companies'
4 proposed modifications to rider DMR, the revenues
5 collected under rider DMR could be used for purposes
6 outside of the companies' operations, correct?

7 A. It is the companies' con -- intention to
8 use the dollars within the companies collected within
9 rider DMR.

10 MR. FISK: Your Honor, I move to strike
11 that answer as not responsive to my question which is
12 whether the funds could be used in other ways.

13 EXAMINER PRICE: Is it possible the funds
14 could be used outside of the companies' operations?

15 THE WITNESS: I'm struggling with the
16 question with respect to the painting of dollars.

17 EXAMINER PRICE: Could you explain what
18 you mean?

19 THE WITNESS: Once dollars come into the
20 company, then they are treated, you know, more --
21 they aren't specifically marked as they move
22 throughout the companies', you know, income statement
23 or balance sheet or how they are used. Once the
24 dollars come in collectively, the dollars exist and
25 the expectation is the dollars collected from DMR

1 would be used for credit support and to assist in
2 jump-starting grid modernization.

3 EXAMINER PRICE: I am going to deny the
4 motion to strike. She has explained why she is
5 giving her answer.

6 MR. FISK: Okay.

7 Q. (By Mr. Fisk) Ms. Mikkelsen, if you could
8 turn back to your deposition transcript, page 68. If
9 you look at line 11, the question says: "Okay. Are
10 the companies willing to commit to using all of the
11 rider DMR revenues in the companies?"

12 "Answer: That is the companies'
13 intention."

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

18 Mr. Kutik has an objection.

19 "Answer: Yes."

20 Did I read that correctly?

21 A. Yes.

22 Q. The companies have no written plans of
23 how they would spend any cash received through rider
24 DMR, correct?

25 A. The companies have a distribution grid

1 modernization business plan filing pending before the
2 Commission. Beyond that, I'm not aware of a written
3 plan with respect to how the rider DMR dollars would
4 be used; although, I wouldn't expect there could be a
5 plan given the newness of the staff's recommendation.

6 Q. And the companies are not willing to
7 commit to spend the revenues collected under rider
8 DMR on distribution grid modernization initiatives,
9 correct?

10 A. It is the companies' intention to use the
11 dollars collected in rider DMR for purposes within
12 the companies' operations including grid
13 modernization, as well as other things, such as other
14 activities associated with modernizing the company's
15 grid, perhaps for debt that is maturing over the
16 term, potentially for funding of pensions, by way of
17 example.

18 MR. FISK: Your Honor, I would move to
19 strike again. Again, my question is about whether
20 the companies are willing to commit to spending these
21 revenues on rider -- on distribution grid
22 modernization, not what intentions might be.

23 MR. KUTIK: Well, your Honor, she
24 indicated what the company intends to spend the money
25 on; the grid modernization and potentially some other

1 things she just listed.

2 EXAMINER PRICE: I think you got your
3 answer. Denied.

4 Q. (By Mr. Fisk) Ms. Mikkelsen, if you could
5 turn to page 68 of your deposition transcript,
6 line 23. There's a question there. "Okay. Are the
7 companies willing to commit to spend the revenues
8 received under rider DMR on distribution grid
9 modernization?"

10 "Answer: No."

11 Did I read that correctly?

12 A. Yes.

13 Q. Thank you.

14 And the companies' proposed modifications
15 to rider DMR do not in any way restrict the
16 companies' ability to provide dividends to
17 FirstEnergy Corp., correct?

18 A. Yes.

19 Q. And the companies are not proposing any
20 provision for the Commission to be able to review how
21 revenues collected under rider DMR would be spent,
22 correct?

23 MR. KUTIK: May I have the question read,
24 please?

25 EXAMINER PRICE: You may.

1 (Record read.)

2 A. The companies are not including a
3 provision of that nature nor did the staff.
4 Certainly, the Commission is free to review whatever
5 they would like with respect to the companies'
6 operations.

7 Q. And if rider DMR were approved, with the
8 companies' proposed modifications, the companies are
9 not committing to move ahead with grid modernization
10 within a specified time period, correct?

11 A. Yes.

12 Q. And if rider DMR were approved as the
13 companies have proposed -- strike that.

14 If rider DMR were approved with the
15 companies' proposed modifications, the companies are
16 not guaranteeing that they would make any investment
17 in modernizing the distribution grid, correct?

18 THE WITNESS: May I ask to have the
19 question reread, please, sir?

20 EXAMINER PRICE: You may.

21 (Record read.)

22 A. While it is true that the companies
23 aren't making any guarantees, it is also true that
24 the staff was very clear about what their expectation
25 was with respect to the use of the rider DMR dollars

1 in terms of jump-starting grid modernization.

2 Q. And your testimony here does not in any
3 way modify what the companies are proposing in the
4 grid modernization business plan filing, correct?

5 A. Yes.

6 Q. And under that grid modernization
7 business plan, rider AMI would be the rider where
8 costs associated with grid modernization are
9 recovered, correct?

10 A. Yes.

11 Q. And rider AMI would provide for a return
12 on equity for capital investment in grid
13 modernization, correct?

14 A. Yes.

15 Q. And outside of a potential reduction in
16 borrowing costs, the revenues received under rider
17 DMR would not, in any other way, reduce the amounts
18 that the companies would seek to recover through
19 rider AMI for distribution grid modernization
20 initiatives, correct?

21 A. The rider DMR dollars are being provided
22 as a means of credit support to the companies.
23 Appropriate credit support could give rise to
24 more-favorable terms with vendors and suppliers that
25 the company does business with, with respect to grid

1 modernization. In that case, the dollars collected
2 under rider AMI could be lower for those reasons in
3 addition to the borrowing costs.

4 Q. If you could turn to your deposition
5 transcript, page -- actually, strike that. Strike
6 that.

7 It is your testimony that the companies
8 need credit support, correct?

9 A. Yes.

10 Q. Okay. And such credit support is needed
11 so that the companies are able to access the capital
12 markets on favorable terms, correct?

13 A. Among other things, yes.

14 Q. Okay. And to be able to access the
15 credit -- the capital markets on favorable terms, it
16 is your understanding that the companies need to have
17 an investment grade credit rating, correct?

18 A. Yes.

19 Q. Okay. And each of the companies
20 currently have an investment grade credit rating,
21 correct?

22 A. Two of the companies are currently one
23 notch above non-investment grade and one of the
24 companies is three notches above. And under S&P,
25 they are on a negative outlook.

1 Q. Okay. But, currently, each of those
2 companies do have an investment grade credit rating,
3 correct?

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

6 A. Yes.

7 EXAMINER PRICE: Overruled. You can
8 answer.

9 A. Yes.

10 Q. And under S&P's approach to credit
11 ratings, if FirstEnergy Corp. were downgraded to a
12 non-investment grade credit rating, then the
13 companies would all be downgraded to a non-investment
14 credit -- grade credit rating, correct?

15 A. Yes.

16 Q. Okay. You are aware of Moody's, correct?

17 A. Yes.

18 Q. Okay. And under -- Moody's rates each
19 legal entity individually; is that correct?

20 A. Yes.

21 Q. Okay. But a downgrade of FirstEnergy
22 Corp. by Moody's would be credit negative to the
23 companies; is that right?

24 A. Yes.

25 Q. And in developing rider DMR, the staff

1 used a target cash flow from operations preworking
2 capital to debt level of 14.5 percent, correct?

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

5 EXAMINER PRICE: You may.

6 (Record read.)

7 A. Yes.

8 Q. Okay. And can we agree to refer to "cash
9 flow from operations preworking capital" as "CFO"?

10 A. Yes.

11 Q. And you propose using 15 percent as the
12 level of CFO to debt that FirstEnergy Corp. needs to
13 maintain, correct?

14 A. I use 15 percent as the target goal.

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

20 A. It is based on a Moody's reference to a
21 target range of 14 to 16 percent.

22 Q. And the Moody's reference is the one
23 identified on page 10, lines 1 to 3 of your
24 testimony; is that correct?

25 A. Yes.

1 Q. Okay. And between that April 28, 2016,
2 Moody's statement, and the filing of your testimony
3 on July 25, 2016, were there any other negative
4 rating actions regarding FirstEnergy Corp.'s credit
5 ratings?

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

8 EXAMINER PRICE: You may.

9 (Record read.)

10 A. S&P issued a report on July 22, 2016,
11 that affirmed the FirstEnergy Corp. ratings.

12 Q. So that -- that S&P report was not a new
13 negative change to the credit ratings for FirstEnergy
14 Corp., correct?

15 A. No. Yes, it was not a change to
16 FirstEnergy Corp.'s credit ratings from S&P.

17 Q. Okay. And was it a change to the -- did
18 it have any change to the credit ratings for any of
19 the companies?

20 A. No.

21 Q. Okay. Did it change the outlook for the
22 credit ratings for any of the companies?

23 A. No.

24 Q. Okay. And did it change the outlook for
25 the credit rating for FirstEnergy Corp.?

1 A. No.

2 Q. And your CFO to debt calculation is
3 reflected in Figure 1 on page 13 of your testimony,
4 correct?

5 A. It is the staff's calculation as modified
6 per our suggestions for modification, but it is the
7 staff's calculation.

8 Q. Okay. And so one modification is that
9 the staff used five years of data, and you used only
10 2012, 2013, and 2014; is that correct?

11 A. The companies are proposing that the data
12 from 2012, 2013, and 2014 be used in the calculation.

13 Q. Okay. And so looking at Figure 1, the
14 line "CFO Pre W/C to Debt" and then there's a
15 percentage for each of those three years. Do you see
16 that?

17 A. Yes.

18 Q. Okay. And that -- that percentage simply
19 is the comparison of the two lines above it; is that
20 right?

21 A. I am not entirely sure what you mean by
22 comparison, but it is the result of dividing the CFO
23 preworking capital by the total debt line.

24 Q. Okay. And then the "CFO Pre W/C to Debt
25 at 15 percent" line. Do you see that line?

1 A. Yes.

2 Q. Okay. And the amounts identified in that
3 line would be the amount of additional CFO that would
4 be need -- would have been needed to bring the CFO
5 debt to debt level up to 15 percent, correct?

6 A. Yes.

7 Q. Okay. And can we agree to refer to that
8 amount as the "CFO to debt shortfall"?

9 A. Yes.

10 Q. Okay. And then you then allocated
11 40 percent of that CFO to debt shortfall to the
12 companies to get the figures that are identified in
13 the sixth row of Figure 1; is that correct?

14 A. Those would be the dollars reflected in
15 the row entitled "Ohio Regulated Distribution
16 Utilities Proportion."

17 Q. Okay. And then you averaged the figures
18 in that "Ohio Regulated Distribution Utilities
19 Proportion" to get the annual average amount of
20 \$357 million; is that correct?

21 A. Yes.

22 Q. Okay. And then you grossed that
23 357 million figure for taxes to get the \$558 million
24 figure; is that correct?

25 A. Yes.

1 Q. Okay. And on page 10, line 8 of your
2 testimony, you state that you "agree with the use of
3 historic data to calculate the amount of Rider DMR."
4 Do you see that?

5 A. I see that.

6 Q. And the reason you agree with the use of
7 historic data is because that is the data that is
8 available; is that correct?

9 A. Yes.

10 Q. Okay. There is no other reason you agree
11 with the use of historic data?

12 A. Yes.

13 Q. So your testimony does not employ any
14 projection of FirstEnergy Corp.'s CFO to debt level
15 without rider DMR for any time period covered by
16 ESP IV, correct?

17 A. That's correct, because that would be
18 material nonpublic information.

19 Q. Okay. And your testimony is not
20 providing any projection of FirstEnergy's Corp.'s CFO
21 to debt level with rider DMR for any time period
22 covered by ESP IV, correct?

23 A. That's correct, because that would be
24 material nonpublic information.

25 Q. And you have not calculated the CFO to

1 debt level for any of the companies for any of the
2 years 2012 through 2014, correct?

3 A. I have not calculated the CFO to debt for
4 the companies. I have seen investor reports --
5 pardon me, credit rating agency reports from Moody's
6 and S&P that include values for the companies.

7 Q. And your testimony does not provide any
8 projection of the CFO to debt level without rider DMR
9 for any of the companies for any of the time period
10 covered by ESP IV, correct?

11 A. That's correct. That would be nonpublic
12 material information.

13 Q. Okay. And your testimony does not
14 provide any projection of the CFO to debt level with
15 rider DMR for any of the companies for any time
16 period covered by ESP IV, correct?

17 A. That's correct. It would be material
18 nonpublic information.

19 Q. And rider DMR is not designed to assure
20 that FirstEnergy Corp. achieves a 15-percent CFO to
21 debt level, correct?

22 A. Yes.

23 Q. And are you aware of the phrase "funds
24 from operation"?

25 A. Yes.

1 Q. Okay. And that's -- can we agree to
2 refer to that as "FFO"?

3 A. Yes.

4 Q. Okay. And is it your understanding S&P
5 uses FFO to debt as -- as a credit metric?

6 A. Yes.

7 Q. Okay. And S&P has identified 12 percent
8 as the target level of FFO to debt for FirstEnergy
9 Corp.; is that correct?

10 A. Yes.

11 Q. Okay. And rider DMR is not designed to
12 allow the companies to achieve a 12-percent FFO to
13 debt ratio, correct?

14 A. Yes.

15 Q. Okay. And rider DMR is not designed to
16 allow the FirstEnergy Corp. to achieve a 12-percent
17 FFO to debt ratio, correct?

18 A. Yes.

19 Q. And you have not seen any written plan
20 from FirstEnergy Corp. on how it would get to a
21 15-percent CFO to debt level, correct?

22 A. While I haven't seen a written plan
23 specifically designed to achieve 15 percent for CFO
24 to debt, I am aware of a number of actions that have
25 been taken and continue to be taken within the

1 FirstEnergy Corporation in order to support the
2 credit metrics of the companies as well as
3 FirstEnergy Corp.

4 Q. And are those the -- the actions
5 discussed on page 17, line 6, through page 18,
6 line 18, of your testimony?

7 A. May I have those page references again,
8 sir.

9 Q. Page 17, line 6, through page 18,
10 line 18.

11 A. I think more specifically page 17,
12 line 17, through page 18, line 12.

13 Q. Okay. So the actions identified in
14 page 17, line 17, through page 18, line 12, are what
15 you were referring to in your previous answer?

16 A. Yes, recognizing, as it says here, this
17 is an "including but not limited to" list, but yes.

18 Q. But you haven't identified any other
19 steps being taken by FirstEnergy Corp. to achieve a
20 15 percent CFO to debt level, correct?

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

23 EXAMINER PRICE: You may.

24 (Record read.)

25 A. I am not sure I understand the question

1 with respect to "identified any other...." Go ahead.
2 I apologize.

3 Q. I just mean in your testimony, the only
4 place that you are identifying specific steps are the
5 lines that you referenced of page 17, line 17, to
6 page 18, line 12, correct?

7 A. These are the examples I identify in my
8 testimony; again, recognizing that it is an
9 "including but not limited to" list, yes.

10 Q. Okay. But there is no other specific
11 examples identified elsewhere in your testimony that
12 you are saying would provide credit support to
13 FirstEnergy Corp., correct?

14 A. No. Rider DMR is referred to elsewhere
15 in my testimony and that's designed to provide credit
16 support to the companies.

17 Q. Outside of rider DMR.

18 MR. KUTIK: I'm sorry?

19 MR. FISK: Outside of rider DMR.

20 MR. KUTIK: Your Honor, could we have the
21 question put to the witness, please.

22 EXAMINER PRICE: If you could rephrase
23 your question, please.

24 MR. FISK: Sure.

25 Q. Outside of rider DMR and the steps you

1 have identified on page 17, line 17, to page 18,
2 line 12, of your testimony, you haven't identified
3 any other specific steps being taken to provide
4 credit support to FirstEnergy Corp., correct?

5 A. I am aware of other steps that have not
6 been identified in my testimony.

7 Q. And it's your testimony that rider DMR
8 will be needed for the entire term of ESP IV to
9 provide credit support, correct?

10 A. Rider DMR should -- the term of rider DMR
11 should coincide with the term of the ESP IV in order
12 to provide alignment between the obligations and the
13 benefits associated with rider DMR.

14 MR. FISK: Your Honor, I would move to
15 strike that answer as not responsive. The question
16 is will it need to be -- will rider DMR be needed,
17 for the entire term, to provide credit support.

18 EXAMINER PRICE: Well, why don't not
19 strike -- deny the motion to strike, and ask her to
20 answer the question as you clarified it.

21 A. It would require me to speculate to
22 determine whether or not the credit support would be
23 needed over the entire term of the ESP IV. I do know
24 there are significant cash requirements that the
25 companies will have over the entire term of rider

1 DMR. The grid modernization business plan, pending
2 before the Commission, includes -- the exact dollars
3 I believe are confidential, but significant dollars
4 that will be spent throughout the term of the ESP
5 period and beyond, as well as 1 point -- the
6 companies have \$1.1 billion in debt maturing over the
7 period of ESP IV.

8 And there are significant pension funding
9 obligations. Currently, that number is, if the
10 companies were to fund the pension fully as of the
11 start of ESP IV, those commitments would be
12 \$750 million to a billion dollars with ongoing
13 funding commitments thereafter. So there's
14 significant cash needs over the term of the ESP.

15 MS. WILLIS: May I have that question and
16 answer reread, please.

17 EXAMINER PRICE: You may.

18 (Record read.)

19 MS. WILLIS: Your Honor, at this time, I
20 would move to strike. I believe she answered the
21 question in the first two sentences that it is -- his
22 question was with regard to credit support; needed to
23 provide credit support. She began a long explanation
24 with "I do know significant cash requirements...."
25 Cash requirements are different than credit support.

1 I believe it's nonresponsive and should be stricken.

2 MR. FISK: I would join in that motion to
3 strike.

4 EXAMINER PRICE: Mr. Kutik.

5 MR. KUTIK: Your Honor, given the
6 question, it was not capable for this witness to give
7 a "yes" or "no" answer, and she said I would have to
8 guess these are the things that I understand are
9 going to happen. Contrary to Counsel's suggestion
10 cash requirements are part and parcel of credit
11 support. And they are something to be considered
12 when you are talking about credit support. So she
13 gave the facts she knew and she understood with
14 respect to justifying the term of DMR for the ESP IV
15 period.

16 EXAMINER PRICE: I am going to deny the
17 motion to strike. Why don't you try to phrase a more
18 narrow question and we will go from there.

19 MR. FISK: Okay.

20 Q. (By Mr. Fisk) Ms. Mikkelsen, is it your
21 testimony that rider DMR will be needed for the
22 entire term of the ESP to provide credit support?

23 MR. KUTIK: Well, that's the exact
24 question she just was asked, your Honor, so I will
25 object as asked and answered. It's not a narrower

1 question.

2 EXAMINER PRICE: Mr. Fisk, do you want to
3 respond to the objection?

4 MR. FISK: Well, I am trying to phrase it
5 exactly how it was asked in deposition because it was
6 a clear "yes" answer to this question.

7 EXAMINER PRICE: Why don't you go ahead
8 and depose -- do the impeachment and we will go from
9 there.

10 MR. FISK: Okay.

11 Q. (By Mr. Fisk) Ms. Mikkelsen, if you could
12 turn to your deposition transcript, page 220,
13 line 16.

14 MR. KUTIK: Did you say 220?

15 MR. FISK: Yes.

16 Q. The question is: "Is it your testimony
17 that rider DMR will be needed for the entire term of
18 the ESP to provide credit support?"

19 "Answer: I -- "

20 Mr. Kutik objects.

21 "Answer: Yes."

22 Did I read that correctly?

23 MR. KUTIK: Objection.

24 EXAMINER PRICE: Grounds?

25 MR. KUTIK: Improper impeachment.

1 EXAMINER PRICE: The record will reflect
2 what it is when we go and match up these questions
3 and answers off to the side, so let's move on.

4 Q. (By Mr. Fisk) And, Ms. Mikkelsen, you
5 just referred to the grid modernization business plan
6 filing in a separate Commission proceeding, correct?

7 A. Yes.

8 Q. Okay. And the companies were clear in
9 that filing -- strike that.

10 That grid modernization business plan
11 filing set forth three scenarios for potential grid
12 modernization; is that correct?

13 A. Yes.

14 Q. Okay. And the companies were clear in
15 that filing that those scenarios were provided to
16 facilitate a collaborative discussion, correct?

17 A. Yes.

18 Q. So there was no commitment in that filing
19 to pursue a specific grid modernization plan,
20 correct?

21 A. The intention of the filing was to engage
22 the stakeholder community in a collaborative
23 discussion about what made most sense from the
24 entirety of the stakeholder community's perspective
25 with respect to moving forward with grid

1 modernization in the companies' service territories.

2 MR. FISK: I would move to strike that
3 answer as not responsive. I was asking is there a
4 specific plan in that filing for a grid
5 modernization.

6 MR. KUTIK: Your Honor, it's a misleading
7 question, and she clarified why it was misleading.

8 EXAMINER PRICE: Could I have the
9 question and answer again, please.

10 (Record read.)

11 EXAMINER PRICE: I am going to deny the
12 motion to strike.

13 Q. (By Mr. Fisk) Ms. Mikkelsen, you don't
14 have an estimate of how long it will take FirstEnergy
15 Corp. to improve its credit metrics, correct?

16 A. Yes.

17 Q. And you have not in any way quantified
18 the impact to customers of increased borrowing costs
19 that would result from a credit downgrade to
20 non-investment grade, correct?

21 A. I don't think that quantification can
22 occur today. It would be dependent upon a number of
23 future circumstances such as what level of debt is
24 being sought, what the market conditions are at that
25 time, what the companies' credit ratings are at that

1 time; things of that nature would be very important
2 in order to provide an estimate.

3 Q. So sitting hearing today, you could not
4 provide such an estimate of how much -- how much
5 increased borrowing costs customers would incur if
6 FirstEnergy Corp. were downgraded to non-investment
7 grade, correct?

8 MR. KUTIK: Objection, asked and
9 answered.

10 EXAMINER PRICE: Well, now he is trying
11 to narrow her broad answer to a "yes" or "no"
12 question, so overruled.

13 MR. FISK: Thank you, your Honor.

14 A. Yes.

15 Q. And you have not in any way quantified
16 how a credit downgrade to non-investment grade would
17 impact the cost of distribution modernization
18 initiatives, correct?

19 A. Again, I think that any kind of a
20 judgment with respect to that would be very dependent
21 upon future circumstances with respect to the level
22 of spend, the companies' credit ratings at the time
23 of the spend, capital that needed to be secured --
24 assessed from markets, things of that nature.

25 Q. Okay. So sitting here today, you would

1 not be able to provide an estimate of how much the
2 cost of distribution modernization initiatives would
3 increase as a result of a credit downgrade to
4 non-investment grade, correct?

5 A. Other than to say "higher," I would have
6 no more specific estimate.

7 Q. Okay. And you do not know the current
8 interest rate that the companies can borrow money at,
9 correct?

10 A. Yes.

11 Q. And you do not know what interest rate
12 the companies would be able to borrow money at if
13 their credit ratings were downgraded, correct?

14 A. Yes.

15 Q. Okay. And the companies' proposed
16 modifications to rider DMR include allocating
17 40 percent of the CFO to debt shortfall to the
18 companies; is that correct?

19 A. Yes.

20 Q. And that's in comparison to the staff's
21 proposal was 22 percent, correct?

22 A. Yes.

23 Q. And it's your testimony that the
24 40 percent allocation to the companies is consistent
25 with a level of credit support the companies have

1 historically provided to FirstEnergy Corp., correct?

2 A. Yes.

3 Q. Okay. And so your -- the 40 percent
4 allocation is not based on any determination of what
5 proportion of the CFO to debt shortfall for
6 FirstEnergy Corp. the companies are responsible for;
7 is that correct?

8 A. I'm not sure I understand the question,
9 sir.

10 Q. In -- in identifying the 40 percent
11 allocation, you did not calculate the CFO to debt
12 level of any of the FirstEnergy Corp. subsidiaries,
13 correct?

14 A. Yes.

15 Q. Okay. And so you do not know what
16 portion of the FirstEnergy Corp.'s CFO to debt
17 shortfall each of the subsidiaries may be responsible
18 for, correct?

19 A. Yes.

20 Q. Okay. And if you turn to page 17, line 6
21 of your testimony, this is the section that's
22 entitled "Credit Support FirstEnergy Corp." In this
23 section you identify steps that other constituents
24 have been taking to provide credit support to
25 FirstEnergy Corp., correct?

1 A. Yes.

2 Q. Okay. And on line 17 on page 17, you
3 have a bullet point that says "FE Management and
4 Employees." Do you see that?

5 A. Yes.

6 Q. And "FE" there is referring to
7 FirstEnergy Corp.?

8 A. Yes.

9 Q. And you are not aware as to whether
10 FirstEnergy Corp. management continued to receive
11 bonuses over the past three years, correct?

12 A. Not specifically, no.

13 Q. And you are not -- you are not aware as
14 to the magnitude of any bonuses that may have been
15 paid to FirstEnergy Corp. management over the past
16 three years, correct?

17 A. Yes.

18 Q. Okay. And you don't know whether
19 FirstEnergy Corp. management has taken any pay
20 reductions in the past three years, correct?

21 A. I don't know.

22 Q. And you don't know how much the
23 companies' share of the credit support would be
24 compared to that borne by other subsidiaries of
25 FirstEnergy Corp., correct?

1 EXAMINER PRICE: Could we have the
2 question back again, please.

3 (Record read.)

4 A. I don't understand the question.

5 Q. Okay. Let me take a step back.

6 We discussed earlier that the CFO to debt
7 shortfall that you've identified, you're proposing to
8 allocate 40 percent of that to the companies,
9 correct?

10 A. Yes.

11 Q. And in the efforts to provide credit
12 support to FirstEnergy Corp., do you know what
13 percent of that CFO to debt shortfall is being
14 allocated to other subsidiaries of FirstEnergy Corp.?

15 A. The balance would be the responsibility
16 of FirstEnergy Corp. and the other entities. I don't
17 have the specifics by entity.

18 Q. Okay. And you also don't know how much
19 of that would be allocated to FirstEnergy Corp.,
20 itself, versus the other subsidiaries; is that
21 correct?

22 A. FirstEnergy Corp. is not able to generate
23 revenue, so it would not be appropriate, in my
24 judgment, to allocate any of it to the Corp., because
25 the purpose is to derive additional funds from

1 operations.

2 Q. You identify, on page 17, line 25, you
3 refer to "shareholders." Do you see that?

4 A. Yes.

5 Q. And looking -- looking forward, do you
6 know what portion of the CFO to debt shortfall at
7 FirstEnergy Corp. would be allocated to shareholders?

8 A. I wouldn't expect the CFO, which is again
9 cash from operations, to be allocated to the
10 shareholders. This list talks about credit support
11 to FirstEnergy Corp. more broadly than the CFO to
12 debt that you're focusing on here.

13 Q. Okay. In terms of credit support more
14 broadly, are you allocating 40 percent of that to the
15 companies?

16 A. No.

17 Q. Okay. And looking forward, are you
18 allocating any of that credit support more broadly to
19 shareholders?

20 A. I'm not sure I entirely understand the
21 question, but, certainly, the reduced dividend
22 continues on a going-forward basis, so shareholders
23 will have a lower dividend going forward than they
24 had historically. To the extent this is additional
25 equity that's issued, that has implications for

1 shareholders beyond what would be the case with the
2 existing shares outstanding today or historically.

3 Q. And on page 18 of your testimony, lines 1
4 to 12, you list some Public Utilities Commission
5 proceedings from other states that are served by
6 other FirstEnergy Corp.'s subsidiaries, correct?

7 MR. KUTIK: May we have the question
8 read, please.

9 EXAMINER PRICE: Please.

10 (Record read.)

11 A. Yes.

12 Q. Okay. And is it your testimony that each
13 of the proceedings, listed in lines 1 through 12 on
14 page 18 of your testimony, help provide credit
15 support to FirstEnergy Corp.?

16 A. Yes.

17 Q. Okay. And if you look at the third
18 bullet point under Pennsylvania, the "Capital
19 recovery filings," do you see that?

20 A. Yes.

21 Q. Okay. And there's a -- there's an
22 acronym "LTIIP." Does that -- is that "Long-Term
23 Infrastructure Improvement Plan"?

24 A. Yes.

25 Q. Okay. Do you know what DSIC is?

1 A. No. I don't know what the specific words
2 are that the acronym stands for.

3 Q. Fair enough.

4 A. I know what the "DSIC" is but, yes.

5 Q. What's the "DSIC"?

6 A. Would be the cost recovery mechanism
7 associated with recovery of the dollars spent as part
8 of the long-term infrastructure improvement plan.

9 Q. Okay. And the capital recovery filings
10 you referred to here, did you have any involvement in
11 developing those filings?

12 A. I would not have been involved in the
13 preparation of the filing. I would have been
14 involved in discussions associated with deciding to
15 move forward with making the filings.

16 Q. Okay. And have you reviewed any of those
17 filings?

18 A. I don't remember.

19 Q. Okay.

20 MR. FISK: Your Honor, may I approach?

21 EXAMINER PRICE: You may. Let's go off
22 the record for a second.

23 (Discussion off the record.)

24 (Recess taken.)

25 EXAMINER PRICE: Let's go back on.

1 Mr. Fisk, please proceed.

2 MR. FISK: Thank you, your Honor. Before
3 the break, I handed out two exhibits. I would ask
4 that the one that's dated October 19, 2015, be marked
5 as Sierra Club Exhibit 102. And the other document
6 which says "Morgan Lewis" at the top be marked as
7 Sierra Club Exhibit 103.

8 EXAMINER PRICE: They will be so marked.

9 (EXHIBITS MARKED FOR IDENTIFICATION.)

10 MR. FISK: Thank you.

11 Q. (By Mr. Fisk) Ms. Mikkelsen, do you have
12 what has been marked as Sierra Club 102 and 103 in
13 front of you?

14 A. Yes.

15 Q. And Sierra Club Exhibit 102 is a -- cover
16 page. It says it's a Petition of West Penn Power
17 Company for Approval of its Long-Term Infrastructure
18 Improvement Plan. Do you see that?

19 A. I do.

20 Q. Okay. And included in this there is a
21 cover letter, a petition, and then about midway
22 through the document, Exhibit No. 1, is the Long-Term
23 Infrastructure Improvement Plan; is that what you
24 have?

25 A. Yes.

1 Q. Okay. And have you ever seen these
2 documents before?

3 A. The documents contained in Sierra Club
4 Exhibit 102?

5 Q. Yes.

6 A. No.

7 Q. Okay. Do you know -- strike that.

8 The -- the capital recovery filing
9 referenced on line 7 on page 18 of your testimony, am
10 I correct there were four such filings; one for each
11 of the FirstEnergy subsidiaries in Pennsylvania?

12 A. Yes.

13 Q. Okay. And do you know the document
14 that's been marked Sierra Club Exhibit 102, the
15 Long-Term Infrastructure Improvement Plan filing for
16 one of those four subsidiaries, West Penn Power?

17 MR. KUTIK: Objection.

18 EXAMINER PRICE: Grounds?

19 MR. KUTIK: Foundation.

20 EXAMINER PRICE: She has never seen this
21 document before, Mr. Fisk.

22 Q. (By Mr. Fisk) When you reference the
23 capital recovery filings on line 7 page 18 of your
24 testimony, had you seen any document regarding those
25 filings?

1 A. I would have seen a number of
2 presentations regarding -- or referencing the filings
3 prepared by my colleagues in Pennsylvania.

4 Q. And those presentations would be
5 referencing the Long-Term Infrastructure Improvement
6 Plan that had been proposed in Pennsylvania; is that
7 correct?

8 A. Yes.

9 Q. Okay. And do you know if those
10 presentations were referring to the Long-Term
11 Infrastructure Improvement Plan that is included in
12 Sierra Club Exhibit 102?

13 MR. KUTIK: Objection.

14 EXAMINER PRICE: Grounds?

15 MR. KUTIK: No foundation. She hasn't
16 seen this document before. All it's basically
17 requiring is her speculating at this point.

18 EXAMINER PRICE: Mr. Fisk.

19 MR. FISK: She's referenced the Long-Term
20 Infrastructure Improvement Plan in her testimony.
21 Did not identify what it is. She said she's seen
22 presentations about it. I've managed to find a
23 Long-Term Infrastructure Improvement Plan that has
24 been filed in Pennsylvania, and I am trying to
25 determine whether this plan is consistent with the

1 presentations that she's seen, and the one she is
2 citing in her testimony.

3 MR. KUTIK: Well, again, she hasn't seen
4 this document before. If he wants to ask her what
5 she knows about the plan; ask her what she knows
6 about the plan.

7 EXAMINER PRICE: Can't you simply ask her
8 whether she is aware -- whatever point you're trying
9 to prove from this document, why don't you ask her if
10 she is aware of that, and do it without referencing
11 the document. Maybe she will surprise you.

12 MR. FISK: I will try that.

13 Q. (By Mr. Fisk) Ms. Mikkelsen, are you
14 aware of what the Long-Term Infrastructure
15 Investment -- I am sorry -- the Long-Term
16 Infrastructure Improvement Plan cited on line 7,
17 page 18 of your testimony includes?

18 A. I am aware that the filings include
19 proposed capital expenditures associated with various
20 initiatives. I don't recall -- I don't know the
21 specifics of the initiatives.

22 Q. Okay. And those initiatives, between the
23 four companies, total to \$245 million over five
24 years; is that correct?

25 A. The expenditures proposed under the

1 filings total \$245 million.

2 Q. Okay. And are those initiatives related
3 to investments in the distribution system of the four
4 subsidiaries of FirstEnergy Corp. in Pennsylvania?

5 A. Yes.

6 Q. And under the proposal that -- the
7 capital recovery filings you have referenced in your
8 testimony, if the Commission were to approve those
9 filings, the subsidiaries would be committed to
10 spending the \$245 million on such distribution
11 improvement initiatives?

12 MR. KUTIK: May I have the question read,
13 please?

14 EXAMINER PRICE: You may.

15 MR. KUTIK: And the "Commission" we are
16 talking about is the Pennsylvania Commission?

17 MR. FISK: Yes.

18 A. If the Pennsylvania Public Utilities
19 Commission approves the Long-Term Infrastructure
20 Improvement Plan, then the companies would move
21 forward with the investment. I'm not sure if there
22 is a specific requirement that says you must spend,
23 which I think your question suggested, 245 million.
24 I think that was probably an estimate of what the
25 spend would be, not necessarily a commitment to spend

1 every dollar.

2 Q. Okay. But if the Pennsylvania Commission
3 approved the capital recovery filings, then there is
4 a commitment by the subsidiaries to move forward with
5 the projects in the plan, correct?

6 A. Yes.

7 Q. And it is your testimony that the
8 Commission's approval of those capital recovery
9 filings would provide credit support to FirstEnergy
10 Corp.; is that correct?

11 THE WITNESS: May I ask to have the
12 question reread, please, sir?

13 EXAMINER PRICE: You may.

14 (Record read.)

15 A. Yes.

16 Q. But the \$245 million requested through
17 those capital recovery filings is not specifically
18 being requested to provide credit support to
19 FirstEnergy Corp., correct?

20 A. Again, as I said, I haven't reviewed the
21 filings, so I can't speak with confidence with
22 respect to what's in the filings. I know the filings
23 are for seeking approval of a Long-Term
24 Infrastructure Improvement Plan.

25 Q. So, to your knowledge, the filings are

1 not seeking revenues specifically to provide credit
2 support to FirstEnergy Corp., correct?

3 MR. KUTIK: Objection. Well, I withdraw
4 that.

5 A. I don't know.

6 Q. And to your knowledge are the capital
7 recovery filings that you referenced -- were they
8 submitted to provide credit support to the
9 FirstEnergy Corp.'s subsidiaries in Pennsylvania?

10 A. I think that any time a utility company
11 makes a filing that includes a return on investment,
12 that return on investment serves to provide credit
13 support to that company.

14 Q. Okay.

15 EXAMINER PRICE: And in Pennsylvania, are
16 you getting a return on your investment?

17 THE WITNESS: Yes, sir.

18 EXAMINER PRICE: Do you know the return
19 on equity?

20 THE WITNESS: I don't.

21 MR. FISK: I'm sorry. I missed your last
22 question.

23 EXAMINER PRICE: I asked her if she knew
24 the return on equity.

25 MR. FISK: Oh, thank you. Okay.

1 EXAMINER PRICE: If I could interrupt. I
2 just have a follow-up question.

3 MR. FISK: Sure.

4 EXAMINER PRICE: Generally, just these
5 capital recovery filings in Pennsylvania, is it
6 similar to rider DCR in Ohio where it's an
7 accelerated recovery mechanism?

8 THE WITNESS: Yes, outside of a base rate
9 case proceeding, yes.

10 EXAMINER PRICE: Thank you.

11 Thank you, Mr. Fisk.

12 MR. FISK: Certainly.

13 Q. (By Mr. Fisk) So if such capital recovery
14 filings were approved by the Ohio Commission for
15 distribution modernization here by the companies,
16 that would also provide credit support to FirstEnergy
17 Corp.; is that correct?

18 A. If the Ohio Commission were to approve
19 capital recovery for investment in the distribution
20 system, that would -- and it included a return on
21 investment, that would provide credit support to the
22 companies.

23 Q. And you are aware of rider AMI, correct?

24 A. Yes.

25 Q. Okay. And under rider AMI, the companies

1 typically receive a return on the investment; is that
2 correct?

3 A. I'm not sure what you mean by
4 "typically," but rider AMI does allow for a return of
5 a non-investment, among other things, yes.

6 Q. So approval of recovery under rider AMI
7 would provide credit support to FirstEnergy Corp.?

8 A. Yes.

9 Q. Okay. It would also provide credit
10 support to the companies?

11 A. Yes.

12 Q. Okay. And going back to page 18 of your
13 testimony, starting up on line 1, you have a
14 reference to New Jersey there. Do you see that?

15 A. I do.

16 Q. Okay. And there is a proceeding,
17 "Recovery of 2011 and 2012 storm costs totaling
18 \$736 million." Do you see that?

19 A. Yes.

20 Q. And did you have any involvement in
21 developing that -- those filings?

22 A. I would not have been involved in the
23 development of the filings. I would have been
24 involved in discussions with the rates management
25 team about the filings.

1 Q. Okay. And have you reviewed any of the
2 filings in that proceeding?

3 A. I don't think so.

4 Q. Do you know the docket number of that
5 proceeding?

6 A. No.

7 Q. Okay. Have you ever even seen any of the
8 filings in that proceeding?

9 A. I don't remember.

10 Q. Okay. And the \$736 million you
11 reference, that is for recovery from customers of
12 FirstEnergy Corp.'s New Jersey subsidiary of funds
13 for specific actions that that subsidiary had taken,
14 correct?

15 A. It is to recover the deferred operation
16 and maintenance expenses that were incurred by JCP&L
17 in providing storm restoration in 2011 and 2012.

18 Q. And, by contrast, rider DMR would not be
19 for recovery of any specific expenses, if any,
20 incurred by the companies, correct?

21 A. Yes.

22 Q. Okay. And how does the 736 million
23 referenced in the New Jersey 2011 and 2012 storm
24 costs proceeding provide credit support to
25 FirstEnergy Corp.?

1 A. When the O&M expenses were incurred, as
2 the companies worked to restore service after the
3 storm, that would reduce the companies' cash from --
4 pardon me. I don't want to use -- JCP&L's cash from
5 operations because they would have had increased cash
6 expenses associated with that storm restoration. So
7 negative pressure on their CFO to debt ratings.

8 Once the New Jersey board approved
9 recovery of those dollars and they allowed for
10 amortization and recovery of those dollars over a
11 six-year period, that cash in annually, over the six
12 years, would serve to improve JCP&L's credit metric,
13 because it has cash coming in without a corresponding
14 expense. So it would serve to improve the credit
15 metric.

16 Q. And looking at line 3 --

17 EXAMINER PRICE: I have a follow-up
18 before we leave line 1. And there are carrying
19 charges with these storm -- these storm recoveries,
20 do you know?

21 THE WITNESS: I don't remember.

22 EXAMINER PRICE: Do you know what storms
23 those were? I'm curious.

24 MR. KUTIK: What's your question?

25 EXAMINER PRICE: What storms. 736 is a

1 big number. I was just curious which storms those
2 were if she could recall. If she can't, it's not a
3 big deal. It's not relevant.

4 THE WITNESS: It would have been
5 Superstorm Sandy, and I don't remember the other
6 storm.

7 EXAMINER PRICE: Thank you.

8 Thank you, Mr. Fisk.

9 MR. FISK: Thank you.

10 Q. (By Mr. Fisk) So line 3, under New
11 Jersey, you reference a "Rate case pending seeking
12 \$142 million annually." Do you see that?

13 A. Yes.

14 Q. Okay. And were you involved in
15 developing that filing?

16 A. I would not have been involved in the
17 development of the filing. I would have been
18 involved in discussions with rates management about
19 the filing.

20 Q. Okay. And have you reviewed any of the
21 filings in that proceeding?

22 A. I don't think so.

23 Q. And that proceeding, the \$142 million
24 annually being sought, that is, am I correct, to
25 cover expected future expenses?

1 A. That case has a test year ending June of
2 2016 is my recollection, so it would be set to
3 recover revenue deficiencies associated with the test
4 year in the case and the rate base they established
5 in the case.

6 Q. And when you say "revenue deficiencies,"
7 that's because the subsidiary is projecting that
8 future revenues would otherwise be insufficient to
9 cover future costs?

10 A. I think it would be current as well. I
11 mean, it would be -- looking at a rate case is at a
12 particular test year, right, and rate base at a
13 certain date. So based on those two parameters,
14 JCP&L has a revenue deficiency and so they are
15 seeking a rate increase.

16 EXAMINER PRICE: But it's really because
17 their rate of return is, at least in JCP&L's view,
18 unreasonable?

19 THE WITNESS: Their earned return --

20 EXAMINER PRICE: Their actual earned
21 return --

22 THE WITNESS: Right.

23 ATTORNEY EXAMINER: -- is unreasonable
24 given their rate base.

25 THE WITNESS: Correct.

1 Q. (By Mr. Fisk) And to your knowledge, that
2 filing does not specifically request revenues from
3 customers in order to provide credit support to
4 FirstEnergy Corp., correct?

5 A. I think the filing does provide credit
6 support to JCP&L insomuch as if it gives rise to
7 additional revenues that are coming into JCP&L versus
8 the set levels of expense, you then have credit
9 support associated with the additional revenues.

10 Q. But the revenues are being collected to
11 cover identified expenses, not -- not simply to
12 provide credit support to FirstEnergy Corp., correct?

13 MR. KUTIK: Objection.

14 EXAMINER PRICE: Grounds.

15 MR. KUTIK: I don't know what "identified
16 expenses" means. She already testified what the
17 purpose of the rate case was.

18 EXAMINER PRICE: Yeah. If you could
19 rephrase your question.

20 MR. FISK: Sure.

21 Q. (By Mr. Fisk) To your knowledge, the --
22 the \$142 million annually sought in the New Jersey
23 rate case is not based on any sort of a request to
24 specifically provide credit support to FirstEnergy
25 Corp., correct?

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

3 EXAMINER PRICE: Sustained. She already
4 testified she believes it provides credit support to
5 FirstEnergy.

6 MR. FISK: Right. But my question is, is
7 it -- with that specific request, based on the
8 provision of credit support. It's a different --
9 it's a different question, whether the -- whether the
10 utility is going in and saying we need money to
11 provide credit support, that's a different question
12 than would the provision of money provide some credit
13 support.

14 EXAMINER PRICE: Actually, I don't agree
15 with that. Overruled. You want to ask a follow-up
16 question, but I don't think your question makes any
17 sense.

18 Q. (By Mr. Fisk) Was the purpose of the
19 \$142 million rate case filing in New Jersey to
20 provide credit support to FirstEnergy Corp.?

21 A. The purpose of the base rate case
22 proceeding was to provide credit support, additional
23 revenues for JCP&L, which, in turn, would provide
24 credit support to FirstEnergy Corp.

25 Q. Was the \$142 million request -- strike

1 that.

2 Was the \$142 million figure arrived at
3 based on any sort of calculation of a credit
4 shortfall at FirstEnergy Corp. that needed to be
5 addressed?

6 A. No.

7 Q. Looking at the Pennsylvania filings that
8 you have listed here, you have a 2015 rate case
9 totaling \$293 million annually. Do you see that?

10 A. Yes.

11 Q. Okay. And were you involved in that
12 filing?

13 A. I would have been involved in discussions
14 with the rates management team regarding that filing.

15 Q. Okay. And have you reviewed any filings
16 in that proceeding?

17 A. No.

18 Q. Okay. And is this rate case filing
19 similarly based on a test year?

20 A. I'm not clear what rate case filing we're
21 talking about, sir.

22 Q. The 2015 rate case filing under
23 Pennsylvania.

24 A. Yes.

25 Q. Okay. So the --

1 A. And rate base as of a particular date,
2 yes.

3 Q. So the \$293 million requested there was
4 to address a revenue deficiency in the test year; is
5 that correct?

6 EXAMINER PRICE: What do you mean by
7 revenue -- I am struggling with your question. What
8 do you mean by "revenue deficiency in the test year"?

9 MR. FISK: My -- well, my understanding
10 of the testimony in the New Jersey rate case was that
11 the money was calculated by looking at was there
12 going to be a projected revenue deficiency in the
13 test year; revenues coming in are less than your
14 expenses for that test year.

15 EXAMINER PRICE: That's not the way it
16 works.

17 MR. FISK: Okay.

18 EXAMINER PRICE: So why don't you
19 rephrase your question as to how the system works.

20 Q. (By Mr. Fisk) Do you know, Ms. Mikkelsen,
21 how the \$293 million figure for the 2015 rate case in
22 Pennsylvania was identified?

23 A. The 293 million-dollar figure listed here
24 is the increase allowed by the Pennsylvania Public
25 Utilities Commission pursuant to the rate cases that

1 had been filed, so that is the increase in revenue
2 that was allowed across the four Pennsylvania
3 distribution utility companies as a result of the
4 2005 rate case.

5 MR. KUTIK: 2015.

6 THE WITNESS: 2015. I apologize.

7 EXAMINER PRICE: Time flies.

8 Q. And how was that -- what was the basis
9 for the 293 million-dollar amount?

10 A. My recollection is it was agreed to
11 pursuant to a settlement and then approved by the
12 Pennsylvania Public Utilities Commission.

13 Q. And was that \$293 million amount intended
14 to cover expenses that the distribution utilities in
15 Pennsylvania were expected to incur?

16 A. If --

17 MR. KUTIK: I'll object, your Honor.
18 Intended by whom?

19 EXAMINER PRICE: Sustained.

20 Could you rephrase your question? Why
21 don't you ask her what the basis for the revenue
22 requirement increase in Pennsylvania was. You might
23 get to your answer that way.

24 MR. FISK: Okay.

25 Q. (By Mr. Fisk) Ms. Mikkelsen, do you know

1 what the basis for the \$293 million revenue
2 requirement in the 2015 rate case was?

3 MR. KUTIK: Well, I'll object. It's an
4 increase.

5 Q. Increase.

6 EXAMINER PRICE: Revenue increase.

7 A. I'm sorry. May I have the question
8 restated please.

9 EXAMINER PRICE: Just with the word
10 "increase" in it, please.

11 Q. Do you know what the basis for the
12 \$293 million revenue requirement increase in the 2015
13 Pennsylvania rate case was?

14 MR. KUTIK: And I'll object as asked and
15 answered. She said it was as a result of a
16 settlement.

17 EXAMINER PRICE: I think his question is
18 more fundamental as to how rates are determined in
19 Pennsylvania, whether, like in Ohio, it is taking the
20 rate of return, times your rate base, plus expenses;
21 or whether in Pennsylvania they are solely
22 calculating rate -- calculating expenses and covering
23 that.

24 MR. KUTIK: So is that the question?

25 EXAMINER PRICE: Yes, that's the

1 question.

2 A. In Pennsylvania, like Ohio, the revenue
3 requirement is determined by identifying what your
4 rate base is and what your allowed return is on that
5 rate base plus your operating expenses.

6 The difference between Pennsylvania and
7 Ohio is in Pennsylvania they use a fully future test
8 year rather than partial future test year or a
9 historical test year.

10 Q. So the \$293 million in the 2015
11 Pennsylvania rate case, that amount was not based on
12 addressing a specific credit shortfall at FirstEnergy
13 Corp., correct?

14 A. Again the \$293 million was agreed to in a
15 settlement and approved by the Commission.

16 MR. FISK: I move to strike that answer.
17 That's not responsive to my question. My question --

18 MR. KUTIK: It's directly responsive.

19 EXAMINER PRICE: Why do you think it's
20 not responsive?

21 MR. FISK: Because the question is was
22 the amount related to a credit shortfall at
23 FirstEnergy Corp. Not was there some settlement that
24 worked.

25 EXAMINER PRICE: I think the point is we

1 don't know what the intent was responsive to, because
2 it was a settlement. I think you are struggling here
3 with this idea of credit support versus money coming
4 into the company. I think that's why you are not
5 getting the answers you are looking for. The
6 companies are increasing their profits; increased
7 profits are providing credit support. You don't go
8 in and ask the base rate case for credit support.
9 But it is providing --

10 MR. FISK: That's what I am trying to ask
11 her. Were they going in for credit support.

12 EXAMINER PRICE: Why don't you ask her if
13 the net effect improves their credit support.

14 MR. FISK: That's a different question.
15 That's a far different question.

16 MR. KUTIK: And she has already testified
17 to that.

18 EXAMINER PRICE: Then I don't understand
19 the relevance of your credit support question.

20 MR. FISK: Because again, in all of these
21 proceedings, the companies were going in to cover
22 specific expenses or revenue shortfalls or revenue
23 requirements; unlike, in the present proceeding,
24 where all they are asking for is money for credit
25 support. And that's a far different -- it's a far

1 different animal.

2 EXAMINER PRICE: Well, I guess the
3 Commission will have to decide that.

4 So do we have a question pending?

5 MR. KUTIK: I think he had a motion to
6 strike, your Honor.

7 EXAMINER PRICE: Denied.

8 Q. (By Mr. Fisk) So, Ms. Mikkelsen, do you
9 know whether any of that \$293 million in the rate
10 case was based on the calculation of the credit
11 shortfall at FirstEnergy Corp.?

12 MR. KUTIK: I object, your Honor.

13 EXAMINER PRICE: Grounds?

14 MR. KUTIK: She has already said it was a
15 result of settlement. So the question is for whom,
16 for what, and potentially that may also disclose
17 settlement discussions.

18 EXAMINER PRICE: You can answer to the
19 extent you're disclosing anything from settlement
20 discussions.

21 THE WITNESS: May I ask to have the
22 question reread, please, sir?

23 EXAMINER PRICE: You may.

24 (Record read.)

25 A. I don't think so.

1 Q. Okay. Thank you.

2 And looking at line 6 on page 18 of your
3 testimony, the Pennsylvania rate case pending,
4 seeking \$439 million annually, were you involved in
5 that filing?

6 A. I would clarify that bullet. That is
7 really referring to four rate cases that are
8 currently pending in Pennsylvania; one for each of
9 our distribution utility companies in Pennsylvania;
10 and the total of those four pending cases seek
11 \$439 million annually.

12 I would have been involved, along with
13 other members of the rate management team, in the
14 discussion around the preparation and the -- the
15 discussion around the preparation and filing of those
16 rate cases.

17 Q. And have you seen any of the filings in
18 those rate cases?

19 A. Yes.

20 Q. Okay. What filings have you seen?

21 A. I would have reviewed certain pieces of
22 testimony that have been filed.

23 Q. Do you recall which pieces?

24 A. It would have been the testimony filed
25 with the application.

1 Q. Do you know if you reviewed the testimony
2 of Charles Fullem?

3 A. I believe I would have, yes.

4 MR. FISK: Your Honor, may I approach?

5 EXAMINER PRICE: You may.

6 MR. FISK: Mark these documents Sierra
7 Club Exhibit 104. I apologize if they are not
8 stapled together. I can mark them separately.

9 EXAMINER PRICE: Let's mark them
10 separately.

11 MR. FISK: So Sierra Club 104 would be
12 the document labeled West Penn Statement No. 1.

13 EXAMINER PRICE: So marked.

14 (EXHIBIT MARKED FOR IDENTIFICATION.)

15 MR. FISK: Sierra Club 105 would be West
16 Penn Exhibit CVF-1.

17 EXAMINER PRICE: It will also be so
18 marked.

19 (EXHIBIT MARKED FOR IDENTIFICATION.)

20 Q. Okay. Ms. Mikkelsen, you have been
21 handed a document labeled Sierra Club Exhibit 104,
22 which is the direct testimony of Charles V. Fullem in
23 the West Penn Power Company Docket No. R-2016-253759;
24 is that correct?

25 A. Yes.

1 Q. Okay. And you also have been marked --
2 handed a document marked Sierra Club 105 which is
3 West Penn Exhibit CVF-1; is that correct?

4 A. Yes.

5 Q. Okay. And is the West Penn Power Company
6 docket, identified on Sierra Club Exhibit 104, one of
7 the four rate cases that you reference on line 6 of
8 page 18 of your testimony?

9 A. Yes, it appears to be.

10 Q. Okay. And have you seen the document
11 marked Sierra Club Exhibit 104 before?

12 A. Yes.

13 Q. Okay. And did you have any involvement
14 in creating this document?

15 A. No.

16 Q. Okay. Can you turn to page 3 of this --
17 of Sierra Club Exhibit 104, line 4, refers to West
18 Penn Exhibit CVF-1. Do you see that?

19 A. I do.

20 Q. Okay. That says that that exhibit
21 "provides a summary of and specific reasons for the
22 proposed rate increase." Do you see that?

23 A. Yes.

24 Q. Okay. And then if you look at Sierra
25 Club Exhibit 105, that document says "West Penn Power

1 Company Statement of Reasons for Rate Changes." Do
2 you see that?

3 A. Yes.

4 Q. Does Sierra Club Exhibit 105 appear to be
5 the West Penn Exhibit CVF-1 that's identified on
6 page 3 of Exhibit 104?

7 A. Yes.

8 Q. Okay. And have you seen Sierra Club
9 Exhibit 105 before?

10 A. No. I don't recall seeing Sierra Club
11 105 before.

12 Q. Okay. If you turn to page, let's see,
13 Sierra Club Exhibit 104, if you turn to page 12,
14 line 14. There is a question that says "What are the
15 principal factors driving the Company's need for rate
16 relief?" Do you see that?

17 A. Yes.

18 Q. And there is a discussion that extends
19 all the way through to page 14, line 9. Do you see
20 that?

21 A. Yes.

22 Q. Okay. And does this document anywhere
23 identify providing credit support to FirstEnergy
24 Corp. as a factor driving the Company's need for rate
25 relief?

1 A. If you're asking me if the word "credit
2 support" appears somewhere starting on page 12 at
3 line 14, through page 14 ending at line 9, I don't
4 think so, but when you identify factors driving the
5 need for a rate increase, it suggests to me that you
6 are seeking additional funds into the company which
7 will provide credit support to the company. "The
8 company" in this case being West Penn.

9 Q. But this -- this document does not
10 identify any of those funds as being requested based
11 on a need to provide credit to FirstEnergy Corp.,
12 correct?

13 A. That's right. This is a base rate case
14 proceeding for West Penn Power.

15 Q. Okay. And so would that be true with
16 regards to all of the rate cases you identified in
17 lines 1 through 12 of page 18 of your testimony that
18 base rate cases are not specifically requested for
19 the purpose of providing credit support to
20 FirstEnergy Corp.?

21 MR. KUTIK: Objection.

22 EXAMINER PRICE: Grounds?

23 MR. KUTIK: Mischaracterizes her
24 testimony.

25 EXAMINER PRICE: Sustained.

1 MR. FISK: Could I have the previous
2 question and answer read back?

3 EXAMINER PRICE: You may.
4 (Record read.)

5 Q. So in any of the base rate cases
6 identified in lines 1 through 12 on page 18 of your
7 testimony, were the amounts -- the amounts involved
8 based in any way on addressing an identified need for
9 credit support in FirstEnergy Corp.?

10 MR. KUTIK: I'll object.

11 EXAMINER PRICE: Grounds?

12 MR. KUTIK: Couple of reasons. I am not
13 sure what "amounts involved" means. And second, are
14 we talking about FirstEnergy Corp.'s intent, the
15 companies' intent, or is it something specifically
16 stated? What's the question?

17 EXAMINER PRICE: If you could indicate
18 whose intent you are referring to.

19 MR. KUTIK: And what do we mean about
20 "amounts."

21 EXAMINER PRICE: I think it's clearly
22 referring to the numeric amounts under the rate case.
23 I think that's clear.

24 Q. (By Mr. Fisk) And the intent of the
25 subsidiary that filed the rate case, were any of the

1 amounts involved in the rate cases you identify in
2 your testimony based on a need -- an identified need
3 to provide credit support to FirstEnergy Corp.?

4 MR. KUTIK: Well, I'll object again.
5 What does "identified" mean?

6 EXAMINER PRICE: She can answer if she
7 understands the question. If she can't, she can
8 explain she doesn't understand the question.

9 A. The applicants in each of the base rate
10 cases listed here are the individual utility
11 companies. The base rate applications in each of the
12 states follows what I would characterize as the
13 standard filing requirements for that state and the
14 formulas laid out by those states for determining
15 whether or not there should be a base rate increase.

16 In all instances, I believe dollars
17 collected associated with a base rate increase
18 provide credit support not only to the applicant, but
19 to FirstEnergy Corporation.

20 MR. FISK: Could I have that answer
21 reread?

22 EXAMINER PRICE: You may.

23 MR. FISK: Thank you.

24 (Record read.)

25 Q. And do the formulas laid out by those

1 states include a need for credit support at a
2 subsidiary's parent company as part of determining
3 the appropriate level of the rate base increase?

4 A. I may not have understood the question.
5 I am not sure I can answer. May I ask you to try to
6 restate the question, please, sir?

7 Q. You referenced that the -- each of the
8 rate cases identified in your testimony followed
9 formulas laid out by those states; is that correct?

10 A. Yes.

11 Q. And do those formulas include, as a
12 factor, a pro- -- provision of credit support to the
13 parent corporation?

14 A. No.

15 MR. FISK: Could we go off?

16 EXAMINER PRICE: We may.

17 (Discussion off the record.)

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

20 MR. FISK: A couple more questions.

21 Q. (By Mr. Fisk) Ms. Mikkelsen, looking back
22 at page 18, lines 11 to 12 of your testimony, there
23 is a reference there to a 2015 West Virginia rate
24 case and vegetation management rider. Do you see
25 that?

1 A. Yes.

2 Q. Okay. And were you involved in
3 developing those filings?

4 A. Again, during the 2015 time frame, I was
5 responsible for the rates and regulatory affairs for
6 the Ohio companies, so my involvement would have been
7 as part of discussions with the rates management team
8 about the application and the filings.

9 Q. And have you reviewed any of the filings
10 in that proceeding?

11 A. No.

12 Q. Okay. And do you know, of the
13 \$100 million annually that you identify on line 12,
14 how much of that was for the vegetation management
15 rider?

16 A. Approximately 80 to 85 million.

17 Q. Okay. And was the provision of credit
18 support to FirstEnergy Corp. included as an element
19 in calculating that 80- to 85-million-dollar figure
20 for the vegetation management rider?

21 MR. KUTIK: May I have the question read,
22 please.

23 (Record read.)

24 MR. KUTIK: I'll object.

25 EXAMINER PRICE: Grounds?

1 MR. KUTIK: Well, what does it mean?
2 What is an element for what? For whom? Why? How?

3 EXAMINER PRICE: We'll overrule the
4 objection. She can answer if she understands the
5 question.

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

8 EXAMINER PRICE: You may.

9 (Record read.)

10 A. Once the vegetation management rider was
11 approved, it created additional funds into the West
12 Virginia companies which, in turn, provides credit
13 support to the companies as well as to FirstEnergy
14 Corp. So, in that respect, it's an element of the
15 filing.

16 Q. But the 80- to 85-million dollars is
17 specifically -- is for specific vegetation management
18 activities, correct?

19 A. It is to recover costs associated with
20 vegetation management that if those dollars weren't
21 recovered, that would have a negative impact on the
22 West Virginia utilities' credit metrics, and, in
23 turn, the credit metrics of FirstEnergy Corp.

24 Q. Okay. And but -- but none of the 80- to
25 85-million dollars of the vegetation management rider

1 is specifically earmarked for the credit support to
2 FirstEnergy, correct?

3 A. I am not sure I understand "specifically
4 earmarked" for the provision. Certainly, as we've
5 discussed, the dollars coming in do provide credit
6 support.

7 Q. Because there is a return on equity?

8 A. No. I think in this instance it's
9 dollars coming in to cover dollars that have been
10 expended. Absent that, the dollars would have been
11 expended. With no cash coming in, it would have had
12 downward pressure on your CFO to debt revenue coming
13 in. It supports that CFO to debt metric.

14 Q. Okay. So this rider is for dollars that
15 have already gone out; is that correct?

16 A. It is to cover dollars associated with
17 vegetation management, yes.

18 Q. That have already been spent?

19 A. Yes.

20 MR. FISK: I have nothing further.

21 EXAMINER PRICE: Thank you.

22 At this time we will break for lunch. We
23 will reconvene at 2 o'clock, at which time we will
24 take up Ms. Willis. Thank you.

25 We are off the record.

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1 (Thereupon, at 12:58 p.m., a lunch recess
2 was taken.)

3 - - -

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Monday Afternoon Session,

August 1, 2016.

- - -

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

Ms. Willis.

MS. WILLIS: Thank you, your Honor.

- - -

CROSS-EXAMINATION

By Ms. Willis:

Q. Good afternoon, Ms. Mikkelsen.

A. Good afternoon, Ms. Willis.

Q. Now, earlier this morning you testified,
I believe, that when the companies earn a return on
investment, that creates credit support for the
companies and for FE Corp. Do you recall that?

A. Yes.

Q. Is it also your testimony that if dollars
received are spent on expense-related matters, they
net out and there is no incremental cash flow
positives that result from that dollars?

A. That is true if there is incremental
expense incurred associated with the dollars
collected, but if the expenses are going to be
incurred in any event, then the incremental revenue,

1 would be accretive to the CFO-to-debt metric.

2 Q. Now, let's specifically go to your
3 testimony on page 18. There was a lot of discussion
4 this morning, and I want to follow up on that with
5 respect to the idea that if dollars received are
6 spent on expense-related matters, that they will --
7 they net out. So, specifically, let's go to the
8 recovery of 2011 and 2012 storm costs totaling
9 \$736 million. Can you tell me what dollars received
10 in that request would have been expense-related
11 matters that net out?

12 A. I'm not sure your question is entirely
13 clear, but as we discussed this morning, the JCP&L
14 incurred O&M expenses for storm restoration
15 activities in 2011 and 2012. So the expenses were
16 incurred in those periods, and they would have been
17 reflected in their CFO-to-debt metric in those years.

18 In subsequent periods, beginning in 2015,
19 when the New Jersey Board allowed JCP&L to recover
20 those dollars, those -- the amortization of those
21 expenses over a six-year period, all of the revenue,
22 each of those six years annually would be accretive
23 to JCP&L's CFO-to-debt metric because there would be
24 no expense, no cash expense, in those years
25 associated with the storm. The cash expense would

1 have occurred in 2011 and 2012.

2 EXAMINER PRICE: And this would have been
3 unique to when you are amortizing out of the
4 deferral, right?

5 THE WITNESS: That's correct, sir.

6 Q. Now, with respect to the pending rate
7 case seeking \$142 million annually, can you tell me
8 what portion of that \$142 million annually would be
9 related to expenses that will dollars -- let me
10 strike that.

11 Can you tell me what portion of the
12 142 million annually requested would relate to
13 dollars that are expected to be received that relate
14 to expenditures and that those net out?

15 EXAMINER PRICE: Can I have that question
16 back again, please.

17 (Record read.)

18 Q. For purposes of the cash flow.

19 MR. KUTIK: I object.

20 EXAMINER PRICE: Grounds?

21 MR. KUTIK: I don't think it's an
22 intelligible question.

23 EXAMINER PRICE: At a minimum, I think
24 it's compound, that's why I was asking about it.

25 Can you break them into two separate

1 questions?

2 MS. WILLIS: I will try, your Honor.

3 Q. (By Ms. Willis) With respect to the
4 \$142 million requested, can you tell me what portion
5 of that 142 million relates to expenditures as
6 opposed to a return on investment?

7 A. I don't have the breakout of the revenue
8 requirement.

9 Q. And can you tell me, with respect to the
10 return on investment, what the rate of return being
11 requested associated with that rate case is?

12 A. 11.2 percent.

13 Q. And can you tell me, with respect to the
14 prior authorized rate of return, what that prior
15 authorized rate of return would have been?

16 A. I don't recall.

17 Q. Now, with respect to the Pennsylvania --
18 let me strike that.

19 Going back to the New Jersey, the
20 recovery of 2011 and 2012 storm costs, can you tell
21 me whether that would have been -- that the credit
22 support that's provided by that, would that have been
23 a one-time credit support or is that a continuing
24 credit support?

25 A. The amortization of the deferred O&M

1 associated with the storm costs is over a six-year
2 period, so it would provide credit support over the
3 six-year period.

4 Q. And what six-year period would that have
5 been?

6 A. The six-year period starting in 2015. I
7 think that the rates went into effect in April of
8 2015, so six years starting then.

9 Q. And going --

10 EXAMINER PRICE: I guess I am just not
11 understanding why this provides credit support. You
12 have booked these deferrals, right?

13 THE WITNESS: Yes.

14 EXAMINER PRICE: And these are deferred
15 expenses, so as these are amortized out on an annual
16 basis, you would have 110-million-some coming in
17 cash, right?

18 THE WITNESS: Yes.

19 EXAMINER PRICE: That will just be new
20 cash for the operating company?

21 THE WITNESS: Yes.

22 EXAMINER PRICE: Because they have
23 already booked their expenses, because the expenses
24 have already been deferred.

25 THE WITNESS: May I try?

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1 EXAMINER PRICE: Yeah, yeah.

2 THE WITNESS: I think what happens is
3 when the company incurs the expense, they have cash
4 payments out associated with it. For reporting
5 purposes, they defer the expense from the income
6 statement; create a balance sheet asset. So they
7 still have the cash expense, which is what's going to
8 be a drag-down on their metrics in the years they
9 spend the cash.

10 EXAMINER PRICE: For 2011 and 2012.

11 THE WITNESS: 2011 and 2012.

12 Then, when they are allowed recovery,
13 starting in 2015, they have cash in for recovery.
14 Admittedly, they amortize the deferral, but that's a
15 non-cash item. And the metrics are focused on cash
16 from operations. So you have cash in, no cash
17 expense, so it's accretive to the metric.

18 EXAMINER PRICE: So the reason this
19 improves your cash flow is, your cash from
20 operations, you will have an extra \$110 million a
21 year coming in from New Jersey that didn't exist
22 before.

23 THE WITNESS: That's correct.

24 EXAMINER PRICE: And that --

25 THE WITNESS: With no corresponding cash

1 expense.

2 EXAMINER PRICE: That will increase your
3 cash for operations.

4 THE WITNESS: Yes.

5 EXAMINER PRICE: Because it's cash.

6 THE WITNESS: Yes, sir.

7 EXAMINER PRICE: Okay.

8 Q. (By Ms. Willis) Now, with respect to the
9 Pennsylvania 2015 rate case, totaling \$293 million,
10 can you tell me what portion of the 293 is related to
11 expenditures as opposed to earning a return on
12 investment?

13 A. I don't have the revenue requirements
14 separated out between the different components. The
15 expenses, whether they be test-year expenses or
16 return of a non-investment, would exist regardless of
17 whether or not the additional revenue comes into the
18 company. So, again, with the additional revenue, if
19 you assume that the expenses, including the return of
20 a non-investment, are going to be there regardless,
21 then it is the additional influx of revenue that is
22 accretive to the CFO-to-debt metric.

23 Q. Can you tell me what the return requested
24 in that 2015 rate case is?

25 A. I don't remember.

1 Q. And do you know the current rate of
2 return associated with that -- whatever that entity
3 it is, that has a 2015 rate case?

4 A. It was the four Pennsylvania utility
5 companies, and it was a settlement number, so there
6 was no return on equity identified.

7 Q. And with respect to the capital recovery
8 filings total \$245 million over five years, can you
9 tell me what return is associated with that capital
10 recovery?

11 A. I don't know. I don't recall.

12 Q. And with respect to the 2015 rate case
13 and vegetation management rider, can you tell me what
14 the rate of return requested associated with that
15 rider would be?

16 A. I don't remember.

17 THE WITNESS: I'm sorry. May I have that
18 question reread, please?

19 EXAMINER PRICE: You may.

20 (Record read.)

21 THE WITNESS: Okay. Thank you.

22 EXAMINER PRICE: It doesn't change your
23 answer any?

24 THE WITNESS: No, sir.

25 EXAMINER PRICE: Okay.

1 Q. (By Ms. Willis) Ms. Mikkelsen, are you
2 aware of the companies' announced plans to issue
3 \$500 million in equity funding this year, via a
4 contribution to the qualified pension plan?

5 A. Yes.

6 Q. And would you believe that measure would
7 provide credit support for the companies?

8 A. I believe it would provide credit support
9 to FirstEnergy Corp.

10 Q. And you are -- you are making a
11 distinction between providing credit support for
12 FirstEnergy Corp. versus the utilities --

13 A. Correct.

14 Q. -- with respect to that action? I'm
15 sorry.

16 A. I'm sorry. Yes, the utilities are not
17 issuing equity. FirstEnergy Corp. has announced that
18 it would be issuing equity.

19 Q. But if, under Standard & Poor's analysis,
20 if the ratings or the credit supporting FirstEnergy
21 Corp. were to reflect a positive impact, that would,
22 in turn, affect, in your opinion and in S&P's
23 opinion, would reflect positively credit-wise for the
24 companies, correct?

25 MR. KUTIK: That's compound. I'll

1 object.

2 MS. WILLIS: I can rephrase.

3 EXAMINER PRICE: Please.

4 Q. (By Ms. Willis) Now, if the FirstEnergy
5 Corp. -- if there is an event for FirstEnergy Corp.,
6 such as the issuance of \$500 million in equity
7 funding, would that impact upon the credit support
8 for the utilities in a positive manner if -- in a
9 positive manner?

10 A. If your question to me is if Standard &
11 Poor's were to view the issuance of equity in such a
12 favorable fashion that it were to increase the credit
13 rating of FirstEnergy Corp., would that, in turn,
14 increase the credit rating of the companies, then the
15 answer is yes.

16 Q. Thank you.

17 Now, the companies' proposal -- and do
18 you understand what I mean by the term "proposal"?

19 A. I understand what I think you mean, but
20 perhaps you should tell me what you mean.

21 Q. The proposal as the modified rider RRS,
22 okay?

23 A. Yes.

24 Q. Understanding that when I say "the
25 companies' proposal," I am talking about modified

1 rider RRS. The companies' proposal did not address
2 the commitment to maintain the headquarters and nexus
3 of operations in Akron; is that correct?

4 MR. KUTIK: Objection. May I have the
5 question read?

6 EXAMINER PRICE: May we have the question
7 again, please.

8 (Record read.)

9 MR. KUTIK: And my objection is, your
10 Honor, the question is unclear. As we have stated
11 throughout these rehearing proceedings, the
12 companies' proposal relates to a change in the
13 calculation of rider RRS. So a "yes" or "no" answer
14 is meaningless in terms of what you are speaking
15 about when we talk about the commitment relating to
16 rider RRS.

17 MS. WILLIS: Perhaps I can rephrase.

18 EXAMINER PRICE: No. I was going to
19 overrule his objection.

20 MS. WILLIS: Okay. I'll take the win
21 then.

22 EXAMINER PRICE: You can answer the
23 question if you know.

24 A. The companies' proposal, which reflected
25 specific modifications to the calculation of rider

1 RRS, did not address the commitment -- or the
2 provision included in the third supplemental
3 stipulation related to the headquarters and nexus of
4 operations remaining in Akron, Ohio.

5 EXAMINER PRICE: When you say "did not
6 address," do you mean it did not modify that
7 commitment or it did not reiterate that commitment?

8 THE WITNESS: Both, I think.

9 EXAMINER PRICE: Both?

10 THE WITNESS: Did not modify the
11 commitment nor did it reiterate. The commitment
12 remains, as long as rider -- the third supplemental
13 stipulation provision is as long as rider RRS is in
14 effect, the commitment will remain in effect. So,
15 with modification, as long as rider RRS is in effect,
16 the commitment.

17 EXAMINER PRICE: Thank you. Now it's
18 clear.

19 Q. (By Ms. Willis) Was it -- is it your
20 testimony that all elements and benefits of the
21 approved stipulated ESP IV remain unchanged as
22 previously approved by the Commission under the
23 companies' proposal?

24 THE WITNESS: May I ask to have the
25 question reread, please, sir?

1 EXAMINER PRICE: You may.

2 (Record read.)

3 A. All of the qualitative and quantitative
4 benefits relied upon by the Commission in reaching
5 its determination about the ESP versus MRO test
6 remain intact under the companies' proposal.

7 Q. Now, you would agree with me,
8 Ms. Mikkelsen, that the commitment to maintain the
9 headquarters in Akron and the nexus of operations in
10 Akron is not a commitment to retain a certain amount
11 of jobs, correct?

12 A. May I ask you what commitment are we
13 talking about? Are we -- what commitment are you
14 talking about?

15 Q. The current commitment under the
16 proposal.

17 MR. KUTIK: Again, your Honor, I'll
18 object. The proposal has nothing to do with the
19 commitment. The commitment is already there as you
20 elicited from the witness. The proposal talks about
21 changing the calculation of rider RRS.

22 EXAMINER PRICE: Ms. Grady, care to
23 rephrase?

24 Q. Perhaps -- and I didn't mean to muddle
25 the record, but the company presently has a proposal

1 that it's asking the Commission to approve; is that
2 correct?

3 A. Yes.

4 Q. And with that proposal, is there a
5 commitment to maintain the nexus of operations and
6 the headquarters in Akron?

7 A. As we discussed earlier, the third
8 supplemental stipulation in the ESP included a
9 provision, among a number of provisions agreed to by
10 all the signatory parties, that as long as rider RRS
11 remains in -- rider RRS will remain in effect as long
12 as FirstEnergy's corporate headquarters and nexus of
13 operations remain in Akron, Ohio. That was not an
14 element of our proposal. That was an element agreed
15 to, again, among a number of provisions by a number
16 of signatory parties.

17 Q. And when you say that rider RRS remains
18 in effect, are you stating that under your proposal
19 rider RRS will remain in effect and thus the
20 commitment applies to the proposal?

21 A. Should the Commission approve the
22 companies' proposal, then the provision of the third
23 supplemental stipulation would remain in effect as
24 long as rider RRS is in effect.

25 Q. So with respect to the commitment to

1 maintain the headquarters in Akron, and to maintain a
2 nexus of operation in Akron, that is not a commitment
3 to retain a certain amount of jobs, correct?

4 A. While the third supplemental stipulation
5 did not include a specific number of jobs, the
6 reference to the "nexus of operations" I think
7 provides significant guidance to the Commission with
8 respect to how many employees would be located at the
9 headquarters.

10 MS. WILLIS: May I have a moment, your
11 Honor?

12 EXAMINER PRICE: You may.

13 Q. (By Ms. Willis) Could the headquarters
14 and nexus of operations remain in Akron, Ohio, even
15 if the number of employees was reduced beyond the
16 current level of employees?

17 A. The number of employees located at the
18 headquarters could increase or decrease over current
19 levels as long as the nexus of operations remains at
20 that headquarter location.

21 Q. Ms. Mikkelsen, do you have before you a
22 copy of your deposition transcript?

23 A. I do.

24 Q. And could you turn to page 90 of that
25 transcript, and specifically I am going to read a

1 question and answer into the record starting on
2 line 19, and I am going to ask if I read that
3 correctly.

4 "Question: And I guess my question is
5 could the headquarters and nexus of operations remain
6 in Akron, Ohio, even if the number of employees was
7 reduced to -- was reduced beyond the current level of
8 employees?"

9 "Mr. Kutik: Objection."

10 "Answer: Yes."

11 Is that correct?

12 A. Yes. And as you read on, it says "I
13 would say to the extent that the employment levels
14 are higher than the level included in Ms. Murley's
15 studies, the economic benefits would be greater."
16 And "To the extent they are lower, then all else
17 equal, the benefits would be lower, but other facts
18 and circumstances may exist at that time that could
19 impact the number as well." Suggesting the
20 discussion around higher or lower levels of employees
21 at the headquarters.

22 MS. WILLIS: Your Honor, I would move to
23 strike. That is -- I asked her specifically about
24 the question.

25 EXAMINER PRICE: I understand.

1 MS. WILLIS: It's a proper ground for a
2 redirect.

3 EXAMINER PRICE: Motion to strike will be
4 granted.

5 MS. WILLIS: Thank you.

6 Q. (By Ms. Willis) Now, your understanding
7 is, Ms. Mikkelsen, that the economic impact of \$568
8 million that Ms. Murley testified to, was based on
9 2015 employee levels at FirstEnergy Service Company;
10 is that correct?

11 A. No.

12 Q. And why is that incorrect?

13 A. It was based on the number of FirstEnergy
14 Service Company's employees located at the
15 headquarters.

16 Q. Thank you.

17 And Ms. Murley's -- the number of
18 employees that Ms. Murley -- let me strike that.

19 Now, on page 5 of your testimony,
20 line 11, you state that you believe that the staff's
21 proposed rider DMR satisfies a single-issue
22 ratemaking provision under the statute; is that
23 correct?

24 A. Yes.

25 Q. And the basis of that opinion relates to

1 the credit -- the credit -- let me strike that.

2 And the basis of that opinion really
3 relates to the credit-support attributes of rider
4 DMR, correct?

5 A. Yes.

6 Q. And the credit-support attributes to
7 rider DMR make it a single-issue ratemaking issue
8 under the law, because the rider is designed to do
9 one thing: Provide credit support so that this is a
10 single issue from rate -- from a ratemaking
11 perspective, correct?

12 A. Yes.

13 Q. Now, on page 3, line 16 of your
14 testimony, you use the term "subsidy" and there you
15 are addressing Dr. Choueiki's concern that the
16 company's proposal might be construed as a transition
17 charge, correct?

18 A. Yes.

19 Q. And that is not a specific reference to
20 anything other than that, correct?

21 A. Yes.

22 Q. Now, going to page 4 of your testimony,
23 line 5, you testify that "Since Rider RRS as
24 originally approved and modified by the Proposal is
25 projected to be a net credit over the term of ESP IV,

1 it could not be considered a transition charge." Do
2 you see that?

3 A. Yes.

4 Q. So there you are saying if customers
5 receive a credit and are not paying, then it cannot
6 be a charge; is that correct?

7 A. What I am saying here is that since the
8 proposal is projected to be a net credit over the
9 term of ESP IV, it can't be considered a transition
10 charge.

11 Q. Now, on page 22, lines 6 through 8, you
12 testify that the exclusion of rider DMR revenues is
13 consistent with the SEET statute, among other things.
14 Do you see that?

15 A. Yes.

16 Q. And that opinion is based on your reading
17 of the SEET statute that requires a comparison
18 between the earned return on equity of the companies
19 to the earned return on equity of comparable
20 companies, correct?

21 A. In part, yes.

22 Q. Now, you don't recall or you don't
23 remember whether you are familiar with Ohio Supreme
24 Court holdings on SEET; is that correct?

25 A. I think when we discussed it, I was

1 trying to recall whether or not there had been
2 Supreme Court rulings in the AEP SEET case. I was
3 not aware of any other ones.

4 Q. And you are not aware of any Supreme
5 Court holdings related to SEET; is that correct?

6 A. Well, I am aware that there were Supreme
7 Court decisions with respect to SEET in an AEP
8 proceeding.

9 Q. Now, if dollars are collected under the
10 proposal and required to be collected subject to
11 refund, your opinion is that that would be
12 retroactive ratemaking as you have used the term in
13 your testimony at page 24; is that correct?

14 A. If the dollars were subject to refund
15 pursuant to Dr. Duann's proposal, then, yes, I
16 believe that would be retroactive ratemaking.

17 Q. Do you recall -- can you turn to your
18 deposition at page 124. And I am going to begin on
19 line 2, and I want you to -- I want you to answer
20 whether I have read this correctly.

21 "Question: Okay. I will try. If
22 dollars are collected under -- under the proposal and
23 required to be collected subject to refund, is it
24 your opinion that this would be retroactive
25 ratemaking, as you have used the term in your

1 testimony as page 24, line 10?"

2 "Answer: Yes, if the dollars are
3 collected under the proposal, they should not be
4 subject to refund." Did I read that correctly?

5 MR. KUTIK: Objection.

6 EXAMINER PRICE: Grounds?

7 MR. KUTIK: Improper impeachment. It's
8 not in any way inconsistent with her testimony.

9 MS. WILLIS: Had nothing to do with
10 Mr. Duann's testimony. My question was specifically
11 related to the proposal, and not Dr. Duann's
12 testimony.

13 EXAMINER PRICE: The problem is -- the
14 problem is you directed her attention to line 10, the
15 sentence on line 10. Well, at the end of line 9, it
16 says "Dr. Duann's recommendation," so.

17 MS. WILLIS: And so I really am trying to
18 discover how she -- what she really considers to be
19 retroactive ratemaking. I know she understand -- or
20 she has an opinion about Dr. Duann's proposal. I am
21 asking her how she defines retroactive ratemaking. I
22 am trying to test the parameters of her opinion that
23 certain actions are retroactive ratemaking.

24 EXAMINER PRICE: I understand. I am
25 going to sustain your objection on impeachment.

1 Go ahead and ask your follow-up
2 questions.

3 Q. (By Ms. Willis) And is the reason you
4 believe that -- let me strike that.

5 Do you believe, Ms. Mikkelsen, if the
6 companies' proposal were adopted by the Commission,
7 and the Commission determined, when it adopted that
8 proposal, that it would modify the proposal to
9 approve the rates subject to refund, that the rates
10 be collected subject to refund, do you believe that
11 would be retroactive ratemaking?

12 A. If the Commission were to make the
13 dollars collected under the proposal subject to
14 refund pursuant to Dr. Duann's recommendation, then
15 the answer is yes. If the dollars collected under
16 the proposal would be subject to refund because we
17 over-collected the dollars in a period, we need to
18 return those dollars to the customers, or because
19 there was found to be an error in the calculation and
20 we had to return those dollars to the customers,
21 something of that nature coming out of a staff audit,
22 the answer would be no.

23 Q. I am going to direct your attention to
24 your deposition transcript, page 126, specifically
25 let's go to line 3, and I am going to read the

1 question and answer into the record. I am going to
2 ask you if I read that correctly.

3 "Let's go then to the companies'
4 proposal. Do you believe that if the companies'
5 proposal was adopted by the Commission, and the
6 Commission determined, when it adopted that proposal,
7 that it would modify the proposal to approve the
8 rates 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 "Answer: Yes."

14 Did I read that correctly?

15 A. Yes, but we are talking in this section
16 of the deposition about Dr. Duann's recommendation.

17 MS. WILLIS: Your Honor, I would move to
18 strike everything after the word "yes."

19 MR. KUTIK: Well, your Honor, I think in
20 this particular case, if you look at page 125, it
21 specifically talks about Dr. Duann. And so the
22 question, you know, left unexplained, is improper in
23 terms of trying to impeach the witness that way.

24 MS. WILLIS: I think it's a matter for
25 redirect.

1 MR. KUTIK: It's not redirect. It's
2 being straight and fair with the witness.

3 EXAMINER PRICE: I am going to sustain
4 the objection. Deny the motion to strike.

5 MS. WILLIS: Your Honor, I am not
6 following. I am trying to ask the question
7 specifically to the company's proposal which has
8 nothing whatsoever to do with Dr. Duann's.

9 EXAMINER PRICE: I understand what you
10 are trying to do in your questions and there is
11 nothing wrong with your questions. The problem is
12 your impeachment where you are going back and asking
13 her questions that were in the context of talking
14 about Dr. Duann's testimony, or at least were
15 ambiguous about whether we're talking about
16 Dr. Duann's testimony, and then trying to impeach her
17 on that basis. That's all -- that's all my ruling is
18 saying.

19 MS. WILLIS: Your Honor, if we go to
20 page 126 of the deposition transcript, it's clearly
21 saying "Let's go then to the companies' proposal."
22 We had been talking about Dr. Duann in the earlier --
23 and I said "Let's go then to the companies'
24 proposal." And my question was specifically related
25 to the companies' proposal. I'm not sure that that's

1 unclear at all.

2 EXAMINER PRICE: It was unclear to me so
3 I imagine she was confused too.

4 MS. WILLIS: It was unclear to you, your
5 Honor?

6 EXAMINER PRICE: Yeah, yeah.

7 Q. Now, you would not consider yourself
8 familiar with Ohio Supreme Court decisions on
9 retroactive ratemaking in any legal sense; is that
10 correct?

11 MR. KUTIK: Well, your Honor, again,
12 what's the point of this question? We have been
13 through this. We have stipulated now, before,
14 forever, she's not a lawyer, she's not giving legal
15 opinion. Let's move on.

16 EXAMINER PRICE: She is entitled to ask
17 her some questions about her regulatory experience
18 with respect to retroactive ratemaking. Objection is
19 overruled.

20 MS. WILLIS: Thank you.

21 THE WITNESS: May I ask to have the
22 question reread, please, sir?

23 EXAMINER PRICE: You may.

24 (Record read.)

25 A. I'm not an attorney, so I don't -- I

1 would not have a legal sense with respect to Supreme
2 Court decisions regarding retroactive ratemaking.

3 Q. Is it your belief, Ms. Mikkelsen, that at
4 any time that the PUCO approves rates and orders the
5 rates to be collected subject to refund, that that
6 would be engaging in retroactive ratemaking?

7 A. No.

8 Q. Wouldn't you have to see the specific
9 order and conditions around that provision, to the
10 extent that one existed, to be able to respond to
11 that question?

12 A. In any particular instance, yes, I would.

13 Q. Now, the economic development and job
14 retention benefits that you mention on page 4,
15 line 15, the only quantification of those benefits is
16 that provided by Ms. Murley; is that correct?

17 A. The only quantification of the economic
18 development and job retention benefits associated
19 with the headquarters and nexus of operations
20 commitment is in the testimony of Company Witness
21 Murley. There are additional economic development
22 benefits arising from both the proposal and rider
23 DMR.

24 MS. WILLIS: Your Honor, I would move to
25 strike the last sentence. I had asked her

1 specifically if there was a -- where the
2 quantifications of the benefits are, that they were
3 only in Ms. Murley's testimony. She went on to add
4 there are additional economic development benefits.
5 That's not responsive to my question.

6 EXAMINER PRICE: I think your comment is
7 subject to redirect, and I will strike that portion
8 of your answer.

9 MS. WILLIS: Thank you, your Honor.

10 Q. (By Ms. Willis) Ms. Mikkelsen, you don't
11 know whether the staff quantified the benefit of the
12 economic development associated with the headquarters
13 remaining; is that correct?

14 A. Yes.

15 Q. Now, on page 5, lines 5 through 6, you
16 state that "a properly designed Rider DMR would
17 benefit the public." Do you see that?

18 A. Yes.

19 Q. And the basis of your statement is that
20 rider DMR would provide credit support to the
21 companies to put them in a position to jump-start
22 grid modernization initiatives, correct?

23 A. A properly-designed rider DMR would
24 benefit the public by providing credit support, which
25 would put the companies in a position to jump-start

1 investment in the distribution grid modernization
2 initiatives.

3 Q. Thank you.

4 Now, you believe that the public would
5 benefit from the grid modernization initiatives,
6 correct?

7 A. Yes.

8 Q. You would agree with me that rider RRS,
9 originally approved, does not protect the companies
10 from financial harm; is that correct?

11 A. Rider RRS, as originally approved by the
12 Commission, does not protect the companies from
13 financial harm.

14 Q. And you would also agree that rider RRS,
15 as modified, does not protect the companies from
16 financial harm; is that correct?

17 A. That's correct. Rider RRS, as originally
18 approved and as modified pursuant to the proposal, is
19 designed to provide a hedge to our customers to
20 protect them against retail rate volatility and
21 increasing prices over the term of ESP IV. It was
22 not designed to protect the companies from financial
23 harm.

24 Q. And would you agree with me that rider
25 DMR, as modified by the companies, protects the

1 companies from financial harm?

2 A. Yes.

3 Q. Now, your testimony at page 4, lines 13
4 through 14, you refer to "a properly designed Rider
5 DMR." And by that you mean rider DMR as modified by
6 the companies, correct?

7 A. Rider DMR that reflects the modifications
8 proposed by the company to the calculation, yes.

9 Q. And you testify that "Although...a
10 properly designed Rider DMR can significantly benefit
11 customers, the Proposal is even more beneficial to
12 customers." Do you see that reference?

13 A. Yes.

14 Q. Is it your understanding that the
15 proposal is more beneficial to the companies than a
16 properly-designed DMR -- rider DMR?

17 EXAMINER PRICE: Can I have the question
18 back again.

19 (Record read.)

20 EXAMINER PRICE: Thank you.

21 A. The companies looked at the proposal in
22 the context of the entirety of the ESP and all of the
23 provisions of the ESP, and concluded that the
24 proposal was more beneficial to the companies,
25 customers, and the State of Ohio than rider DMR.

1 Q. And in providing that testimony, you are
2 taking into account the credit that the company
3 projects will be paid to customers under the
4 proposal; is that correct?

5 A. Yes, among all the other provisions of
6 the stipulation -- pardon me, of the ESP IV.

7 Q. And to be very clear, we are speaking of
8 \$561 million net credit in nominal dollars that the
9 companies forecast -- forecasted will be paid to
10 customers based on the first phase of this
11 proceeding?

12 A. Yes. The rate -- the retail rate
13 stability benefit to our customers will provide them
14 economic development benefits which will contribute
15 to the overall vibrancy of our service territory.
16 And if our service territory and the customers in our
17 service territory are strong, then the customers --
18 pardon me, then the companies are benefited as well.

19 Q. Now, if the PUCO adopted the staff's
20 proposed DMR with no modification, the companies
21 would have to decide whether to accept the ESP as
22 modified; is that correct?

23 A. Yes.

24 Q. And if the companies decided not to
25 accept the PUCO modifications, the stipulation

1 commitments associated with the third supplemental
2 stipulation would no longer apply; is that correct?

3 A. Yes.

4 Q. Now, on page 5, line 19, you refer to
5 significant investments to modernize the distribution
6 network that could focus on "the rehabilitation of
7 urban area network systems, the replacement of
8 underground cable, and the upgrade of overhead
9 circuits...." Do you see that reference?

10 A. The reference continues along and says
11 "upgrade of overhead circuits and substation
12 equipment." But, yes, I see the reference, ma'am.

13 Q. And as far as you know, there is no
14 approved plan for FirstEnergy utilities to engage in
15 those activities, correct?

16 A. As of today, the companies do not have an
17 approved plan or program to undertake these
18 initiatives.

19 Q. And these initiatives are not part of the
20 grid modernization business plan that was filed
21 before the Commission; is that correct?

22 A. Yes.

23 Q. Now, you testify on page 6, line 6, that
24 "Ultimately, grid modernization will benefit
25 customers and competitive suppliers by enabling an

1 array of innovative products and services"; is that
2 correct?

3 A. Yes.

4 Q. And you cannot recall a study conducted
5 within the FirstEnergy Service territory that
6 surveyed customers on whether or not they desired to
7 have an array of -- of more innovative products and
8 services than they are currently offered; is that
9 correct?

10 A. Yes.

11 Q. Now, when you refer to grid modernization
12 benefiting competitive suppliers, there you mean that
13 competitive suppliers would be able to differentiate
14 their product offerings; is that right?

15 A. Yes. As I say here, they would be able
16 to off -- they would be able to certainly, yes, to
17 differentiate their product offering by offering an
18 array of innovative products and services.

19 Q. And if they are able to differentiate
20 their product offering, they may increase their sales
21 and they may get a larger market share of customers;
22 is that correct?

23 A. Yes.

24 Q. Now, Ms. Mikkelsen, you keep up with
25 rating reports issued by entities such as Standard &

1 Poor's and Moody's; is that correct?

2 A. Yes.

3 Q. You are aware of the fact that Standard &
4 Poor's placed FirstEnergy Solutions and the
5 generation affiliates of FirstEnergy Corp. on a
6 CreditWatch negative?

7 A. Yes.

8 Q. And you are also familiar with First
9 Energy Corp.'s recent announcement they would retire
10 certain units at Sammis, and seek to sell or
11 deactivate the unit at Bay Shore, correct?

12 A. Yes.

13 Q. And you have familiarity with the
14 first -- with what FirstEnergy proposed on its books
15 relating to taking an impairment charge for that
16 action?

17 A. Yes.

18 Q. In laymen's terms, a pretax impairment
19 charge amounts to writing down the value of certain
20 assets carried on the balance sheet; is that correct?

21 A. Yes.

22 Q. Am I correct that the write-downs
23 associated with the plants would have been related to
24 the unregulated subsidiary activities and not the
25 companies' activities?

1 A. Yes.

2 Q. Now, generally, parent and core entities
3 are rated at the same level for purposes of Standard
4 and Poor's ratings, correct?

5 A. Yes.

6 Q. And when -- when we speak of entities
7 there as -- let me strike that.

8 FirstEnergy and Allegheny Energy Supply
9 are considered core entities in terms of Standard &
10 Poor's review; is that correct?

11 THE WITNESS: May I ask to have the
12 question reread, please?

13 EXAMINER PRICE: You may.

14 (Record read.)

15 EXAMINER PRICE: Ms. Willis, I know that
16 in our lexicon, "FirstEnergy" means the operating
17 company, but I just want to be clear, that's the
18 question you are asking; the operating companies and
19 Allegheny Supply are the cores?

20 MS. WILLIS: Whether or not the
21 subsidiaries of generation -- the subsidiaries owning
22 generation are considered core entities.

23 EXAMINER PRICE: That's why I asked. You
24 said "FirstEnergy."

25 MS. WILLIS: In terms of FirstEnergy

1 Corp.

2 MR. KUTIK: I am not sure what the
3 question is.

4 EXAMINER PRICE: Now I'm confused. In
5 your original question you said FirstEnergy and
6 Allegheny Supply, not FES, and that's why everybody
7 is confused.

8 MS. WILLIS: I'm sorry. I misspoke.

9 Q. (By Ms. Willis) Ms. Mikkelsen, would you
10 agree with me, FirstEnergy Solutions and Allegheny
11 Energy Supply are considered core entities in terms
12 of Standard & Poor's review?

13 A. They are core subsidiaries to FirstEnergy
14 Corp. as of today. S&P has signaled, when they took
15 the action to put FirstEnergy Solutions and the other
16 competitive entities on CreditWatch negative that
17 they were going to review that core status. I am not
18 aware of the outcome of that review.

19 Q. And the -- if -- if -- since FirstEnergy
20 Solutions and Allegheny Energy Supply are considered
21 core entities, they would be included in the family
22 ratings approach that Standard & Poor's uses for --
23 for its credit ratings; is that right?

24 A. That's correct, recognizing that S&P
25 placed those subsidiaries on CreditWatch negative and

1 indicated that they were reviewing that status.

2 Q. Now, is it your understanding that if
3 Allegheny Energy Supply and FirstEnergy Solutions are
4 considered noncore entities for purposes of Standard
5 & Poor's family approach to ratings, that they would
6 be rated separately from the parent?

7 A. Yes.

8 Q. And the remaining entities under the
9 parent would be considered core or part of the family
10 for S&P's approach to rating?

11 A. Yes.

12 Q. Now, you mentioned that it's your
13 understanding that FES and Allegheny Energy Supply
14 are on CreditWatch negative, correct?

15 A. Yes.

16 Q. Can you tell me if that's different than
17 negative outlook -- than a negative outlook?

18 A. It is different. While I don't have the
19 specifics of the differences, CreditWatch negative
20 suggests that a down-rating is, I think, more likely
21 and more likely in a nearer term than a credit
22 outlook of negative.

23 MR. SETTINERI: Could I have that
24 question and answer reread, please?

25 EXAMINER PRICE: You may.

1 MR. SETTINERI: Thank you, sir.

2 (Record read.)

3 MR. SETTINERI: Thank you.

4 Q. (By Ms. Willis) Now, you referred,
5 Ms. Mikkelsen, to the Standard & Poor's placing
6 FirstEnergy Solutions and the FirstEnergy Corp.
7 generating affiliates on CreditWatch negative on
8 July 22, 2016?

9 A. Yes.

10 Q. Did you, in fact, read the ratings report
11 that was put out by Standard & Poor's with respect to
12 that credit rating action?

13 A. Yes.

14 MS. WILLIS: May I approach the witness,
15 your Honor?

16 EXAMINER PRICE: You may.

17 Let's go off the record for a second.

18 (Discussion off the record.)

19 EXAMINER PRICE: Let's go back on the
20 record.

21 MS. WILLIS: At this time, OCC would ask
22 that mark -- would ask that a multi-page document, I
23 believe it's three pages -- three-page document
24 entitled "Standard & Poor's Global Ratings" be marked
25 as OCC Exhibit No. 46.

1 EXAMINER PRICE: So marked.

2 (EXHIBIT MARKED FOR IDENTIFICATION.)

3 Q. Now, Ms. Mikkelsen, is this the report
4 from Standard & Poor's that placed FirstEnergy
5 Solutions Corp. and its affiliates on CreditWatch
6 negative?

7 MR. KUTIK: I'll object at this point,
8 your Honor.

9 EXAMINER PRICE: Grounds?

10 MR. KUTIK: Relevance. I mean, she's
11 already testified about the CreditWatch negative.
12 She's already testified about the family approach and
13 FirstEnergy Corp. and the credit rating of
14 FirstEnergy Corp. and potentially other affiliates.
15 How this is relevant to any other issue, your Honor,
16 is unclear. How, why, whether FirstEnergy Solutions
17 or Allegheny Energy will be subject to further credit
18 actions and the rationale of S&P at this point is
19 irrelevant.

20 EXAMINER PRICE: Ms. Willis?

21 MS. WILLIS: Well, your Honor, I think
22 it's highly relevant. Ms. Mikkelsen is -- her
23 testimony is all based on credit support, credit
24 support needed, and she's testified quite a bit about
25 S&P and the family ratings and how core entities are

1 considered part of the family. And that the credit
2 ratings of the subsidiaries do affect the credit
3 ratings of the parent, so I think it's highly
4 relevant for purposes of this proceeding.

5 EXAMINER PRICE: We will give Ms. Willis
6 a little bit of leeway and continue on this line of
7 questioning.

8 MS. WILLIS: Thank you. I think there
9 was a question pending.

10 EXAMINER PRICE: Could we have the last
11 question back, please.

12 (Record read.)

13 A. The report I was referring to is a
14 different report than this report. But certainly
15 this report notes that FirstEnergy Solutions Corp.
16 and the affiliate ratings have been placed on
17 CreditWatch negative.

18 MR. KUTIK: I'll move to strike, your
19 Honor, on grounds there is no foundation.

20 MS. WILLIS: I think, your Honor, prior
21 to the leading -- questions leading up to this, I
22 asked Ms. Mikkelsen if she is aware of credit ratings
23 actions. She said yes, she is. She regularly
24 reviews it. She was aware this was on --
25 FirstEnergy -- or S&P did place them on CreditWatch

1 negative. I think there's been a foundation
2 established.

3 MR. KUTIK: She just said the report she
4 was talking about was a different report.

5 MS. WILLIS: She has reviewed this
6 report. She is familiar with the action.

7 MR. KUTIK: She reviewed this report
8 sitting on the stand.

9 EXAMINER PRICE: She is reviewing it now.
10 I am going to deny the motion to strike, and you can
11 go ahead and ask your next question, and we'll see if
12 it's information she is familiar with.

13 MS. WILLIS: Okay.

14 Q. (By Ms. Willis) Have you seen this report
15 from S&P Global before, Ms. Mikkelsen?

16 A. Not until you handed it to me today.

17 MR. KUTIK: May I renew my motion to
18 strike, your Honor?

19 EXAMINER PRICE: Denied.

20 Q. Now, Ms. Mikkelsen, are you aware of any
21 more recent actions by S&P Global that have placed
22 FirstEnergy Solution Corp. and its affiliates -- have
23 taken them off CreditWatch and actually downgraded
24 them?

25 A. No.

1 Q. Now, FirstEnergy Corp. spins off or sells
2 its generation subsidiaries, which would include
3 FirstEnergy Solutions Corp. and the affiliates that
4 were placed on CreditWatch negative, those would no
5 longer be considered core entities for FirstEnergy
6 Corp., correct?

7 A. That's correct. They would no longer be
8 subsidiaries of FirstEnergy Corp. at that point.

9 Q. And as far as S&P goes, because they
10 would -- then they would no longer be relevant in any
11 fashion to the rating of FirstEnergy Corp., correct?

12 A. Yes.

13 Q. And, Ms. Mikkelsen, you are not aware of
14 what action FirstEnergy Corp. could take, besides
15 selling these assets, to assure that they are noncore
16 entities of FirstEnergy Corp., correct?

17 EXAMINER PRICE: Could I have that
18 question back again?

19 (Record read.)

20 A. S&P has a group rating methodology that
21 it uses, which contains criteria that they review to
22 make a judgment about whether or not a subsidiary is
23 considered core to the parent or noncore.

24 Q. Ms. Mikkelsen, I am going to direct your
25 attention to the deposition transcript, page 194,

1 starting on line 8, and I am going to read a question
2 and answer into the record, and I am going to ask you
3 if I have read that correctly.

4 "Question: --

5 MR. KUTIK: Excuse me, Counsel. Let me
6 get to the page. Thank you.

7 MS. WILLIS: I apologize.

8 MR. KUTIK: That was 194, line what?

9 MS. WILLIS: Yes. Line 8.

10 Q. "Question: Is there any other treatment
11 of AES and FES by FirstEnergy Corp. that would ensure
12 for ratings purposes that they were not considered a
13 core entity of FirstEnergy Corp., if you know?"

14 "Answer: I don't know."

15 Did I read that correctly?

16 A. Yes.

17 Q. Now, on page 7, line 21, you indicate
18 that the increase in long-term costs of debt are
19 recovered from customers in a distribution rate case.
20 Do you see that?

21 A. The sentence in totality reads
22 "Eventually, increases in the long-term cost of debt
23 are recovered from customers in a distribution base
24 rate case."

25 Q. Okay. And under the ESP approved by the

1 PUCO, there is a base distribution rate pre -- let me
2 strike that. Start again.

3 Under the ESP approved by the PUCO, there
4 is a base distribution rate freeze through the end of
5 the ESP term, correct?

6 A. Yes.

7 Q. So any increases in the long-term cost of
8 debt would not be collected from customers in a
9 distribution rate case until after the eight-year
10 term of the ESP under the third supplemental
11 stipulation.

12 A. Yes.

13 Q. Now, on page 8, lines 2 through 3, you
14 indicate that "higher debt carrying costs reduce the
15 funds available to the Companies for investment in
16 the safe, reliable operation of the distribution
17 system."

18 Now, you would agree with me that the
19 funds are made available to the company for
20 investment and safe, reliable operation of the
21 distribution system under rider DCR, correct?

22 A. No.

23 Q. Let me direct your attention to your
24 deposition, Ms. Mikkelsen, at page 196. We can start
25 on line 11, because this was a couple of questions.

1713

1 "Question: Would you agree with me that
2 funds are made available to the companies for
3 investment in safe, reliable operation of the
4 distribution system under rider DCR?"

5 "Answer: I would agree that rider DCR
6 provides a return of and on certain distribution
7 investments as limited by the caps."

8 "Question: And would you agree with me
9 that that allows funds to be made available to the
10 company for investing in safe, reliable operation of
11 the distribution system?"

12 "Answer: I think of that as a return of
13 and on investments the companies have made in safe --
14 in the distribution system in support of safe,
15 reliable operations." Did I read that correctly?

16 MR. KUTIK: Objection.

17 EXAMINER PRICE: Grounds?

18 MR. KUTIK: Not inconsistent with
19 anything she said.

20 EXAMINER PRICE: Sustained.

21 Q. Now, you indicated on page 8, line 17,
22 that to the extent that dollars were collected to
23 reduce debt or to fund a pension obligation, that it
24 would improve the companies' debt to capitalization
25 credit metric, correct?

1 A. Yes.

2 Q. And you would agree that the announced
3 plans of FirstEnergy Corp. to issue \$500 million of
4 equity during 2016 will improve the companies' debt
5 to capitalization metric, correct?

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

8 EXAMINER PRICE: You may.

9 (Record read.)

10 MR. KUTIK: I'll object. I am not sure
11 that's her testimony, your Honor.

12 MS. WILLIS: She doesn't have testimony
13 on the \$500 million issuance. That was established
14 earlier this morning.

15 MR. KUTIK: I think you mischaracterized
16 it in your question, at least the question I heard
17 being read.

18 EXAMINER PRICE: Can I have the question
19 back again?

20 (Record read.)

21 EXAMINER PRICE: You can agree or
22 disagree. Overruled.

23 A. No.

24 Q. Now on page 8, line 19, you testify that
25 rider DMR will likely be reviewed favorably by

1 Moody's when they assess the regulatory framework; is
2 that your testimony?

3 A. No. The testimony reads rider DMR would
4 likely be "viewed," not "reviewed," I think as you
5 said, "favorably by Moody's."

6 Q. And that statement is your belief and
7 it's not based on any interactions you or anyone else
8 has had with Moody's; is that correct?

9 A. Yes.

10 Q. Do you have reason to think,
11 Ms. Mikkelsen, without rider DMR, FirstEnergy Corp.
12 would move its headquarters and nexus of operations
13 out of Akron sometime before May 31, 2024?

14 A. What I know from experience is that as a
15 corporation's financial condition deteriorates, they
16 are at increased risk of a change of control. And
17 when a change of control occurs, the headquarters
18 would no longer and the nexus of operations would no
19 longer remain in Akron, Ohio.

20 Q. In other words, you would agree with me
21 that there is a greater likelihood of a change in
22 control for a financially-challenged company than a
23 company that is financially strong?

24 A. Yes.

25 Q. Do you consider the companies challenged

1 financially without rider DMR?

2 A. Two of the companies are rated one notch
3 above non-investment grade. One of the companies is
4 three notches above non-investment grade. Under
5 S&P's, they have a negative outlook. And both, under
6 a parent at Moody's, and again a parent at S&P, they
7 are on negative outlook. That suggests to me that
8 these companies are not financially stable or strong.

9 Q. Would you consider the companies'
10 financially strong if they are granted rider DMR as
11 proposed by the staff?

12 A. A properly-constructed rider DMR that
13 reflects the modifications to the calculation
14 proposed by the companies, in concert with the
15 actions that have been taken and will continue to be
16 taken across the FirstEnergy corporate entity, I
17 believe will collectively create more
18 financially-strong companies as well as FirstEnergy
19 Corp.

20 Q. And when you say "properly constructed,"
21 you are referring to the DMR with modifications as
22 proposed by the staff -- or as proposed by the
23 companies, correct?

24 A. Yes.

25 Q. Now, on page 8, line 23, you testified

1 that "Better access to capital on more favorable
2 terms will in turn benefit customers." And then
3 going on to page 9, you state that the "lower cost of
4 capital is passed through to customers over time."
5 Do you see that?

6 A. Yes.

7 Q. And the period of time that the lower
8 cost of capital would be passed through to customers
9 is after a distribution rate case, correct?

10 A. After a distribution rate case, through
11 the remaining life of the debt instrument.

12 Q. Now on page 10, lines 2 through 3, you
13 are speaking of Moody's establishing a more recent
14 target range for CFO to debt. Do you see that?

15 A. Yes.

16 Q. And you don't know how often Moody's
17 changes its CFO to debt target for FE Corp., do you?

18 A. No.

19 Q. Now on page 11, lines 14 through 15, you
20 indicate that Mr. Buckley's use of a 22-percent
21 "allocation factor inappropriately understates the
22 significance of the Companies to FE Corp." Do you
23 see that?

24 A. Yes.

25 Q. Now, operating revenues from the

1 companies would not have generation revenues from
2 shopping; is that correct?

3 A. Yes.

4 Q. And the utilities' operating revenues
5 would only have generation revenues from SSO,
6 correct?

7 A. Yes.

8 Q. Now, you say on page 11, line 22, that
9 the companies' contribution to the CFO -- CFO
10 shortfall is reduced because of the high level of
11 shopping and load generation revenues compared to
12 that of other FE Corp. utilities. Do you see that?

13 A. I might characterize it a little
14 differently. What the testimony says, and it's
15 really starting at the bottom of 11 and continuing to
16 12, is that under the staff's proposal --

17 Q. Okay.

18 A. -- the companies' contribution is reduced
19 because of the high level of shopping in the
20 companies' service territories versus the level of
21 shopping in the other FirstEnergy utility corp.
22 service terr --

23 Q. Now --

24 A. -- utility service territories.

25 Q. I am sorry. I didn't mean to interrupt.

1 Are you finished?

2 A. I am, ma'am.

3 Q. Now, on page 12, lines 4 through 5, you
4 state that "To reflect the impact of the higher
5 shopping in this allocation...is inconsistent with
6 state policy and is inappropriate." Do you see that?

7 A. Yes.

8 Q. You believe, Ms. Mikkelsen, that state
9 policy is to support the retail markets and that a
10 calculation that penalizes the companies for having
11 high levels of shopping is inappropriate, correct?

12 A. I wouldn't agree with the word
13 "penalize," but I would agree that the calculation is
14 inappropriate.

15 Q. Can I direct your attention to page 211
16 of your deposition, starting on line 18, please. I
17 am going to read a question and answer, and ask if I
18 am reading that correctly.

19 "Question: Can you tell me how
20 reflecting the impact of higher shopping in the
21 allocation is inconsistent with state policy?"

22 MR. KUTIK: I'm sorry. Where are you?

23 MS. WILLIS: I'm sorry. Line 18.

24 MR. KUTIK: Thank you.

25 MS. WILLIS: Page 211.

1 MR. KUTIK: Thank you.

2 Q. "Answer: The state policy is to support
3 retail markets; and a calculation that penalizes the
4 companies for having high levels of shopping,
5 consistent with state policy, is inappropriate."

6 Did I read that correctly?

7 A. You did. And I think later on in the
8 deposition I made clear that that was an improper
9 word choice on my part.

10 MS. WILLIS: Your Honor, I would move to
11 strike the explanation. That's more proper for
12 redirect.

13 EXAMINER PRICE: Sustained.

14 Q. Now, the companies have the highest level
15 of shopping compared to any other FirstEnergy
16 utilities, correct?

17 A. Yes.

18 Q. So the other FirstEnergy utilities would
19 have more generation revenues included in their
20 operating revenues than the FE Ohio utilities,
21 correct?

22 A. Yes.

23 Q. And so if you allocate credit support on
24 the basis of operating revenues, those other
25 utilities would receive a larger responsibility for

1 the credit report, correct?

2 THE WITNESS: May I have the question
3 reread, please?

4 EXAMINER PRICE: I think you misspoke.
5 Ms. Willis, do you want to try again? I think you
6 misspoke.

7 Q. Okay. Let me try again.

8 If you allocate credit support on the
9 basis of operating revenues, those other non-Ohio
10 utilities would receive a larger responsibility for
11 credit support, correct?

12 A. Yes.

13 Q. And you believe that if the allocation is
14 inappropriate, that is, not enough credit support is
15 being allocated to the Ohio utilities, that it
16 doesn't appropriately reflect the significance of the
17 companies to FE Corp.; is that correct?

18 A. Yes.

19 Q. Can you tell me how -- let me strike
20 that.

21 And how does better reflecting the
22 significance of the company to FirstEnergy Corp.
23 benefit customers, if you know?

24 A. I'm not sure I understand the question.
25 May I ask you to restate it, please?

1 EXAMINER PRICE: Can I have the question
2 back, please.

3 MR. KUTIK: I think she doesn't
4 understand the question. I think she needs -- I
5 don't think she needs to hear it.

6 EXAMINER PRICE: Okay. Well, I would
7 like to hear it back.

8 (Record read.)

9 EXAMINER PRICE: Do you need her to
10 rephrase the question?

11 THE WITNESS: I would like you to,
12 please.

13 EXAMINER PRICE: Can you rephrase the
14 question?

15 Q. (By Ms. Willis) You testified,
16 Ms. Mikkelsen, that one of the reasons -- or the
17 reason you believe the allocation is inappropriate is
18 that it does not appropriately reflect the
19 significance of the companies to FE Corp. Do you
20 recall that?

21 A. That is one of the reasons. That is no
22 the only reason as your question suggests.

23 Q. Okay. One of the reasons. And can you
24 tell me, if that is one of the reasons why the
25 allocation is inappropriate, can you also tell me how

1 appropriately reflecting the significance of the
2 companies to FE Corp. benefits FirstEnergy utilities
3 customers?

4 A. The context we're discussing this in is
5 in the context of trying to assign an appropriate
6 value to the dollars to be collected in rider DMR in
7 order to provide credit support to the companies and,
8 in turn, provide, in part, credit support to the
9 parent. The customers are benefited by having
10 companies that are financially stable and strong, as
11 well as companies with a strong, financially-stable
12 parent.

13 Q. Can you tell me how better reflecting the
14 significance of the company -- companies to
15 FirstEnergy Corp. benefits the companies?

16 THE WITNESS: I am sorry. May I ask to
17 have the question reread, please?

18 EXAMINER PRICE: You may.

19 (Record read.)

20 A. What we're proposing here is
21 modifications to staff's calculation to provide
22 better alignment with the outcome with what the
23 intent of staff's calculation was.

24 Q. I'm not sure you answered my question,
25 Ms. Mikkelsen. My question really was how the

1 companies benefit if -- if their significance to
2 FirstEnergy Corp. is reflected in the allocation
3 proposed.

4 A. If the allocation is increased from
5 22 percent to 40 percent as proposed by the
6 companies, there will be additional dollars available
7 to the companies for credit support and to jump-start
8 investment in the grid distribution modernization
9 initiatives.

10 Q. And those additional dollars would come
11 from customers, is that correct, under your
12 proposal -- under your modifications to the staff
13 proposal?

14 A. Yes.

15 Q. So the more customers pay, the more they
16 will be benefited by the improved credit support; is
17 that correct?

18 A. Not necessarily.

19 Q. Now, you testify, Ms. Mikkelsen, that the
20 cash requirements that create the need for rider DMR
21 over eight years are different than the cash
22 requirements that were needed under the third
23 supplemental stipulation, correct?

24 A. I'm sorry. Could you point me to the
25 testimony you are referring to?

1 Q. I'm just asking you a question.

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

4 Q. Sure. Is it your testimony,
5 Ms. Mikkelsen, that the cash requirements that create
6 the need for rider DMR over eight years are different
7 than the cash requirements needed under the third
8 supplemental stipulation?

9 A. I'm not understanding what cash needs
10 there were under the third supplemental stipulation.
11 I don't recall -- the third supplemental stipulation
12 did not address cash needs of the companies.

13 Q. So you don't believe that the third
14 supplemental stipulation relied upon the cash needs
15 of the company; is that your testimony?

16 MR. KUTIK: Objection.

17 EXAMINER PRICE: Grounds?

18 MR. KUTIK: Argumentative.

19 EXAMINER PRICE: Sustained. Please
20 rephrase it.

21 MS. WILLIS: Sure.

22 Q. (By Ms. Willis) Is it your testimony that
23 the third supplemental stipulation did not rely on
24 the cash needs of the companies related to the terms?

25 MR. KUTIK: That's the same question.

1 EXAMINER PRICE: I think it was a little
2 more politely phrased.

3 MS. WILLIS: I am trying, your Honor. I
4 am not trying to be argumentative.

5 A. The third supplemental stipulation
6 included a number of new provisions as well as
7 encompassing the provisions of prior stipulations in
8 the ESP IV proceeding. There was no provision in any
9 of those stipulations that addressed cash needs for
10 credit support for the companies.

11 Q. Do you believe that the vision laid out
12 by the staff as part of DMR is much broader than the
13 proposals that have been included in the companies'
14 grid modernization business plan?

15 A. Yes.

16 Q. And the broader grid modernization that
17 you referred to pertained to Dr. Choueiki's testimony
18 on the stand?

19 A. Yes.

20 Q. Have you had a chance to review the
21 transcript?

22 A. I had an opportunity to look at parts of
23 that transcript.

24 Q. Do you have an understanding now of
25 Dr. Choueiki's proposal?

1 MR. KUTIK: Well, objection to the
2 characterization "Dr. Choueiki's proposal."

3 EXAMINER PRICE: How would you
4 characterize it?

5 MR. KUTIK: "His testimony."

6 EXAMINER PRICE: Fair enough.

7 Q. Do you have an understanding of
8 Dr. Choueiki's testimony with respect to the
9 modernization plan?

10 A. Yes.

11 Q. And what is your understanding of
12 Dr. Choueiki's proposal with respect to the grid
13 modernization plan?

14 A. That the vision for grid modernization in
15 the context of rider DMR is broader than what was
16 included in the companies' grid modernization
17 business plans filed pursuant to the stipulation.

18 Q. And can you tell me what the activities
19 that you believe are now -- have now -- that
20 Dr. Choueiki testified to have made the grid
21 modernization plan broader than what was included in
22 the business plan?

23 MR. KUTIK: I'll object, your Honor.
24 Dr. Choueiki's testimony is what it is. There is no
25 point in having this witness debate with Ms. Willis

1 what it included and what it didn't include.

2 EXAMINER PRICE: Ms. Willis.

3 MS. WILLIS: Your Honor, she is saying
4 there is a broader grid modernization plan out there
5 and that it was raised by Dr. Choueiki in his
6 testimony on the stand, and I am just trying to
7 determine what -- I was here when Dr. Choueiki
8 testified, and I didn't see a broader plan. And so I
9 am wondering what she really means by he now has
10 broadened the proposal.

11 MR. KUTIK: I don't think that this
12 witness has testified he had a broader grid
13 modernization plan. What she said is the grid
14 modernization efforts that Dr. Choueiki addressed or
15 thought could be addressed by the DMR were broader
16 than the grid modernization plan and the grid
17 modernization case.

18 EXAMINER PRICE: Ms. Willis -- can I have
19 the question back again? I have lost track what the
20 question is.

21 MS. WILLIS: I am sorry. I have, too.

22 EXAMINER PRICE: Let's have the question
23 again.

24 (Record read.)

25 EXAMINER PRICE: You can answer if you

1 know.

2 A. He certainly referred to investments in
3 battery technologies which are not included in the
4 grid modernization business plan. I recall he
5 referred to a self-healing distribution system and
6 additionally made reference to incremental
7 investments in SCADA technologies, for example.
8 Those come to mind.

9 Q. Now, other than the information contained
10 in Mr. Buckley's testimony, you are aware of no other
11 experience that would lead you to conclude that three
12 years is insufficient time for an entity to address
13 its financial situation; is that correct?

14 MR. KUTIK: May I have the question read,
15 please?

16 EXAMINER PRICE: You may.

17 (Record read.)

18 A. It's certainly true with respect to
19 Mr. Buckley's testimony. With additional thought, I
20 remembered my experience at Centerior with the
21 Cleveland Electric Illuminating Company and Toledo
22 Edison, when their credit metrics were below
23 investment grade for a number of years in excess of
24 three years, and what the outcome was from that
25 situation.

1 MS. WILLIS: Your Honor, I would move to
2 strike the statement "With additional thought." My
3 question was directly related to Mr. Buckley's
4 testimony, not anything else outside Mr. Buckley's
5 testimony.

6 MR. KUTIK: You said anything other than
7 Mr. Buckley's testimony was her question.

8 EXAMINER PRICE: Yeah, yeah. Your
9 question was anything other than. Other than
10 Mr. Buckley's testimony. Anyway, your motion to
11 strike is denied.

12 Q. (By Ms. Willis) Now, you testify on
13 page 15, line 14, that "improving credit ratings
14 takes time." Do you see that?

15 A. Yes.

16 Q. Let me go back a moment. The additional
17 thought that you had on that response, was that after
18 the taking of the deposition?

19 A. It was. It occurred to me as I was
20 reviewing the deposition for errata. When I read
21 through that, I had the thought.

22 Q. And when you filed your errata, did you
23 correct the errata for that additional thought?

24 MR. KUTIK: Objection, your Honor.

25 EXAMINER PRICE: Pardon me?

1 MR. KUTIK: Making a substantive change
2 to a deposition is not proper.

3 EXAMINER PRICE: I agree. She is just
4 asking what she did.

5 A. No.

6 EXAMINER PRICE: Good thing.

7 Q. (By Ms. Willis) Now, you testify on
8 page 15, line 14, that "improving credit ratings
9 takes time." You would agree that it's situational
10 and depends on a number of factors, correct?

11 A. Yes.

12 Q. And those factors would include the
13 status of financial markets and the general business
14 environment?

15 A. Yes.

16 Q. And you don't know, Ms. Mikkelsen,
17 whether three years is or isn't long enough for
18 FirstEnergy Corp. to improve its credit rating; is
19 that correct?

20 A. Yes.

21 Q. And you do not have an estimate of how
22 long it will take FirstEnergy utilities to improve
23 their credit ratings.

24 A. Is that a question? Is this a question?

25 EXAMINER PRICE: I think so.

1 Q. Yes.

2 EXAMINER PRICE: Could I have the
3 question back again.

4 (Record read.)

5 A. No.

6 Q. And you don't know whether three years is
7 long enough; is that correct?

8 A. Yes.

9 Q. Now, you testify on page 15, lines 21
10 through 23, that the minimum term of rider DMR must
11 be sufficiently long to account for the time
12 necessary to make the required investments in grid
13 modernization. Do you see that reference?

14 A. Yes.

15 Q. And you define that time as eight years?

16 A. What time?

17 Q. The time that it will -- the minimum term
18 of rider DMR.

19 A. The proposal is that rider DMR should
20 continue over the remaining term of ESP IV.

21 Q. And when you say "remaining term," you
22 are referring to the fact that the ESP is already --
23 the term of the ESP started June 1, 2016?

24 A. Yes.

25 Q. And it's your understanding that the

1 period of the DMR extends to May 31, 2024?

2 MR. KUTIK: Objection.

3 EXAMINER PRICE: Grounds?

4 MR. KUTIK: There is no DMR.

5 MS. WILLIS: I'm sorry, I misspoke.

6 Q. Is it your testimony that the remaining
7 term of the ESP continues until May 31, 2024?

8 A. Yes.

9 Q. And as you sit here today, you do not
10 know what the required investment in grid
11 modernization is that you refer to on page 15,
12 lines 22 and 23.

13 A. With respect to the filed distribution
14 grid business plan, ultimately the Commission will
15 make a determination about what grid modernization
16 work needs to occur under that filing and what the
17 associated budget would be.

18 In addition, as we've talked about, this
19 staff's broader vision of, perhaps, investing in
20 battery technology or additional SCADA or additional
21 self-healing distribution system, those would be
22 additional incremental dollars, for example, to
23 whatever the determination is in the pending
24 application.

25 MS. WILLIS: Your Honor, I would move to

1 strike that answer as not responsive to my question.
2 My question was directly: Do you know what the
3 required investments in grid modernization are that
4 you refer to in your testimony at page 15, lines 22
5 and 23.

6 MR. KUTIK: May I have the question read,
7 your Honor?

8 EXAMINER PRICE: You may.

9 (Record read.)

10 MR. KUTIK: I think she was explaining
11 what she was referring to, your Honor.

12 EXAMINER PRICE: I agree. Motion to
13 strike is denied.

14 Q. (By Ms. Willis) Ms. Mikkelsen, may I
15 direct you to your testimony at the deposition,
16 page 232, beginning on line 2. I am going to read a
17 question and answer, and ask you if I read this
18 correctly.

19 "Question: As you sit here today, do you
20 know what the required investments in distribution
21 grid modernization are that you referred to on
22 page 15, lines 22 and 23?"

23 "Mr. Kutik: Objection, asked and
24 answered."

25 "Answer: No."

1 Did I read that correctly?

2 A. Yes.

3 Q. Now, you refer to a need to rehabilitate
4 the companies' credit metrics before they seek access
5 to capital markets, and I am referring to your
6 testimony on page 16, line 11. Do you see that?

7 A. Yes.

8 Q. And you would also agree that there is a
9 need to rehabilitate FirstEnergy Corp.'s credit
10 metrics, correct?

11 A. That is part of staff's proposal, yes.

12 Q. Now, on page 17, line 18, you refer to
13 completed reductions across FE Corp. Those
14 reductions were implemented starting in 2013 or 2014,
15 correct?

16 A. Yes.

17 Q. And those changes have been implemented,
18 correct?

19 A. And remain in effect -- they have been
20 implemented and remain in effect today.

21 Q. Now, earlier this morning you had some
22 questions from Counsel from Sierra Club as to
23 management bonuses. And my question is a little
24 different. It is, are you -- are you aware of
25 whether there are bonuses scheduled in the future for

1 FirstEnergy management?

2 A. May I ask what you mean by "future,"
3 "scheduled in the future"?

4 Q. Are you aware of any bonuses, for
5 instance, that may be paid to management during this
6 year, 2016, or any period beyond 2016?

7 A. There are short-term and long-term
8 incentive programs in the company that are based on
9 successful achievement of preestablished criteria.

10 Q. And is it your testimony that those
11 short- and long-term incentive plans will -- there is
12 no plan to change -- let me strike that.

13 Is it your testimony, with respect to the
14 short-term and long-term incentive plans, that those
15 will be plans that continue into the future for
16 management. "Into the future" being 2016 and beyond.

17 A. I don't know whether those plans will
18 continue in the future or not.

19 Q. Are you aware of the preestablished
20 criteria for those plans?

21 A. I think that the -- it varies, by
22 organizational entity, what your objectives are for
23 the year.

24 Q. Are you aware of whether management has
25 scheduled in the future, and "in the future," I mean

1 2016 and beyond, to take any pay reductions?

2 A. No.

3 Q. Now, with respect to the staffing
4 reductions that you testified to in your testimony,
5 and specifically I think you used the term "staffing
6 reductions" on page 17 on the second sub-bullet
7 point. Do you see that?

8 A. Yes.

9 Q. By that you mean reductions that have
10 occurred since 2012, forward, with FirstEnergy that
11 each year -- let me strike that.

12 Are those staffing re -- by those
13 staffing reductions, do you mean reductions that have
14 occurred since 2012?

15 A. Yes. This reference to staffing
16 reductions refers to the approximately 1,100
17 headcount reduction since 2012 across the FirstEnergy
18 Corporation.

19 Q. Now, when you refer to the shareholders
20 actions, you indicate that there has been a reduced
21 annual dividend, but you don't know when that
22 reduction was implemented; is that correct?

23 A. I don't know the specific date that that
24 reduction occurred. I know that that reduction
25 occurred in 2014 and continues today.

1 Q. Thank you.

2 Now, you don't know, Ms. Mikkelsen, if
3 FirstEnergy Corp. intends to seek a commitment from
4 other constituents to achieve a CFO to debt ratio of
5 15 percent, correct?

6 A. FirstEnergy Corp. is committed to seeking
7 to improve its credit metrics. I believe a
8 properly-constructed rider DMR, along with the
9 actions that have been taken across the FirstEnergy
10 Corporation to date, and the actions that will be
11 taken in the future, collectively will provide the
12 credit support necessary to achieve that 15-percent
13 target.

14 Q. Ms. Mikkelsen, let me direct you to your
15 deposition, page 248, lines 22, carrying over to page
16 249. I am going to read a question and answer into
17 the record, and ask you if I have read that
18 correctly.

19 "Question: Do you know Ms. --
20 Question on line 23, page 248.

21 "Do you know, Ms. Mikkelsen, if
22 FirstEnergy Corp. intends to seek a commitment from
23 other constituents to achieve a CFO to debt ratio of
24 15 percent?"

25 "Mr. Kutik: Objection."

1 "Answer: No."

2 Did I read that correctly?

3 A. Yes.

4 Q. Now, on page 19, line 11, you state that
5 the companies are likely to move forward with grid
6 modernization under a market rate offer. Do you see
7 that?

8 MR. KUTIK: Well, your Honor, I would
9 object to the impeachment, if I may. The reason
10 there was an objection -- there was an objection
11 there. And the objection is based upon the fact that
12 it assumes that a commitment is feasible or possible.

13 She wasn't asked, you know, has the
14 commitment been submitted. Why hasn't a commitment
15 been submitted? And the witness's prior answer gave
16 some indication of why there is no commitment because
17 there can't be commitments. It's something that's
18 done on a management -- on a general basis.

19 You can't say, okay, this subsidiary is
20 going to do this and that subsidiary is going to do
21 that. It's an overall corporation plan of a lot of
22 different elements. So having a commitment or not
23 having a commitment means nothing when a commitment
24 of that sort can't be had.

25 EXAMINER PRICE: Those are all ripe areas

1 to explore on redirect, but I think her impeachment
2 was proper. Overruled.

3 Let's go off the record.

4 (Discussion off the record.)

5 (Recess taken.)

6 EXAMINER PRICE: Let's go back on the
7 record.

8 MS. WILLIS: Thank you.

9 EXAMINER PRICE: Ms. Willis, please
10 proceed.

11 Q. (By Ms. Willis) Now, on page 19, line 11,
12 you state the companies are likely to move forward
13 with grid modernization under a market rate offer.
14 Do you see that reference?

15 MR. KUTIK: Objection.

16 EXAMINER PRICE: Grounds?

17 MR. KUTIK: She's talking about what
18 would be; not likely.

19 EXAMINER PRICE: Yes, please.

20 MR. KUTIK: I don't believe her testimony
21 is that they are likely. I think it's about a
22 hypothetical MRO.

23 EXAMINER PRICE: Her testimony is "it is
24 likely that the Companies would still move forward
25 with a grid modernization initiative under an MRO."

1 So I will allow it.

2 THE WITNESS: I'm sorry. May I ask to
3 have the question reread, please?

4 EXAMINER PRICE: Yes.

5 (Record read.)

6 A. The reference is "it is likely that the
7 Companies would still move forward with grid
8 modernization...."?

9 Q. Yes, that's what I'm referring to.

10 A. Yes.

11 Q. You believe, Ms. Mikkelsen, the
12 appropriate standard to determine whether expenses
13 should be included as an MRO expense in the MRO
14 versus ESP test is whether the companies are likely
15 to spend money under the initiative for an MRO.

16 A. Yes.

17 Q. Now, at your testimony at page 20, line
18 17 through 18, you testify that rider DMR does not
19 impact any of the other qualitative benefits of
20 Stipulated ESP IV that were relied upon by the PUCO
21 in its order. Do you see that reference?

22 A. Yes.

23 Q. Would you agree with me, Ms. Mikkelsen,
24 that rider DMR, as modified by the company, does not
25 promote rate stability and certainty?

1 A. Yes.

2 Q. And you would agree with me that rider
3 DMR, as modified by the company, does not promote
4 predictably-priced service?

5 A. Yes.

6 Q. And you would agree with me that rider
7 DMR has nothing to do with the AEP factors, correct?

8 A. Yes.

9 Q. And rider DMR does not protect against
10 rate volatility and price fluctuations, correct?

11 A. Yes.

12 Q. Now, on page 22, lines 17 through 20, you
13 state that if rider DMR dollars are refunded, they
14 would not provide the incentive to retain the
15 FirstEnergy headquarters.

16 MR. KUTIK: I'm sorry. What's your
17 reference?

18 MS. WILLIS: I'm sorry. Page 22, line 17
19 through 20.

20 A. I see that reference.

21 Q. Do you believe that FirstEnergy needs to
22 be incented to retain its corporate headquarters and
23 nexus of operations in Akron?

24 MR. KUTIK: Objection.

25 EXAMINER PRICE: Grounds?

1 MR. KUTIK: Relevance.

2 EXAMINER PRICE: Overruled.

3 A. If the staff proposes a condition of
4 rider DMR that as long as rider DMR is in effect --
5 or would remain in effect as long as the headquarters
6 and nexus of operations are in Ohio, then I think the
7 value of DMR should reflect the value of that
8 commitment.

9 MS. WILLIS: May I have the question and
10 answer reread, please.

11 EXAMINER PRICE: You may.

12 (Record read.)

13 MS. WILLIS: I am going to move to strike
14 and ask the Examiner to direct the witness to respond
15 to my question.

16 MR. KUTIK: Your Honor, she pointed to
17 language on page 22, lines 17 and 18, and
18 particularly that they would not provide the
19 incentive. And Ms. Mikkelsen is explaining what she
20 meant by "incentive."

21 EXAMINER PRICE: I am going to deny the
22 motion to strike, but I will ask the witness to take
23 another shot at that question, and listen to
24 Counsel's question. If you can answer that question
25 and only that question at this time.

1 A. I think FirstEnergy is committed to
2 maintaining its headquarters and nexus of operations
3 in Akron, Ohio. As we discussed earlier, as the
4 financial condition of a company deteriorates, the
5 risk increases that the company would face a change
6 in control, which would result in the loss of the
7 headquarters and nexus of operations in Akron, Ohio.

8 EXAMINER PRICE: Thank you.

9 Q. Ms. Mikkelsen, you don't believe that
10 there was an incentive built into the third
11 supplemental stipulation for FirstEnergy to keep its
12 headquarters and nexus of operation in Akron, do you?

13 A. That was a provision of the third
14 supplemental stipulation, among many provisions
15 included in the third supplemental stipulation.
16 There was not a particular incentive tied to that
17 provision.

18 Q. Ms. Mikkelsen, may I direct your
19 attention to page 264 of the deposition, specifically
20 line 14, and I am going to ask you if -- I am going
21 to read questions and answers into the record, and
22 ask you if I have read those correctly. Starting on
23 line 14, page 264.

24 "Ms. Mikkelsen, was there an incentive
25 provided under FirstEnergy's proposal to keep the

1 headquarters in Akron under the third supplemental
2 stipulation and recommendation?"

3 "Answer: That provision was part of a
4 multiple-provision stipulation entered into by
5 multiple parties."

6 "Question: And do you believe that there
7 was an incentive built into the stipulation for
8 FirstEnergy to keep its headquarters in the Akron --
9 in Akron, Ohio?"

10 "Answer: No. As I said, I believe it
11 was a provision among a number of provisions agreed
12 to in the stipulation by a number of parties."

13 Did I read that correctly?

14 MR. KUTIK: Objection.

15 EXAMINER PRICE: Grounds?

16 MR. KUTIK: Improper impeachment.

17 EXAMINER PRICE: Ms. Willis, why was this
18 not improper impeachment? She gave you the same
19 answer.

20 MS. WILLIS: No, she did not say -- her
21 response was no, it is not an incentive, and then she
22 went on to explain it. There was no incentive. She
23 never said no. She gave me the rest of the answer,
24 but did not directly answer my question that it was
25 no.

1 EXAMINER PRICE: The objection is
2 sustained.

3 Q. (By Ms. Willis) Now, you recommended an
4 allocation factor of 40 percent of the credit support
5 to the Ohio utilities; is that correct?

6 A. Yes.

7 Q. Is it fair to say that Ohio utilities
8 have contributed a significant amount to FE's Corp.'s
9 net income and cash flow in the past?

10 A. Yes.

11 Q. Now, going to your testimony on the top
12 of page 17, the first two lines of your testimony,
13 you -- the question is asked: "Did staff propose a
14 rate design for rider DMR." Do you see that?

15 A. Yes.

16 Q. And your response was "No. The Companies
17 recognize that there are multiple reasonable
18 approaches to Rider DMR's rate design." Were you
19 present when Staff Witness Turkenton was
20 cross-examined in this proceeding on aspects of rate
21 design for rider DMR?

22 A. Yes.

23 Q. Are you aware that Ms. Turkenton was
24 asked a series of questions by Mr. Kurtz and Mr. Darr
25 regarding rate design and the allocation of the DMR

1 rider?

2 A. Yes.

3 Q. And are you aware of Ms. Turkenton's
4 testimony that a reasonable rate design is an
5 allocation on a 50 percent -- a 50/50 basis, with
6 50 percent being demand-based and 50 percent being
7 energy-based?

8 MR. KUTIK: Objection.

9 EXAMINER PRICE: Grounds?

10 MR. KUTIK: That was one thing that
11 Ms. Turkenton said that could be considered. She
12 wasn't making that a proposal and didn't suggest that
13 should be a proposal.

14 MS. WILLIS: I think it said that she
15 testified that a proposal could be.

16 EXAMINER PRICE: I believe she said it
17 was a proposal, a reasonable proposal.

18 MR. KURTZ: Your Honor, I think actually
19 that was her personal opinion, not staff's opinion.

20 EXAMINER PRICE: I understand what
21 Ms. Turkenton said. I am referring to what
22 Ms. Willis's question was.

23 MR. KURTZ: Oh. I apologize.

24 MR. KUTIK: May we have the question read
25 then?

1 EXAMINER PRICE: Let's have the question
2 back again.

3 MS. WILLIS: And perhaps I will need to
4 rephrase it, but.

5 (Record read.)

6 EXAMINER PRICE: Your answer?

7 A. My recollection is, and I may be parsing
8 words that Ms. Turkenton testified that the staff did
9 not have a proposal with respect to rate design, but
10 that a rate design she thought -- admittedly, she
11 hadn't conducted a cost-of-service study, but that
12 she thought might be reasonable was to allocate the
13 revenue requirement, 50 percent based on energy,
14 50 percent based on demand, and then collect that
15 allocation, 50 percent on energy and 50 percent on
16 demand.

17 Q. And would this be one of the multiple --
18 would this be a reasonable approach to rider DMR's
19 rate design as you -- let me strike that.

20 Would this be, in your opinion, a
21 reasonable approach to rider DMR's rate design?

22 A. Yes. Recognizing there are multiple, as
23 I say in my testimony, reasonable approaches.

24 Q. Now, Ms. Mikkelsen, you are familiar, are
25 you not, with the FirstEnergy Service Corporation --

1 I'm sorry, FirstEnergy Service Company, correct?

2 A. Yes.

3 Q. And you are employed by the FirstEnergy
4 Service Company, correct?

5 A. Yes.

6 Q. And would you -- you would agree with me
7 that FirstEnergy Service Company provides services to
8 all of the subsidiaries within the FE Corp. family,
9 correct?

10 A. Yes.

11 Q. And these -- can you tell me if any
12 services provided by FirstEnergy Service Company are
13 provided to entities outside the FirstEnergy Corp.
14 family?

15 A. I'm not aware of any such circumstance.

16 Q. So FirstEnergy Service Company provides
17 service to regulated and unregulated subsidiaries
18 belonging in the FirstEnergy Corp. family, correct?

19 A. Yes.

20 Q. Does FirstEnergy Services Corp. --
21 Company provide services to FE Corp.?

22 A. I would assume so, yes.

23 Q. And is it your understanding,
24 Ms. Mikkelsen, that FirstEnergy Service Company
25 charges entities, including the FirstEnergy

1 utilities, for its services?

2 A. Yes.

3 Q. And the FirstEnergy Service Company, in
4 effect, allocates the cost of these services to those
5 whom it provides services for; is that correct?

6 A. Yes.

7 Q. And the basis of that cost allocation
8 would be -- let me strike that.

9 The FirstEnergy Service Company expenses
10 that are allocated to the FirstEnergy utilities would
11 be collected from the Ohio utility customers,
12 correct?

13 A. Yes. I would expect to recover service
14 company costs allocated to the companies in a base
15 rate proceeding.

16 Q. Do you know how much of FirstEnergy's
17 service company expenses are allocated to the Ohio
18 utilities through base distribution rate proceedings?

19 MR. KUTIK: Objection.

20 EXAMINER PRICE: Grounds?

21 MR. KUTIK: Relevance.

22 EXAMINER PRICE: Ms. Willis?

23 MS. WILLIS: Your Honor, this has to do
24 with the fact that we have a recommendation, under an
25 economic development study, to require customers to

1 pay an allocation of the benefits. And it goes to
2 whether or not those -- that would be a
3 double-collection from customers related to
4 FirstEnergy Service Company payments that have
5 already been made through base distribution rates.

6 MR. KUTIK: There is no question, your
7 Honor, that customers are not paying double. The
8 customers are paying their share. There is no
9 indication that they are not. And what -- what's
10 being discussed here is whether the Ohio customers
11 are getting the benefit or the economic benefit of
12 the employees who live in Ohio or live in the
13 companies' service territory. They are two different
14 things.

15 EXAMINER PRICE: Ms. Willis?

16 MS. WILLIS: Well, your Honor, while we
17 would -- or while Mr. Kutik would like to make it
18 about economic development, the proposal is to take
19 an economic development that's been -- that
20 Ms. Murley produced from her study, saying here is
21 the economic development. The proposal is to change
22 that economic development directly into rates so that
23 customers then are responsible for the entire
24 salaries, taxes, everything associated with
25 FirstEnergy Services Company -- FirstEnergy Services

1 Company.

2 And so, I do believe that there is a
3 question of double payment. It goes beyond. Had
4 this not been a -- an economic development study that
5 was turned into a rate charge, then I would agree
6 with Mr. Kutik, but we have a very different proposal
7 here. And it is -- does cause an issue of, perhaps,
8 double charges.

9 EXAMINER PRICE: I don't see the double
10 charges at all. Sustained.

11 Q. (By Ms. Willis) Have you reviewed,
12 Ms. Mikkelsen, the distribution -- let me strike
13 that.

14 You're familiar with the last base
15 distribution rate proceeding by the companies,
16 correct?

17 A. Not in any great detail. I did not work
18 in the rates and regulatory affairs department for
19 the companies at the time of the last base rate case
20 filing in 2007.

21 Q. Do you know, Ms. Mikkelsen, if the -- if
22 within the -- let me strike that.

23 As part of the third supplemental
24 stipulation, the base distribution rates have been
25 frozen; is that correct?

1 A. The third supplemental stipulation --
2 pardon me. The companies' original proposal in the
3 application for filing this ESP was to include a base
4 distribution rate freeze over the term of the ESP.
5 The third supplemental stipulation modified that only
6 insomuch as it changed the term of the ESP.

7 Q. And are you aware of whether or not
8 that -- that those base distribution rates contained
9 FirstEnergy Service's charges?

10 MR. KUTIK: Objection.

11 EXAMINER PRICE: Grounds?

12 MR. KUTIK: Relevance.

13 EXAMINER PRICE: She can answer this one,
14 if she knows.

15 A. My understanding, and I don't have a
16 great level of depth here, is that there was no
17 service company plant included in rate base in the
18 companies' last base distribution rate proceeding.
19 But there was an allocation of service company
20 expense.

21 Q. And with respect to the allocation of
22 service company expense, would you -- is it your
23 understanding that that allocation of service company
24 expense would have included such items as salaries
25 and taxes?

1 MR. KUTIK: Objection.

2 EXAMINER PRICE: Grounds?

3 MR. KUTIK: Relevance.

4 EXAMINER PRICE: Sustained.

5 Q. (By Ms. Willis) Do you have an
6 understanding, Ms. Mikkelsen, with respect to the
7 proposal -- the \$568 million benefit calculated by
8 Ms. Murley as a result of the economic development
9 study?

10 MR. KUTIK: May I have the question read?

11 EXAMINER PRICE: You may.

12 (Record read.)

13 MR. KUTIK: Did you mean -- did Counsel
14 mean to talk about the proposal as part of the
15 \$568 million?

16 MS. WILLIS: I'm really -- my question is
17 really just limited at this point in time to
18 Ms. Murley's study.

19 MR. KUTIK: So could you put the question
20 again without referring --

21 MS. WILLIS: Sure.

22 Q. Are you familiar with the economic
23 development study that Ms. Murley conducted for
24 purposes of this proceeding?

25 A. Yes.

1 Q. And that would have been looking at the
2 economic benefit associated with keeping the
3 headquarters and nexus of operations in Akron,
4 correct?

5 A. Yes.

6 Q. And do you understand that she calculated
7 a benefit of \$568 million associated with that, with
8 keeping the headquarters and nexus of operations in
9 Akron, on an annual basis?

10 A. My understanding is she characterized
11 that as a conservative estimate of the direct,
12 indirect, and induced benefits associated with the
13 retention of the headquarters in Akron, Ohio.

14 Q. And do you understand how she arrived at
15 the \$568 million benefit figure?

16 A. She would have derived that number using
17 IMPLAN models.

18 Q. And do you understand that as part of
19 that process, she inputted the salaries of all of the
20 company employees working at the headquarters or
21 nexus of operations in Akron?

22 MR. KUTIK: Objection.

23 EXAMINER PRICE: Grounds?

24 MR. KUTIK: These questions are better
25 put to Ms. Murley. What difference does it make

1 about what this witness does or doesn't know about
2 Ms. Murley's study?

3 EXAMINER PRICE: Ms. Willis?

4 MS. WILLIS: Well, your Honor, she does
5 rely on Ms. Murley's -- Ms. Murley's economic benefit
6 and then also testifies that that economic benefit
7 should be a rate charge to customers, so I think they
8 are very interrelated.

9 MR. KUTIK: That's not exactly her
10 testimony.

11 EXAMINER PRICE: That's not what her
12 testimony is. Sustained. She says her testimony
13 should be reflected in the value -- the value
14 reflected in the DMR. She is not saying charge
15 \$568 million; notwithstanding your attempts to
16 characterize it that way. Objection is sustained.
17 Let's move on.

18 MS. WILLIS: If I may have a moment, your
19 Honor, to look at my notes?

20 EXAMINER PRICE: You may.

21 Let's go off the record.

22 (Discussion off the record.)

23 EXAMINER PRICE: Let's go back on the
24 record.

25 MS. WILLIS: Thank you.

1 Q. (By Ms. Willis) Ms. Mikkelsen, earlier
2 today you testified as to a number of actions that --
3 that you believe that have been taken by constituents
4 and will be taken by the constituents that you
5 believe provides credit support for the companies and
6 for FE Corp. Do you recall those series of questions
7 from Sierra Club?

8 A. Yes.

9 Q. Can you tell me if rider DCR, as approved
10 under the third supplemental stipulation, also
11 provides credit support for the companies and FE
12 Corp.?

13 A. Yes.

14 Q. And is it your understanding that rider
15 DCR, as approved and implemented, is part of the
16 company's proposal in this proceeding?

17 MR. KUTIK: I'll object, your Honor. Are
18 we talking about the proposal on rehearing or what
19 are we talking about?

20 MS. WILLIS: Yes. Thank you for the
21 clarification, Mr. Kutik.

22 Q. The proposal on rehearing.

23 MR. KUTIK: So the question again,
24 please?

25 MS. WILLIS: Yes.

1 Q. Is it your understanding that rider DCR
2 is part of the proposal on rehearing?

3 A. No.

4 Q. Is rider DC -- is it the companies'
5 intent then to end rider DCR under the proposal?

6 A. No. As I said, it's not part of the
7 proposal.

8 Q. Is it your understanding that rider DCR
9 would continue even if the proposal was adopted by
10 the Commission?

11 A. Yes. Assuming the companies didn't
12 reject the modified ESP.

13 Q. Thank you.

14 Are there any other portions of the third
15 supplemental stipulation that were approved by the
16 Commission that provide credit support to the
17 companies beyond rider DCR? There is a question mark
18 there. Sorry.

19 MR. KUTIK: So, again, the question is?

20 Q. Are there any other mech -- are there any
21 other -- we can call them "tools." Are there any
22 other tools in the third supplemental stipulation
23 approved by the Commission that also provide credit
24 support for the companies or FE Corp.?

25 A. Dollars collected under rider AMI.

1 Q. Are you finished?

2 A. Yes.

3 Q. Can you recall any other provisions of
4 the third supplemental stipulation which provide
5 credit support for the companies or FirstEnergy
6 Corp.?

7 A. I suppose dollars collected under rider
8 RRS in the initial years would provide credit support
9 to the companies.

10 Q. Do you believe the provisions of the
11 stipulation, which transition to decoupled rates,
12 would provide credit support for the companies and/or
13 FirstEnergy Corp.?

14 A. No.

15 EXAMINER PRICE: Do you have a question,
16 Ms. Willis?

17 MS. WILLIS: I am reviewing the third
18 supplemental stipulation.

19 EXAMINER PRICE: Let's move on,
20 Ms. Willis.

21 Q. Do you believe the incremental tax
22 provisions of the third supplemental stipulation
23 would provide credit support for the companies and/or
24 FirstEnergy Corp.?

25 A. Currently, no.

1 MS. WILLIS: That's all the questions I
2 have. Thank you, Ms. Mikkelsen.

3 THE WITNESS: Thank you, Ms. Willis.

4 EXAMINER PRICE: Thank you.

5 Mr. Settineri.

6 MR. SETTINERI: Have we checked to see if
7 all the stipulating parties have questions?

8 EXAMINER PRICE: I believe Mr. Kurtz
9 indicated earlier, informally at least, he had no
10 questions.

11 MR. KURTZ: Correct.

12 EXAMINER PRICE: Is Mr. Darr still here?

13 Mr. Darr, do you have any questions for
14 this witness?

15 MR. DARR: I am not a stipulating party,
16 your Honor.

17 EXAMINER PRICE: Good point.

18 MR. SETTINERI: That's all. Thanks.

19 - - -

20 CROSS-EXAMINATION

21 By Mr. Settineri:

22 Q. Good afternoon, Ms. Mikkelsen. Good to
23 see you.

24 A. Good afternoon.

25 EXAMINER PRICE: By the way, I did not

1 ask Mr. McNamee, and he still gets to go last.

2 MR. McNAMEE: Surprisingly, I have a few
3 questions.

4 EXAMINER PRICE: You still get to go
5 last.

6 MR. SETTINERI: Fair enough.

7 Q. (By Mr. Settineri) Ms. Mikkelsen, rider
8 DMR revenues could be used to fund the companies'
9 pension obligations, correct?

10 A. Cash collected under rider DMR could be
11 used for a variety of reasons including pension
12 funding.

13 Q. And the companies' pension plans as well
14 as the FirstEnergy Service Company's pensions plans
15 are currently underfunded, correct?

16 A. Yes.

17 Q. And to bring the funding back to
18 100 percent, requires approximately 750 million to a
19 billion dollars, correct?

20 A. To bring those two to 100-percent funded
21 as of May 31, 2016, yes.

22 Q. You believe that the modified rider RRS
23 has a different purpose than rider DMR, correct?

24 A. Yes.

25 Q. And the purpose of rider DMR is to

1 provide credit support to the companies to allow them
2 to jump-start distribution grid modernization,
3 correct?

4 A. Yes.

5 Q. And you believe that modified rider RRS
6 and rider DMR are two separate proposals, correct?

7 THE WITNESS: I'm sorry. May I ask to
8 have the question read, please?

9 EXAMINER PRICE: You may.

10 (Record read.)

11 A. Yes.

12 Q. And the companies have not filed an
13 application with the Commission for rider DMR,
14 correct?

15 A. Yes.

16 Q. And the companies did not ask for rider
17 DMR in their application for rehearing in this
18 proceeding to the Commission, correct?

19 A. Yes.

20 Q. And rider DMR is not part of the
21 stipulation that was presented to the Commission in
22 this proceeding previously, correct?

23 A. Yes.

24 Q. As of today, the companies are under no
25 requirement to invest in distribution grid

1 modernization projects with the exception of any
2 commitments related to the Commission-approved
3 SmartGrid pilot, correct?

4 A. Yes. As of today, there is a case
5 pending before the Commission.

6 Q. When you say the "case pending," what
7 case are you referencing?

8 A. The SmartGrid distribution -- the
9 distribution SmartGrid business plan filed before the
10 Commission.

11 Q. That plan is not ripe for Commission
12 approval, correct?

13 A. I mean, that's a determination the
14 Commission would make, sir.

15 Q. The companies, though, in that plan
16 today, are not asking for Commission approval of the
17 contents of that plan, correct?

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

20 EXAMINER PRICE: You may.

21 (Record read.)

22 A. The companies have proposed -- or have
23 included in that filing three very actionable, well
24 thought-out scenarios with respect to distribution
25 grid modernization. In that application, though, the

1 companies recognize that other stakeholders have a
2 significant interest in this matter and have
3 suggested, but, ultimately, it's up to the Commission
4 to determine how it wants to proceed, that these
5 various scenarios be looked at in a collaborative
6 fashion with the goal of seeking a consensus
7 recommendation to put before the Commission with
8 respect to what grid modernization will occur in the
9 companies' service territories.

10 Q. Thank you.

11 A. You're welcome.

12 Q. And as we sit here today, the companies
13 have not established a timetable for developing that
14 recommendation to present to the Commission, correct?

15 A. I would characterize it as the companies
16 have made their filing and they are awaiting
17 direction from the Commission with respect to the
18 next steps on that filing.

19 Q. If you could turn to page 6, line 6 of
20 your testimony, please. At page 6, line 6, you state
21 that "Ultimately, grid modernization will benefit
22 customers and competitive suppliers by enabling an
23 array of innovative products and services." Do you
24 see that?

25 A. Yes.

1 Q. In order to enable an array of innovative
2 products and services, you believe that CRES
3 suppliers should have access to smart meter data,
4 correct?

5 A. Yes.

6 Q. Okay. And as well, in order to enable an
7 array of innovative products and services, you
8 believe that barriers should be avoided that prevent
9 CRES suppliers from providing an array of innovative
10 products and services, correct?

11 MR. KUTIK: Objection.

12 EXAMINER PRICE: Grounds?

13 MR. KUTIK: Relevance grounds. Beyond
14 the scope of her testimony.

15 EXAMINER PRICE: Mr. Settineri,
16 relevance?

17 MR. SETTINERI: She stated a goal that
18 grid modernization will enable an array of innovative
19 products and services, and I just want to confirm her
20 belief of any barriers that would prevent those goals
21 from being reached. It's certainly relevant and
22 within the scope.

23 MR. KUTIK: That's a totally different
24 topic, your Honor.

25 EXAMINER PRICE: I am going to give you a

1 tiny little bit of leeway on this questioning, and
2 she can answer this question, and then maybe a
3 follow-up, and then we are going to move on.

4 You can answer if you know.

5 A. May I ask what barriers you are referring
6 to, sir?

7 Q. I guess it would be any barrier that --
8 the term barriers: means to you. So the question was
9 in order to enable an array of innovative products
10 and services, do you believe that barriers should be
11 avoided that prevent CRES suppliers from providing an
12 array of innovative products and services?

13 MR. KUTIK: I renew my objection and add
14 to that that she asked for the question to be
15 clarified and it wasn't.

16 EXAMINER PRICE: Please rephrase your
17 question, Mr. Settineri.

18 Q. (By Mr. Settineri) Ms. Mikkelsen, do you
19 believe that barriers should be avoided that prevent
20 CRES suppliers from providing an array of innovative
21 products and services, regardless of the type of
22 barrier?

23 MR. KUTIK: Same objection.

24 EXAMINER PRICE: I am going to give him a
25 little bit of leeway and then we will go on from

1 here.

2 A. I think I would have to understand the
3 specifics with respect to the barriers that you are
4 referring to, because there may be a law that exists
5 that some might view as a barrier. I would view it
6 as a law. So I wouldn't consider it a barrier that
7 needed to be removed.

8 Q. Let me ask you this question, do you
9 believe that it is important that grid modernization
10 result in an array of innovative products and
11 services from CRES suppliers?

12 A. I think that it is important that grid
13 modernization enable the development of innovative
14 products and services, but, certainly, the companies
15 can't control what products and services are
16 developed or offered into the market.

17 Q. And would you agree that that would be to
18 the full extent possible?

19 MR. KUTIK: Objection.

20 EXAMINER PRICE: Grounds?

21 MR. KUTIK: What does that mean?

22 EXAMINER PRICE: She can answer if she
23 knows.

24 A. I think my answer to that question would
25 have to be based in specifics with respect to what

1 the enabling technology is, what the cost is,
2 judgment with respect to the cost and the benefit,
3 sir.

4 Q. Okay. What is "single-issue ratemaking"?

5 A. Ratemaking that relates to a single
6 issue.

7 Q. And what is "ratemaking"?

8 A. Development of a tariff or charge
9 approved by the Commission.

10 Q. Okay. What is "incentive ratemaking"?

11 A. Ratemaking that provides an incentive.

12 Q. To who?

13 A. The companies. I imagine it could also
14 be the customers.

15 Q. And when you say "companies," could that
16 be any -- just any utility generally?

17 A. I'm referring in the context of the
18 FirstEnergy Ohio utilities.

19 Q. And my question is just more -- just
20 general, what is "incentive ratemaking"? And you
21 said an incentive. I said to who. You said to the
22 companies and customers. But generally, what incent.
23 You said the incent would be to the utilities and
24 their customers, correct?

25 A. I'm not sure I would consider it an "and"

1 condition. I think what I said it could be incentive
2 to the companies or it could be potentially incentive
3 to the companies' customers.

4 Q. Thank you.

5 If FirstEnergy were to spin off
6 FirstEnergy Solutions, it would no longer be relevant
7 to the credit ratings of FirstEnergy Corp., correct?

8 MR. KUTIK: Objection, asked and
9 answered.

10 EXAMINER PRICE: Sustained.

11 Q. Are you aware that FirstEnergy Corp. held
12 a quarterly earnings call last Friday?

13 A. Yes.

14 Q. Did you listen to that earnings call?

15 A. I did.

16 Q. Are you aware that FirstEnergy Corp. has
17 a long-term goal to be a fully regulated utility
18 holding company?

19 A. I am aware that FirstEnergy is focusing
20 on regulated activities.

21 Q. Going back to my question though, are you
22 aware FirstEnergy Corp. has a long-term goal to be a
23 fully regulated utility holding company?

24 MR. KUTIK: Objection, asked and
25 answered.

1 EXAMINER PRICE: I don't know that she
2 actually answered the question, so overruled.

3 A. That may be an aspirational goal.

4 Q. What do you mean by "aspirational goal"?

5 A. I am not aware of a goal in writing for
6 the company that includes the words that you are
7 saying.

8 Q. Okay. You are aware in the earnings call
9 that Mr. Pearson indicated that FirstEnergy Corp.
10 intends to be a fully regulated utility holding
11 company, correct?

12 A. I don't recall.

13 Q. Okay. Do you recall any conversation
14 from the earnings call that FirstEnergy Corp. would
15 be looking to exit their merchant generation business
16 and transition to a purely regulated utility holding
17 company?

18 A. Do you have a copy of the transcript,
19 sir, that I could review?

20 MS. WILLIS: Got it.

21 MR. SETTINERI: Thank you.

22 A. Sir, your?

23 Q. I am going to have to find it.

24 MR. SETTINERI: One moment, please, your
25 Honor.

1 MR. KUTIK: Your Honor, is this being
2 used to refresh the witness's recollection?

3 EXAMINER PRICE: They haven't marked it,
4 so I am assuming it was.

5 MR. SETTINERI: It was actually provided
6 at the witness's request.

7 MR. KUTIK: If we are using a document,
8 we should understand how we are using the document
9 and the record should reflect that.

10 MR. SETTINERI: Using it to refresh her
11 recollection then.

12 MR. KUTIK: I am sorry?

13 MR. SETTINERI: We will use it to refresh
14 her recollection, Mr. Kutik.

15 MR. KUTIK: Thank you.

16 MR. SETTINERI: Your Honor, I know it's
17 in here. You can tell me to move on. I can always
18 come back to it if you would like.

19 EXAMINER PRICE: Probably a good idea.

20 MR. SETTINERI: Why don't I do that and I
21 will have someone else look for it. Thank you. I
22 assume my time is up.

23 Q. (By Mr. Settineri) Are you aware,
24 Ms. Mikkelsen, after the earnings call on Friday,
25 that Moody's downgraded the credit rating of

1 FirstEnergy Solutions to Ba2 from Baa3?

2 A. Yes.

3 Q. Did you review that Moody's credit
4 action?

5 A. Yes.

6 MR. SETTINERI: Your Honor, at this time
7 if we may mark P3 Exhibit 21. It will be P3/EP
8 Exhibit 21. It would be a rating action titled
9 "Moody's Downgrades FirstEnergy Solutions Corp. and
10 Allegheny Energy Supply Company," dated July 29,
11 2016.

12 EXAMINER PRICE: It will be so marked.

13 (EXHIBIT MARKED FOR IDENTIFICATION.)

14 MR. SETTINERI: If I may approach?

15 EXAMINER PRICE: You may.

16 Q. (By Mr. Settineri) Ms. Mikkelsen, can you
17 identify what was marked P3/EP
18 SA Exhibit 21?

19 A. It is a Moody's Investors Service rating
20 action, dated July 29, 2016.

21 Q. Okay. And is this the report you just
22 mentioned that you reviewed?

23 A. Yes.

24 Q. Okay. And you note on the -- that this
25 report indicates that Moody's has downgraded FES to
Ba2, from Baa3, correct?

1 A. Yes.

2 Q. Okay. And you also see the discussion in
3 the fourth paragraph where the lower -- where the
4 statement is "The lower ratings at FES and AES
5 reflect Moody's decision to delink the ratings on
6 these companies from that of parent FirstEnergy
7 following its decision to eventually exit the
8 merchant business and transition to a purely
9 regulated utility holding company," correct?

10 MR. KUTIK: Objection.

11 EXAMINER PRICE: Grounds?

12 MR. KUTIK: Hearsay, your Honor. This is
13 not really a report. It's a report of a statement.

14 EXAMINER PRICE: Mr. Settineri.

15 MR. SETTINERI: It's part of the credit
16 ratings action report, your Honor. It speaks for
17 itself.

18 EXAMINER PRICE: We've allowed these thus
19 far. Overruled.

20 Q. Now, does that refresh your recollection
21 that on the earnings call Friday there were questions
22 and answers related to FirstEnergy's decision to exit
23 the merchant business and transition to a purely
24 regulated utility holding company?

25 MR. KUTIK: Objection, your Honor.

1 EXAMINER PRICE: Grounds?

2 MR. KUTIK: This in no way says that was
3 what the company was saying and that the company said
4 such a thing.

5 EXAMINER PRICE: Sustained. I don't know
6 why somebody's characterization what the company said
7 would refresh her recollection of a specific
8 statement by a corporate executive.

9 MR. SETTINERI: Fair enough.

10 Q. (By Mr. Settineri) And in this rating
11 report, Ms. Mikkelsen, do you agree that the ratings
12 for FirstEnergy Corp., Ohio Edison, Cleveland
13 Electric Illuminating, and Toledo Edison remain the
14 same?

15 A. Yes.

16 Q. Okay. All right. You can put that
17 aside, Ms. Mikkelsen. Thank you.

18 So as of today, under Moody's,
19 FirstEnergy Solutions no longer has -- strike that.

20 As of today, FirstEnergy Solutions has a
21 non-investment grade credit rating, correct?

22 A. Yes.

23 Q. And transitioning FirstEnergy Corp. to a
24 regulated utility holding company could improve
25 FirstEnergy Corp.'s credit ratings, correct?

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

3 EXAMINER PRICE: You may.

4 (Record read.)

5 A. I think there are a number of factors
6 that the rating agencies consider when making a
7 determination with respect to credit ratings.

8 Q. And transitioning to a regulated -- I
9 should say transitioning to a regulated utility
10 holding company would be one factor the credit
11 agencies would look at, correct?

12 A. I don't know whether they would or
13 wouldn't look at that factor.

14 EXAMINER PRICE: Wouldn't it depend on
15 how they transitioned?

16 THE WITNESS: I would think it would
17 depend on how and when.

18 MR. KUTIK: You need to put your
19 microphones back on.

20 EXAMINER PRICE: And what the terms and
21 conditions of the transition were?

22 THE WITNESS: Yes.

23 Q. (By Mr. Settineri) Do you agree with
24 Dr. Choueiki's recommendation in his testimony that
25 the Commission should direct the companies to invest

1 in modernizing the distribution grid?

2 A. Can you provide me the testimony you are
3 referring to, sir?

4 Q. I can.

5 Ms. Mikkelsen, I have given you a copy of
6 the rehearing testimony of Dr. Choueiki which I
7 believe is Exhibit Staff Exhibit 15.

8 A. I have that document.

9 Q. Thank you.

10 If you could turn to page 15, line 14 to
11 15, please.

12 A. I'm there.

13 Q. All right. And do you see the statement,
14 "Accordingly, the Commission should direct the
15 Companies to invest in modernizing the distribution
16 grid"?

17 A. I see that statement.

18 Q. And so back to my question, do you agree
19 with Dr. Choueiki's recommendation that the
20 Commission should direct the companies to invest in
21 modernizing the distribution grid?

22 A. I think the companies have agreed in the
23 third supplemental stipulation to filing a grid
24 modernization plan. The companies have filed that
25 plan with three very well thought out, incredible

1 scenarios with respect to grid modernization. I
2 think the Commission should make the ultimate
3 determination about whether or not it should
4 invest -- or direct the companies to invest in grid
5 modernization.

6 Q. So fair to say then that you don't have
7 an opinion, one way or the other, as to whether the
8 Commission should adopt Dr. Choueiki's recommendation
9 that the Commission direct the companies to invest in
10 modernizing the distribution grid?

11 A. I'm wrestling with it because the
12 companies already have an application pending. They
13 have put forth an application for the Commission's
14 review. So with or without Dr. Choueiki's
15 recommendation, the Commission has before it
16 information to consider to direct the companies, so.

17 Q. Today --

18 MR. KUTIK: I'm sorry. Had you finished
19 your answer?

20 THE WITNESS: I had. Thank you.

21 Q. Today, though, there is no directive from
22 the Commission to direct the companies -- directing
23 the companies to invest in modernizing the
24 distribution grid, correct?

25 A. That's correct. The application is

1 pending, yes.

2 Q. All right. Does the application --
3 strike that.

4 So going back to my question. Given
5 that, today, there is no directive from the
6 Commission, and Dr. Choueiki is recommending that the
7 Commission direct the companies to invest in the
8 grid, do you agree with his recommendation?

9 MR. KUTIK: Objection, asked and
10 answered.

11 MR. SETTINERI: Your Honor, there hasn't
12 been an answer to the question.

13 MR. KUTIK: Yes, there has been, your
14 Honor. She said the company has a proposal. The
15 Commission can direct.

16 MR. SETTINERI: That's not the question.

17 EXAMINER PRICE: Let's -- we are spending
18 way too much time on this topic. Let's go ahead and
19 answer the question, and we will move on to other
20 topics here.

21 A. I am not opposed to Dr. Choueiki's
22 recommendation.

23 Q. Okay. Would you be opposed to any
24 Commission directive to install smart meters and
25 related infrastructure throughout the companies'

1 service territories for all customers as a condition
2 of rider DMR?

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

5 EXAMINER PRICE: You may.

6 (Record read.)

7 A. Assuming the companies received cost
8 recovery, and that it made sense to fully deploy
9 smart meters across the entirety of the companies'
10 service territory, I would not be opposed to that.

11 Q. All right. What about would you be
12 opposed to a time frame for any implementation of a
13 smart meter rollout?

14 A. I would need more specifics on that,
15 because, as a practical matter, it requires
16 resources, both physical and human, in order to
17 implement the work. So without a time frame, I can't
18 answer that question, sir.

19 Q. Okay.

20 EXAMINER PRICE: You don't want us to
21 order full deployment next week?

22 THE WITNESS: No, sir.

23 EXAMINER PRICE: Fair enough.

24 Q. And just to be clear for the record, any
25 cost recovery of a smart meter implementation, that

1 would be in addition to the monies collected under
2 rider DMR, correct?

3 A. Yes.

4 Q. The S&P and Moody's credit rating of FE
5 Corp. and the companies were the same in August 2014
6 as they are today, correct?

7 A. No.

8 Q. And how are they different?

9 A. I believe on April 28 of 2016, Moody's
10 put FirstEnergy Corp. on a negative outlook which is
11 different than where they would have been, I believe,
12 in 2014, as suggested in your question.

13 Q. And today FE Corporation's rating from
14 Moody's is Baa3, correct?

15 A. Yes.

16 Q. And in August of 2014, it was also Baa3,
17 correct?

18 A. Correct, but it currently has a negative
19 outlook attached to it, which it did not have then.

20 Q. And FE Corp. has had a negative
21 CreditWatch attached to it in the past, too, correct?

22 MR. KUTIK: Objection.

23 EXAMINER PRICE: Grounds?

24 MR. KUTIK: Relevance.

25 EXAMINER PRICE: She can answer if she

1 knows.

2 A. May I ask you to be more specific, sir?

3 Q. As of today, FE Corp. has a negative
4 CreditWatch, correct? Is under a negative
5 CreditWatch, correct?

6 A. S&P -- S&P, not Moody's, has the company
7 on a -- pardon me, negative outlook, as does Moody's;
8 negative outlook, not negative CreditWatch.

9 Q. And this is not the first time that FE
10 Corp. has been on a negative outlook under Moody's,
11 correct?

12 A. I don't -- I don't recall.

13 Q. Okay. And if you wanted to determine a
14 Moody's credit rating for FE Corp. for a certain
15 period, you could review the Moody's rating actions,
16 correct?

17 A. I'm sorry. May I have the question read,
18 sir?

19 EXAMINER PRICE: You may.

20 (Record read.)

21 A. I believe historical credit ratings are
22 available if that's your question, sir.

23 Q. Yeah. To the extent you are aware, in
24 2011, would you agree that Moody's had FE Corp. at a
25 Baa3 in 2011?

1 A. I don't recall.

2 Q. Would it help to refresh your
3 recollection if we looked at a Rating Action Report
4 from Moody's in that time period?

5 A. Yes.

6 MR. SETTINERI: If I may approach, your
7 Honor?

8 EXAMINER PRICE: You may.

9 Q. Ms. Mikkelsen, I have handed you a
10 Moody's rating action that was dated February 25,
11 2011. Looking at this document, on the rating
12 section towards the bottom of the page, would that
13 refresh your recollection as to what the ratings were
14 for FirstEnergy Corp. and the companies?

15 A. I'm sorry. Where did you direct my
16 attention, sir?

17 Q. It would be the bottom of the second
18 page, there is a ratings listings.

19 MR. KUTIK: On the page that says page 3
20 of 5?

21 Q. Page 2 of 5.

22 A. I see ratings there for the companies.

23 Q. Yeah. Actually, the first paragraph,
24 page 2 of 5, you want to look at that as well for
25 FirstEnergy Corp.

1 A. I see that reference.

2 Q. Okay. Looking at this document, does it
3 refresh your recollection that the ratings -- credit
4 ratings for Moody's for FirstEnergy Corp. as of
5 February -- as of February 25, 2011, was a Baa3?

6 A. Yes.

7 Q. Okay. And for the companies, CEI was
8 Baa3, Ohio Edison was Baa2, and Toledo Edison was a
9 Baa3, correct?

10 A. Yes.

11 Q. Okay. And do you rely on Moody's rating
12 actions in your reviews -- strike that.

13 Do you rely on Moody's rating actions as
14 part of your business activities for FirstEnergy
15 Corp.?

16 A. I don't know that I would characterize it
17 as relying upon them. I'm certainly mindful of them.

18 Q. In fact, you relied -- you used the
19 Moody's ratings in your testimony, correct?

20 A. My testimony proposed modifications to a
21 calculation proposed by staff which looked at a
22 certain specific credit metric.

23 Q. If you could turn back to the transcript
24 I gave you earlier. And this was to refresh your
25 recollection of the earnings call. If you could turn

1 to page 11 of that transcript. You'll see towards
2 the second Jim Pearson -- the first Jim Pearson
3 answer, if you look at that. Do you see the
4 reference that says "As Chuck said, we ultimately
5 intend to be a fully regulated company"?

6 A. I see that reference.

7 Q. All right. Does that refresh your
8 recollection that on the earnings call there were
9 statements from FirstEnergy management that
10 FirstEnergy Corp. intends to be a fully regulated
11 utility holding company?

12 MR. KUTIK: Objection.

13 EXAMINER PRICE: Grounds?

14 MR. KUTIK: Well, that's not what this
15 says, No. 1.

16 EXAMINER PRICE: Mr. Settineri?

17 MR. SETTINERI: Just asking if it
18 refreshed her recollection. She listened to the
19 call. I would also -- why don't we --

20 EXAMINER PRICE: Why don't you rephrase
21 the question.

22 Q. (By Mr. Settineri) Let me add another
23 question to be helpful. If you could turn to page 4.

24 MR. KUTIK: I am sorry?

25 MR. SETTINERI: Page 4.

1 EXAMINER PRICE: You have a question?
2 Why don't you rephrase your prior question or
3 withdraw it.

4 MR. SETTINERI: Well, I can back up even
5 further, if I may.

6 EXAMINER PRICE: Okay.

7 Q. Ms. Mikkelsen, if you could look at
8 page 11, Mr. Pearson's answer, as well as page 4, the
9 third paragraph from the bottom which is an answer
10 from Mr. Jones. And it's the paragraph that starts
11 "As I have stated many times...." Do you see that?

12 A. I do.

13 Q. Okay. Does that refresh your
14 recollection that on the earnings call of FirstEnergy
15 Corp. -- FirstEnergy management noted that the
16 FirstEnergy Corp.'s long-term goal was to separate as
17 a fully regulated utility company?

18 A. That's what the document says which is
19 different than my recollection of the questions you
20 were asking me earlier, sir.

21 Q. Okay. Does that refresh your
22 recollection that those discussions happened on the
23 July 29, 2016, quarterly earnings call?

24 MR. KUTIK: I'll object. What
25 discussions are we talking about?

1 EXAMINER PRICE: Discussions on page 4
2 and page 11.

3 A. Yes.

4 Q. Thank you.

5 Ms. Mikkelsen, there was some questions
6 earlier about the amounts that make up your proposed
7 rider DMR, and I understand you have the 558 million
8 number and then a number from Ms. Murley at 568. Am
9 I correct that both of those amounts, if the
10 Commission was to improve -- approve a rider DMR on
11 the 558 plus an additional amount of 568, that those
12 amounts are for credit support?

13 MR. KUTIK: Objection.

14 EXAMINER PRICE: Grounds?

15 MR. KUTIK: First, she didn't say the
16 additional amount would be 568.

17 EXAMINER PRICE: Mischaracterizes her
18 testimony?

19 MR. KUTIK: Yes, your Honor.

20 EXAMINER PRICE: Sustained.

21 Q. (By Mr. Settineri) Ms. Mikkelsen, in your
22 testimony you provide a base amount of 558 million
23 for rider DMR, correct?

24 A. I don't characterize it as a "base
25 amount," but I do say that rider DMR should include

1 \$558 million per year for credit support.

2 Q. And then you have an additional amount
3 not to exceed the economic development value outlined
4 by Company Witness Murley, correct?

5 A. I propose that the Commission provide an
6 additional amount to recognize the value of the
7 condition placed on the companies with respect to the
8 headquarters and the nexus of operations.

9 Q. And that additional amount would be for
10 credit support, correct?

11 A. The additional amount, I believe, would
12 provide credit support.

13 Q. Now, rider RRS, as modified, does not
14 contain an additional amount to keep the headquarters
15 in Akron, correct?

16 A. Yes.

17 Q. If you go to your workpaper at page 13,
18 please -- sorry, page 13 of your testimony.

19 A. Go to page 13 of my testimony?

20 Q. Your testimony. I think I said
21 "workpaper." I was corrected by my co-counsel.

22 A. Thank you. I'm there.

23 Q. Okay. The line that has the numbers 590,
24 799, and 1 -- well, it's 1 billion, 290 million, but
25 let's -- let me back up.

1 The row with those figures, the "590"
2 represents \$590 million, correct?

3 A. Yes.

4 Q. "799" is \$799 million, correct?

5 A. Yes.

6 Q. And the last figure is 1.29 billion
7 dollars, correct?

8 A. Yes.

9 Q. If I average those three numbers
10 together, that would give me the short CFO short --
11 the -- it would give me the average CFO shortfall
12 across the entire FE Corp. family, correct?

13 A. Yes.

14 Q. And so, subject to check, that would be
15 \$893 million.

16 A. I haven't performed that calculation.

17 Q. Let's assume that number is correct and
18 subject to your check. If I subtract, then, the
19 allocated average annual CFO shortfall of 357 million
20 from that number, that would give me \$536 million a
21 year, which would represent 60 percent or the rest of
22 the CFO shortfall, correct?

23 A. Yes.

24 Q. And so under your rider DMR proposal, if
25 the additional amount not to exceed is approved by

1 the Commission in an amount equal to 568 million,
2 that amount would recover the remaining shortfall of
3 60 percent, correct?

4 MR. KUTIK: Objection, your Honor.
5 That's not her testimony.

6 EXAMINER PRICE: I think he is just
7 phrasing a hypothetical. Overruled.

8 A. If your question to me is if the
9 Commission approves an additional value to be
10 included in rider DMR equal to \$568 million per year,
11 is that larger than \$536 million per year? The
12 answer is yes.

13 Q. Okay. And if the Commission does approve
14 that rider DMR amount as we just discussed, in that
15 event the ratepayers of the companies will be paying
16 the entire 100 percent of the CFO shortfall, correct?

17 A. Under your hypothetical, yes. I would
18 not necessarily expect the Commission to take that
19 action.

20 Q. Okay. Are you then recommending that the
21 additional amount not to exceed should be less than
22 568 million?

23 A. No. I am recommending that the
24 Commission make a judgment and determination about
25 what the appropriate value is to include in rider

1 DMR.

2 Q. A goal of rider DMR is to keep the
3 companies and FE Corp. at investment grade, correct?

4 A. I don't think rider DMR is designed to
5 keep the companies and FE Corp. at the 15-percent
6 target level. It would require other actions within
7 the FirstEnergy Corporation in order to achieve that
8 level.

9 Q. Understanding that rider DMR is, in your
10 view, one piece of the puzzle, would you agree,
11 though, that rider DMR's contribution is intended to
12 keep the companies and FE Corp. at an investment
13 grade credit rating?

14 A. I think staff's testimony is it should
15 contribute to that goal, but it is not designed to
16 assure that outcome. Other constituents have a role
17 in that outcome.

18 Q. Okay. So maintaining the companies' and
19 FE Corp.'s current ratings would be a successful
20 outcome, correct?

21 A. A successful outcome of what, sir?

22 Q. Of rider DMR.

23 A. Again, rider DMR, as proposed, is not
24 designed to assure the maintenance of the existing
25 credit ratings. It needs to be taken in concert with

1 other actions taken by FirstEnergy and its
2 subsidiaries.

3 Q. But, again, a successful outcome -- one
4 successful outcome of rider DMR would be to maintain
5 FE Corp.'s and the companies' current credit ratings
6 over the term of the ESP IV, correct?

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

9 EXAMINER PRICE: Sustained.

10 MR. SETTINERI: If I could have a minute?

11 Q. Would you agree with me that a change in
12 control could result through a majority purchase of
13 the shares of FE Corp.?

14 A. Yes.

15 Q. And in that case there may be no
16 relocation of the companies' headquarters, correct?

17 A. I think that would be very dependent upon
18 who is acquiring the majority share of the stock.

19 Q. Do you agree that grid modernization --
20 strike that.

21 Do you agree that grid modernization
22 should not implement any barriers that would prevent
23 an array of innovative products and services by CRES
24 providers?

25 MR. KUTIK: Objection.

1 EXAMINER PRICE: Grounds?

2 MR. KUTIK: Relevance.

3 EXAMINER PRICE: Didn't we go over this?

4 MR. SETTINERI: It's a much better
5 question.

6 MR. KUTIK: But the same irrelevant
7 topic.

8 EXAMINER PRICE: She can answer this one
9 question.

10 A. Again, I am not clear on the question
11 what you refer to as "barriers," and without having
12 greater specificity with respect to "barriers," it's
13 difficult for me to agree to that type of a broad
14 statement.

15 MR. SETTINERI: It sounds familiar. With
16 that, I have no more questions, your Honor. Thank
17 you.

18 EXAMINER PRICE: Thank you.

19 Mr. Hays?

20 MR. HAYS: Excuse me, your Honor.

21 No questions, your Honor.

22 EXAMINER PRICE: Thank you.

23 Mr. Royer?

24 MR. ROYER: No questions. Thank you.

25 EXAMINER PRICE: Let's take -- let's go

1 off the record for a moment.

2 (Discussion off the record.)

3 EXAMINER PRICE: Let's go back on the
4 record.

5 At this time, on my own motion, we are
6 going to remark what is previously marked as OCC
7 Exhibit 46, which was the S&P ratings watch document
8 as OCC 47.

9 MS. WILLIS: Thank you, your Honor.

10 MR. KUTIK: Is that because there was
11 already a 46?

12 EXAMINER PRICE: Yes.

13 Ms. Bojko, you may proceed.

14 MS. BOJKO: Thank you, your Honor.

15 - - -

16 CROSS-EXAMINATION

17 By Ms. Bojko:

18 Q. Good evening, Ms. Mikkelsen.

19 A. Good evening, Ms. Bojko.

20 Q. I'll try not to ask anything that's been
21 asked today, but since I haven't been here, I can't
22 promise that. Try to get you out of here quickly
23 though.

24 Turn to page 17 and 18 of your testimony.
25 And on page 18, starting at line 1, you list the

1 Public Utilities Commission proceedings from other
2 states served by FirstEnergy Corp.'s subsidiaries; is
3 that correct?

4 A. Yes.

5 Q. And if we look at the New Jersey, there
6 are two cases listed under New Jersey; is that
7 correct?

8 A. There are two bullets listed under New
9 Jersey.

10 Q. Okay. The recovery of -- so there are
11 three cases? Is the recovery of the 2011 and '12
12 storm costs, totaling \$736 million, two separate
13 cases?

14 A. I don't recall whether that application
15 was one application or two.

16 Q. The -- well, it's true that the order or
17 orders were issued in 2015; is that correct?

18 A. Yes.

19 Q. And the collection of costs occurred
20 shortly after the order?

21 A. Yes.

22 Q. And the pending rate case in New Jersey,
23 seeking \$142 million annually, that case was filed
24 April 20, 2016; is that correct?

25 A. Yes.

1 Q. And the collection of costs are proposed
2 to begin January 2017?

3 A. Yes.

4 Q. Going to the Pennsylvania cases, an order
5 was issued in the 2015 rate case in Pennsylvania in
6 2015; is that correct?

7 A. The order was issued in 2015, yes.

8 Q. And collection of costs began shortly
9 after that order was issued in 2015?

10 A. Yes, I believe May of 2015.

11 Q. The four rate cases pending in the four
12 jurisdictions in Pennsylvania, seeking the
13 \$439 million annually, were all filed on April 28,
14 2016; is that correct?

15 A. Yes.

16 Q. And collection of those costs are
17 proposed to begin January 2017; is that correct?

18 A. Yes.

19 Q. The Pennsylvania capital recovery
20 filings, an order was issued in those cases in late
21 2015 or early 2016; is that correct?

22 A. Yes.

23 Q. And you do not recall when the recovery
24 was proposed to begin? Or do you recall when the
25 recovery of those costs was proposed to begin?

1 A. I think there is recovery that began very
2 recently associated with those filings of a very
3 modest amount.

4 Q. And the West Virginia 2015 rate case
5 that's cited on page 18, an order was issued in that
6 case in 2015; is that correct?

7 A. Yes.

8 Q. And when was the transfer of MonPower,
9 when did that occur -- or Harrison asset transfer to
10 MonPower?

11 A. I don't recall the specific date.

12 Q. Do you recall the year?

13 A. I recall that recovery of costs arising
14 from the Harrison asset transfer would have begun in
15 early 2015.

16 Q. On page 18 of your testimony, lines 16
17 through 18, you discuss OMAEG Witness Thomas Lause;
18 is that correct?

19 A. Yes.

20 Q. Did you read Mr. Lause's testimony?

21 A. I did.

22 Q. Do you have a copy of Mr. Lause's
23 testimony in front of you?

24 A. No.

25 MS. BOJKO: Your Honor, may we approach?

1 EXAMINER PRICE: You may.

2 MS. BOJKO: Mr. Lause's testimony has
3 previously been marked as OMAEG Exhibit 39.

4 MR. KUTIK: We are talking about his
5 rebuttal testimony?

6 MS. BOJKO: Yes. Thank you.

7 Q. Turn to page 9 and 10 of his testimony.
8 You reference page 9 and 10 of Mr. Lause's rebuttal
9 testimony on page 18 of your testimony, correct?

10 A. Yes.

11 Q. You would agree that the Question and
12 Answer beginning on page -- on line 1 of page 9,
13 speaks to other actions that FirstEnergy Corp. could
14 take to maintain its credit rating an investment
15 grade in lieu of staff's proposal, correct?

16 MR. KUTIK: Objection.

17 EXAMINER PRICE: Grounds?

18 MR. KUTIK: Your Honor, look at line 3 of
19 Mr. Lause's testimony. In other words, the question
20 is irrelevant in terms of the point that
21 Ms. Mikkelsen is making which appears on line 3, so I
22 am just directing her. The question is improper.

23 MS. BOJKO: Your Honor, obviously, I
24 disagree with Counsel's characterization of
25 Mr. Lause's testimony. He is responding to the

1 question posed to him in his answer.

2 EXAMINER PRICE: The objection is
3 overruled.

4 MS. BOJKO: Thank you.

5 EXAMINER PRICE: You can answer the
6 question.

7 THE WITNESS: I'm sorry. May I have the
8 question reread, please?

9 (Record read.)

10 A. That's what the question says, yes.

11 Q. And the staff's proposal was filed on
12 June 29, 2016, correct?

13 A. Yes.

14 Q. And staff -- per staff's proposal, the
15 proposed DMR rider is proposed to take effect
16 sometime after approval of staff's proposal; is that
17 correct?

18 A. I think that's correct, yes.

19 Q. So either sometime in 2016 or 2017; is
20 that correct?

21 A. Well, I have every expectation there
22 would be resolution in 2016.

23 Q. Let's turn to page 11 of your testimony,
24 please. Page 11, lines 8 to 9 of your testimony, you
25 state that, "Accordingly, Mr. Buckley's calculation

1 should be modified to reflect the average tax rate
2 for the Companies, which is approximately
3 36 percent." Is that correct?

4 A. Yes.

5 Q. Which period of time does the 36 percent
6 average tax rate apply to?

7 A. This would have been included in a rider
8 DCR update filing for July 1 of 2015.

9 Q. And the companies did not consider
10 whether any other tax rate, other than the one that
11 was provided in the rider DCR update filing, was
12 appropriate; is that correct?

13 A. The companies' composite tax rate does
14 not change frequently or dramatically, so I feel like
15 this is a representative suggestion --

16 Q. So no --

17 A. -- for use in the calculation.

18 Q. I'm sorry. I didn't mean to interrupt.
19 So the answer is no, you didn't consider any other
20 tax rate?

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

23 EXAMINER PRICE: Well, she didn't exactly
24 answer it. She is just answering a more narrow --
25 asking a more narrow question, trying to get a "yes"

1 or "no" answer.

2 A. No.

3 Q. Do you know whether the 36 percent
4 average tax rate accounts for any exceptions,
5 deductions, or credits claimed by the companies that
6 reduce their taxable income?

7 A. I think the 36 percent reflects the
8 companies' composite tax rate.

9 Q. Do you know specifically whether the
10 36 percent tax rate accounts for reductions to
11 taxable income that arise from the effects of
12 claiming bonus depreciation?

13 A. I don't.

14 Q. It's true that claiming bonus
15 depreciation would reduce the companies' taxable
16 income, right?

17 A. Yes.

18 Q. Ms. Mikkelsen, have you conducted an
19 analysis on the impact of the companies'
20 modifications to staff's proposal on other
21 manufacturers in the State of Ohio?

22 THE WITNESS: May I ask to have the
23 question reread, please?

24 EXAMINER PRICE: You may.

25 (Record read.)

1 A. The analysis that I conducted was to look
2 at the modifications to rider DMR and compare those
3 to the reductions in the generation rates from
4 '15-'16 to '16-'17. And when I compare the reduction
5 in generation rates as offset by the proposal with
6 respect to rider DMR, I conclude that customers will
7 be paying less in '16-'17 in total, when you
8 aggregate those two, than they were in '15-'16.

9 Q. Under the staff's proposal, as compared
10 to the company's proposal.

11 A. No. The comparison I made was the
12 staff's proposal as modified by the companies', to
13 the reduction in generation rates.

14 Q. And you didn't conduct any other analysis
15 besides that one?

16 A. That was the analysis I conducted.

17 Q. And have you conducted any analysis on
18 whether the increase in electric costs to consumers
19 from an additional rider, how that will impact the
20 consumer's ability to invest additional dollars in
21 the State of Ohio?

22 A. Again, the analysis that I conducted
23 looked at the rates customers were paying in total.
24 And when I compare the rates that they would pay in
25 '16-'17, including modified -- rider DMR as modified

1 by the company, to the rates that they paid in
2 '15-'16, the rates that they pay in '16-'17 would be
3 lower.

4 Q. And you are stating that they would be
5 lower because of the generation rate, the cost of
6 electricity, because the market rates are lower?

7 A. Yes.

8 Q. So but for the lower market rates, if an
9 additional rider is added to a customer's bill, they
10 will be paying more than what they would otherwise
11 pay without that rider, correct?

12 A. I think that's true.

13 Q. And you haven't done any analysis of that
14 additional amount keeping the generation rates
15 constant, you haven't done any analysis on what the
16 effect of that additional charge will be on a
17 customer's business; is that correct? With and
18 without the charge?

19 A. Well, it wouldn't make sense to me to
20 hold the generation rates constant when I know that
21 the generation rates resulting from our competitive
22 bid process are over \$15 a megawatt-hour lower in
23 '16-'17 than they were in '15-'16.

24 Q. And those generation rates are lower than
25 what the companies originally projected with regard

1 to the companies' modified rider RRS proposal; is
2 that correct?

3 A. The companies' modified rider RRS
4 proposal did not include an estimate for the clearing
5 price from the competitive bid process.

6 Q. Well, you included it from rider RRS.
7 You carried forward, correct?

8 MR. KUTIK: Objection.

9 EXAMINER PRICE: Grounds?

10 MR. KUTIK: Mischaracterizes her
11 testimony.

12 EXAMINER PRICE: Sustained.

13 Q. You -- you included the projections that
14 were made by the companies in the original rider RRS
15 proposal when the company made its modified rider RRS
16 proposal, correct?

17 MR. KUTIK: Well, now I'll object, your
18 Honor.

19 EXAMINER PRICE: Grounds?

20 MR. KUTIK: Beyond the scope of her
21 rebuttal -- surrebuttal.

22 EXAMINER PRICE: She's just asking a
23 foundation question. Overruled.

24 A. The companies did not change the
25 projections as part of the modified proposal. But

1 those projections were not projections of an SSO
2 competitive bid process clearing price.

3 Q. Well, but the SSO projected clearing
4 price is as a result of the function of the market,
5 correct? It's a competitive auction?

6 A. That's right.

7 Q. And those rates, those SSO rates, have
8 declined or decreased since 2015; is that correct?

9 A. Yes.

10 Q. You would agree with me that the staff
11 proposal would add additional costs above and beyond
12 the generation rates that are set by the competitive
13 market?

14 MR. KUTIK: May I have the question read,
15 please?

16 EXAMINER PRICE: You may.

17 (Record read.)

18 A. The staff-proposed rider DMR is a
19 different charge than the SSO rider GEN charge.

20 Q. And you have not done any analysis what
21 the effect of that additional charge will have on
22 customers, the additional charge; is that correct?

23 A. Not beyond the analysis I already
24 described in looking at the customer's bill in total.

25 Q. This is foundational, please bear with

1 me. Your proposal is for the credit support rider to
2 be set at \$558 million, correct?

3 A. The companies' proposal is that the
4 Commission approve rider RRS.

5 Q. Modified rider RRS or rider --

6 A. Correct.

7 Q. Correct.

8 A. The proposal, right.

9 Q. Sorry. Okay.

10 Your modifications to staff proposal
11 would set a DMR revenue at 558; is that correct?

12 MR. KUTIK: Million.

13 MS. BOJKO: Million. Thank you.

14 A. It would set a rider DMR value at
15 \$558 million a year, plus an additional amount to be
16 determined by the Commission to reflect the value of
17 the condition imposed upon the companies with respect
18 to retention of the corporate headquarters and nexus
19 of operations in Akron, Ohio.

20 Q. Thank you.

21 And I know you have been asked these
22 questions before, but for foundational purposes, that
23 additional is up to 586 million; is that correct?

24 MR. KUTIK: Well, we don't need
25 foundation at this point, your Honor. It's already

1 in the record what's been said about this. So I'll
2 object as asked and answered.

3 EXAMINER PRICE: Sustained.

4 Q. (By Ms. Bojko) Under the companies'
5 modified DMR rider, the cost to consumers could
6 become \$1.126 billion annually; is that correct?

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

9 EXAMINER PRICE: Why don't you just go to
10 the follow-up question after the foundation.

11 MS. BOJKO: It doesn't work.

12 EXAMINER PRICE: It doesn't work?

13 MS. BOJKO: No.

14 EXAMINER PRICE: Okay. Then we will give
15 you a little bit of leeway. Go ahead and answer the
16 question.

17 A. Again, the companies' proposal is that
18 staff's proposed rider DMR, as modified, should be
19 set at \$558 million a year, plus an additional amount
20 to be determined by the Commission to reflect the
21 value associated with the condition of maintaining
22 the corporate headquarters and nexus of operations.

23 Q. And so the total costs to consumers could
24 be \$1.126 billion; is that correct?

25 MR. KUTIK: Objection, asked and

1 answered.

2 EXAMINER PRICE: Overruled.

3 You can answer if you know.

4 A. I think the total cost to customers will
5 be dependent upon whatever value the Commission
6 places on the condition of maintaining the corporate
7 headquarters and the nexus of operations in Akron,
8 Ohio.

9 Q. And the companies are not proposing a cap
10 or an outside limit on the amount that the Commission
11 could set for that value of the headquarters
12 remaining in Akron, Ohio?

13 A. I think the companies recognize, for
14 purposes of the ESP versus MRO test, that in order to
15 have a quantitative benefit, there needed to be a
16 recognition it was for that purpose that they would
17 have included that statement.

18 Q. So, hypothetically, if the Commission
19 does agree with the value set forth in Ms. Murley's
20 testimony, under the companies' modified rider DMR,
21 the total could be 1.26 -- \$1.126 million?

22 MR. KUTIK: This question was asked and
23 answered, your Honor, by Mr. Fisk.

24 EXAMINER PRICE: Sustained.

25 Q. Now knowing the answer, if -- and this --

1 you're proposing the companies' modification to the
2 rider DMR for eight years, correct?

3 A. Yes.

4 Q. So --

5 MR. KUTIK: If she is going to do the
6 multiplication, we have been through that one, too,
7 your Honor.

8 EXAMINER PRICE: Let her ask her question
9 before you object to it.

10 MS. BOJKO: Nobody on this side of the
11 room heard the multiplication, so.

12 EXAMINER PRICE: Go ahead and ask.

13 Q. (By Ms. Bojko) So if -- if the Commission
14 did determine that the value of the extra amount
15 associated with the headquarters remaining in Akron
16 was \$1.126 billion annually, the total for the eight
17 years of the proposed DMR rider by the companies'
18 modification to staff's proposal is \$9.008 billion;
19 is that correct?

20 MR. KUTIK: Objection.

21 EXAMINER PRICE: Grounds?

22 MR. KUTIK: Asked and answered.

23 EXAMINER PRICE: I actually don't recall
24 if Mr. Fisk asked this question. You can answer if
25 you know.

1 THE WITNESS: I need to have the question
2 reread. I don't think it was a proper question.

3 MR. KUTIK: Yeah. And also that's not
4 the companies' proposal.

5 EXAMINER PRICE: That's a different
6 answer. Let's go ahead and have the question back
7 again.

8 MR. KUTIK: That's why it's irrelevant,
9 your Honor.

10 (Record read.)

11 MR. KUTIK: I will renew my objection.
12 That mischaracterizes her testimony.

13 MS. BOJKO: I will withdraw the question,
14 your Honor. I will try again.

15 EXAMINER PRICE: Okay.

16 Q. (By Ms. Bojko) If the companies'
17 modification to staff's proposal concerning rider DMR
18 is approved, and the Commission allows \$1.126 billion
19 to be collected from customers annually, if the rider
20 is in place for eight years, the total amount that
21 could be collected from customers under the
22 companies' modifications to staff's proposed rider
23 DMR equals \$9.008 billion, correct?

24 MR. KUTIK: I'm sorry to do this. May I
25 have the question read?

1 EXAMINER PRICE: You may.

2 (Record read.)

3 MR. KUTIK: The question mischaracterizes
4 the witness's testimony. The witness never said the
5 companies' modification would have any amount at that
6 level.

7 EXAMINER PRICE: I will allow the witness
8 to answer the question any way she wants.

9 A. The companies' proposed modification to
10 the staff's calculation for rider DMR creates a value
11 for rider DMR of \$558 million. The companies'
12 propose then that the Commission determine an
13 additional value to be included in rider DMR to
14 reflect the value of the condition imposed by the
15 staff in their proposal with respect to the
16 headquarters and nexus of operations being located in
17 Akron, Ohio.

18 Q. Assuming that the Commission approved the
19 companies' modification to staff's rider DMR proposal
20 and allowed \$558 million collected from customers,
21 plus the additional amount for the values associated
22 with the headquarters located in Akron, up to the
23 maximum amount proposed by the companies of
24 \$568 million, for a total of \$1.126 billion per year
25 for eight years, the total amount that could be

1 collected from customers equals \$9.008 billion,
2 correct?

3 MR. KUTIK: Objection, asked and
4 answered. Also mischaracterizes her testimony.

5 EXAMINER PRICE: Sustained on both
6 grounds. As long as you are throwing numbers out
7 there, why don't you waive the cap and say if the
8 Commission approves \$5 billion a year, then multiply
9 that by 8. You are just throwing things out there
10 that aren't in her testimony. And I think we have
11 trod this ground thoroughly.

12 MS. BOJKO: I'm sorry. You are saying up
13 to the maximum of 568 million?

14 EXAMINER PRICE: I'm saying as long as
15 you are making up hypotheticals, make up a different
16 number all together. They are not asking for 569
17 million dollars or whatever it is.

18 MS. BOJKO: They're not?

19 EXAMINER PRICE: Well, not from -- they
20 put -- she already explained why they put an outlying
21 cap on that for the purpose of the MRO test. She has
22 answered this question three or four times for you
23 and three or four times for everybody else. I think
24 we have trod this ground. You are just trying to get
25 a highly-prejudicial number out there that has no

1 basis in reality.

2 MS. BOJKO: Well, your Honor, I object to
3 the -- to that, because I think her testimony --

4 EXAMINER PRICE: Your objection is noted.
5 Let's move on.

6 MS. BOJKO: -- absolutely states that.

7 EXAMINER PRICE: I think we've trod this
8 ground.

9 MS. BOJKO: I am sorry. I was at another
10 hearing, so I did not hear the ground trod.

11 EXAMINER PRICE: I think we've trod this
12 ground with you.

13 MS. BOJKO: If I could have two minutes
14 to look through the notes to make sure all of our
15 other questions have been answered today, I would
16 appreciate it.

17 EXAMINER PRICE: No problem. I'll ask
18 the follow-up question just to get it on the record.
19 Is the company asking for \$9 billion as part of rider
20 DMR?

21 THE WITNESS: No.

22 EXAMINER PRICE: Thank you.

23 MS. BOJKO: I guess I have a follow-up
24 question based on your question, your Honor. And I
25 guess I'm confused now.

1 Q. (By Ms. Bojko) Is the cap for the value
2 associated with the headquarters remaining in Akron
3 \$568 million?

4 MR. KUTIK: Objection.

5 EXAMINER PRICE: Grounds?

6 MR. KUTIK: There is no cap. She never
7 talked about it as a cap.

8 EXAMINER PRICE: Sustained.

9 Please rephrase your question.

10 Q. The amount not to exceed contained in
11 your testimony for the value of the headquarters
12 remaining in Akron is \$568 million?

13 MR. KUTIK: Objection.

14 EXAMINER PRICE: Grounds?

15 MR. KUTIK: Asked and answered.

16 EXAMINER PRICE: We will allow this one.

17 A. The amount not to exceed as stated in my
18 testimony is the economic development value laid out
19 in Ms. Murley's testimony.

20 Q. Which is \$568 million.

21 A. Yes.

22 MS. BOJKO: I have nothing further. Your
23 Honor, thank you.

24 Thank you, Ms. Mikkelsen.

25 THE WITNESS: Thank you, Ms. Bojko.

1 EXAMINER PRICE: Mr. McNamee at long
2 last.

3 MR. McNAMEE: Thank you.

4 - - -

5 CROSS-EXAMINATION

6 By Mr. McNamee:

7 Q. Good evening, Ms. Mikkelsen.

8 A. Good evening, sir.

9 Q. There is no "billions" in any of my
10 questions.

11 A. Fortunately.

12 Q. In your testimony you state that 2015 is
13 not an appropriate year to use in the staff's
14 calculation due to a capacity strike in the ATSI
15 zone. Do you remember that? It's at page 10,
16 lines 11 -- excuse me, page 10, lines 15 through 18.

17 MR. KUTIK: Did you say "strike"? I
18 think you said "strike."

19 EXAMINER PRICE: You said "strike."

20 MR. McNAMEE: I did?

21 MR. KUTIK: It's "spike."

22 MR. McNAMEE: Oh, "spike." Excuse me.

23 A. I think I pointed to two reasons why 2015
24 wasn't appropriate for inclusion. One of those
25 reasons was the higher capacity value in the ATSI

1 zone in the '15-'16 year. And the other reason was
2 that it was not a December 31 year-end value like the
3 other years in the sample.

4 Q. Okay. Fair enough. Let's talk about
5 this spike. Was there a corresponding spike in
6 capacity associated expenses in 2015 that might have
7 offset the capacity revenues?

8 A. The capacity revenues that I'm talking
9 about here are the revenues for the unregulated
10 utility -- pardon me, the unregulated entities, so
11 there would be no difference in the expense, year to
12 year, for those. As opposed to the regulated
13 utilities, where, if you are thinking about it,
14 that's not what I am referring to.

15 Q. Okay. The capacity revenue spike in 2015
16 would cause more revenue to be recorded by the
17 companies as an increase in revenue then, wouldn't
18 it?

19 A. By "the companies," do you mean the
20 utilities' companies?

21 Q. Yes.

22 A. If capacity prices are higher, the
23 generation rates for the nonshopping customers of the
24 companies would be higher, and so the revenues would
25 be higher; but the expenses to the utilities, to pay

1 for that capacity, would be commensurately higher as
2 well, netting to no impact from a CFO-to-debt metric
3 perspective.

4 MR. McNAMEE: Okay. That's all I have.

5 THE WITNESS: Thank you, sir.

6 EXAMINER PRICE: Mr. Kutik?

7 MR. KUTIK: May I have a minute, your
8 Honor?

9 EXAMINER PRICE: You may.

10 Let's go off the record.

11 (Discussion off the record.)

12 EXAMINER PRICE: Let's go back on the
13 record, please.

14 Mr. Kutik.

15 - - -

16 REDIRECT EXAMINATION

17 By Mr. Kutik:

18 Q. Ms. Mikkelsen, you, in response to a
19 question from Ms. Willis about determining whether
20 something was retroactive ratemaking, you indicated
21 you would need to see the order to make a
22 determination about that. Do you need to do that to
23 make a determination as to whether Dr. Duann's
24 proposal would be retroactive ratemaking in your
25 view?

1 MS. WILLIS: Objection. My questions --
2 I think that's beyond the scope of my questions. I
3 never, never, and I made it a point not to ask
4 Ms. Mikkelsen about Dr. Duann's proposal. I
5 understand where she is on Dr. Duann's proposal. All
6 my questions went to the companies' proposal and
7 determining whether the companies' proposal was
8 retroactive or not.

9 MR. KUTIK: Your Honor?

10 EXAMINER PRICE: Mr. Kutik.

11 MR. KUTIK: The questions were asked in
12 the deposition testimony that was given related to
13 Dr. Duann's testimony.

14 EXAMINER PRICE: Well, I think it was
15 ambiguous. The point of the whole discussion was it
16 was ambiguous whether she was asking her questions
17 about Duann or not, and that's why I agreed it was
18 improper impeachment. If she's stipulating now
19 nothing she was asking was related to Dr. Duann, then
20 that clarifies the matter. So I am going to grant --
21 I am going to sustain the objection.

22 Q. (By Mr. Kutik) You were asked some
23 questions about the quantification of economic
24 development benefits by Ms. Murley, and that
25 quantification that you were aware of was solely in

1 Ms. Murley's testimony. Are you aware of other
2 economic development benefits of rider DMR?

3 A. Yes. There would be additional economic
4 development benefits associated with rider DMR.
5 There would be economic development benefits arising
6 from the dollars being spent both, from a human
7 resource and physical resource perspective, in terms
8 of jobs and purchases of equipment that would provide
9 economic development in the companies' service
10 territories.

11 Additionally, there would be economic
12 development benefits that arise from grid
13 modernization insomuch as the grid is -- as the grid
14 modernization -- pardon me, as the modification --
15 modernization of the grid work occurs, customers will
16 have the opportunity to select products that will
17 help them better control and manage their energy
18 spent, which will give rise to economic development
19 benefits.

20 Further, the modernized grid will reduce
21 outages and improve reliability for our customers
22 which, in turn, will provide economic development
23 benefits throughout the companies' service
24 territories.

25 So I think when I think of rider DMR, I

1 think of all of those things as economic development
2 and job retention benefits.

3 MS. BOJKO: Your Honor, may I have the
4 question reread, please?

5 EXAMINER PRICE: You may.

6 (Record read.)

7 Q. (By Mr. Kutik) Now, let me talk to you a
8 little bit about your deposition testimony. You were
9 directed to your deposition testimony in an attempt
10 to impeach you. Let me go through a couple of those
11 passages.

12 Let me first start on page 67 and you
13 were asked to -- you were asked about the passage
14 that begins on line 23 and ending on page 68, line 2.
15 Do you see that?

16 A. I do.

17 Q. Could you read the next question and
18 answer, please?

19 A. "Are the companies willing to make any
20 commitments regarding how the revenues received under
21 rider DMR would be spent?"

22 "Answer: The companies' intention to use
23 those dollars within the companies for things like
24 grid modernization or preparatory work for grid
25 modernization or potentially for servicing maturing

1 debt among other possibilities."

2 Q. And is that consistent with the testimony
3 that you gave today before you were directed to
4 page 67, line 23?

5 A. Yes.

6 Q. Let me now have you go to page 20 -- 220,
7 220. And you were directed to a question and answer
8 starting on line 16 and ending at line 21. Do you
9 see that?

10 MS. BOJKO: I am sorry. Which page?

11 MR. KUTIK: Page 220, line 16 to 21.

12 MS. BOJKO: Thank you.

13 Q. Are you there?

14 A. I'm there.

15 Q. Could you read the next question and
16 answer?

17 A. Starting at line 22?

18 Q. Yes.

19 A. "Question: And what is that based on?"

20 "Answer: The cash requirements over the
21 term of the ESP IV."

22 Q. Is that consistent with your testimony
23 that you gave before you were directed to 220 of your
24 deposition?

25 A. Yes, sir.

1 Q. Let me have you go to page 90.

2 A. Yes.

3 Q. And then you were -- you were asked to --
4 about a passage that begins on line 19 and ends on
5 page 91, line 1. Could you read the next question
6 and answer, please, into the record?

7 A. I'm sorry. May I have the reference
8 again?

9 Q. Sure. Can you read the question that
10 begins -- and answer that begins at line 2 on
11 page 91.

12 A. "Question: Would you agree with me that
13 if the number of employees is decreased from the
14 level included in Ms. Murley's study, that that would
15 affect the value of economic development that
16 Ms. Murley testifies to?"

17 "Mr. Kutik: Objection, especially to the
18 extent it calls for speculation. Go ahead."

19 "Ms. Willis: I'm sorry. I didn't hear
20 your objection, Mr. Kutik."

21 "Mr. Kutik: It's based on speculation.
22 Go ahead then.

23 "Answer: I would say to the extent that
24 the employment levels are higher than the level
25 included in Ms. Murley's study, the economic benefits

1 would be greater. To the extent that they are lower,
2 then all else equal, the benefits would be lower, but
3 other facts and circumstances may exist at the time
4 that would impact the number as well."

5 Q. Is that consistent with the testimony you
6 gave before you were directed to that page?

7 A. Yes.

8 Q. Let me refer you to page 221.

9 A. I'm there.

10 MR. KUTIK: Just give me a moment, your
11 Honor.

12 Q. Yes. Let me refer to you page 212.

13 A. Yes.

14 Q. And the question and answer starting at
15 line 15. You were asked a question about whether the
16 allocation proposed by the staff penalizes the
17 companies, correct?

18 A. Yes.

19 Q. Let me have you go to page 218, line 5.

20 A. I'm there.

21 Q. Could you read that question and answer,
22 please.

23 A. "Question: --

24 MS. BOJKO: Your Honor, objection. This
25 is an improper use of depositions. They are not

1 allowed to just read -- he has to ask a question and
2 if she does not respond accordingly, he can use the
3 depo to impeach her, but he cannot just wholesale
4 read -- at first, he was starting, reading the next
5 question, now he is skipping pages and reading from
6 the deposition transcript. He is cherrypicking
7 provisions.

8 EXAMINER PRICE: As you will recall, he
9 objected to improper impeachment because -- because
10 Ms. Willis had not addressed this page -- I think it
11 was Ms. Willis; I am sorry if it was not you --
12 somebody on cross had not -- had not referred to her
13 question and answer on 218, and Ms. Willis objected
14 to his objection and said that's a proper grounds for
15 redirect. And now he is asking her those questions
16 on redirect, which is what Ms. Willis asked him to
17 do.

18 MS. BOJKO: But he has to ask questions.
19 He can't just read from the deposition.

20 MR. KUTIK: Your Honor, it's the rule of
21 completeness. I could just stand and read it.

22 EXAMINER PRICE: Let's just proceed with
23 this.

24 Q. (By Mr. Kutik) Could you read it, please?

25 EXAMINER PRICE: Objection is overruled,

1 just to be clear.

2 A. "Question: Do you recall using the term,
3 'penalizes the companies'?"

4 "Answer: I don't. And if I did, I
5 probably shouldn't have used it in the context of the
6 discussion, but I used it in -- I used -- if I used
7 it, it was used in the context of it's an
8 inappropriate allocation. And if it's an
9 inappropriate calculation -- or allocation, then it
10 serves to penalize or not be appropriate in terms of
11 the allocation that's attempting to occur."

12 Q. Let me have you go to page 248. And you
13 were asked a question at the bottom of the page
14 starting at line 23 about if FE -- "if FirstEnergy
15 Corp. intends to seek a commitment from other
16 constituents to achieve a CFO to debt ratio greater
17 than 15 percent?" And your answer, over my
18 objection, was "no." Why did you say "no"?

19 A. Because FirstEnergy Corp. was not going
20 to seek a commitment from the other constituents;
21 rather, the FirstEnergy Corporation and the various
22 subsidiaries underneath FirstEnergy Corporation were
23 going to -- would need to work collectively to
24 implement improvements, such as the ones I identify
25 in my testimony as well as additional ones going

1 forward, in order to achieve a CFO to debt ratio of
2 15 percent, but there isn't a process that I'm aware
3 of where they would ask for a written commitment in
4 order to accomplish that objective.

5 Q. Ms. Mikkelsen, are you aware of any case
6 in which the Commission has ordered that a rider, on
7 its initiation, would be subject to refund in its
8 entirety?

9 A. No.

10 MR. KUTIK: No further questions.

11 EXAMINER PRICE: Thank you.

12 Mr. Fisk?

13 MR. FISK: Yes, just a couple.

14 - - -

15 RECROSS-EXAMINATION

16 By Mr. Fisk:

17 Q. Ms. Mikkelsen, if you could turn to
18 page 68 of your deposition transcript.

19 A. I'm there.

20 Q. Do you recall your counsel asking you to
21 read lines 3 through 10 into the record?

22 MR. KUTIK: Well, this is improper, your
23 Honor.

24 MR. FISK: Well, rule of completeness.

25 MR. KUTIK: No, your Honor, not -- they

1 impeached. I'm allowed to put in what I -- what
2 completes the passage. They want to impeach, they
3 need to impeach.

4 MR. FISK: And the passage is not
5 complete until you read the next two questions and
6 answers.

7 MR. KUTIK: Well, you need to ask her the
8 question and try to impeach her.

9 MR. FISK: I am simply doing what
10 Mr. Kutik did.

11 MR. KUTIK: Well, you are on cross, not
12 on redirect.

13 EXAMINER PRICE: Why don't you go ahead
14 and ask her the question and see if her answer is
15 different from what's in the deposition.

16 Q. (By Mr. Fisk) Am I correct,
17 Ms. Mikkelsen, that the companies are not willing to
18 commit that the only way they would use the revenues
19 under rider DMR is within the companies?

20 A. It is the companies' intention to use
21 those dollars within the companies for company
22 operations and activities.

23 Q. And I would refer you to line 15 on
24 page 68 of your deposition transcript.

25 "Question: But am I correct the

1 companies are not willing to commit that is the only
2 way they would use those revenues under rider DMR; is
3 that correct?"

4 Mr. Kutik objects.

5 "Answer: Yes."

6 MR. KUTIK: And I objected, your Honor,
7 because prior testimony is what it is, which is that
8 is the companies' intention.

9 EXAMINER PRICE: She can answer the
10 question. We will sort all this out later.

11 Q. (By Mr. Fisk) Did I read that correctly?

12 A. Yes.

13 MR. FISK: And I just wanted to make sure
14 if the court reporter -- did you get the "yes" from
15 the deposition transcript? I know Mr. Kutik was
16 talking over me, so.

17 I have nothing further.

18 EXAMINER PRICE: Thank you.

19 Ms. Willis?

20 MS. WILLIS: Thank you, your Honor.

21 - - -

22 RECROSS-EXAMINATION

23 By Ms. Willis:

24 Q. Ms. Mikkelsen, you just answered some
25 questions from your counsel about identifying

1 additional economic development benefits associated
2 with rider DMR. And you mentioned that dollars being
3 spent on jobs and the purchases of equipment. When
4 you answered with respect to your assumption that
5 dollars are going to be spent on jobs and purchase of
6 the -- purchases of equipment, you are assuming that
7 grid modernization investment goes forward; is that
8 correct?

9 A. Yes.

10 MS. WILLIS: Thank you. That's all I
11 have, your Honor.

12 EXAMINER PRICE: Mr. Settineri?

13 MR. SETTINERI: Mr. Kurtz first.

14 EXAMINER PRICE: I get to pick the order
15 here. Mr. Settineri.

16 MR. SETTINERI: No problem. I enjoy
17 working with Mr. Kurtz.

18 MR. KUTIK: I would enjoy hearing a
19 question.

20 - - -

21 RECROSS-EXAMINATION

22 By Mr. Settineri:

23 Q. Ms. Mikkelsen, if rider DMR is approved
24 in October of 2016, as modified through your
25 testimony, when do you anticipate the first grid

1 modernization projects that result from rider DMR
2 being implemented?

3 MR. KUTIK: Objection.

4 EXAMINER PRICE: Grounds?

5 MR. KUTIK: Beyond the scope of redirect.

6 MR. SETTINERI: Yeah, I didn't lay my
7 foundation. Let me back up.

8 Q. Ms. Mikkelsen, you believe there are
9 economic benefits that will arise as grid
10 modernization programs are implemented, correct?

11 A. Yes.

12 Q. Okay. And some of those benefits that
13 you list such as expenditures and, perhaps, job
14 creation, will start occurring when grid
15 modernization projects are implemented, correct?

16 A. Correct.

17 Q. Okay. And if rider DMR is approved in
18 October 2016, when do you anticipate that grid
19 modernization projects resulting from rider DMR will
20 be implemented?

21 A. I'm not sure where the "October 2016"
22 assumption comes from. Is that germane to your
23 question?

24 Q. It is. It sets a base for the timeline.
25 So if you assume that rider DMR would be approved in

1 October of 2016, using that as a base, when would you
2 anticipate that the first grid modernization project
3 resulting from rider DMR would be implemented?

4 A. I think grid modernization activities
5 could occur very shortly after a Commission order in
6 this proceeding or in the pending grid modernization
7 proceeding.

8 Q. When you -- when you say "activities"
9 though, when specifically would -- would the projects
10 be implemented such as including equipment
11 expenditures?

12 A. I think that's what I'm referring to when
13 I talk about activities that, you know, very shortly
14 after an order, grid modernization, in this case or
15 in the pending grid modernization case, very quickly
16 thereafter there could begin activities, whether that
17 activity is purchasing the equipment necessary,
18 securing the human resources in order to implement
19 the work that's been agreed to, I would expect that
20 to occur very shortly thereafter.

21 Q. So to recognize the economic benefits
22 that you discussed with Mr. Kutik, would you be
23 agreeable to specific timeframes from the Commission
24 as to the implementation of certain projects?

25 MR. KUTIK: Objection. Beyond the scope

1 of redirect.

2 EXAMINER PRICE: Well, she actually
3 opened the door when she said benefits with respect
4 to grid modernization will accrue, on redirect.

5 You can answer if you know.

6 A. I think the company is typically very
7 responsive to guidelines established by the
8 Commission in any matter.

9 Q. And then, so, do you believe there would
10 be economic benefit -- development benefits related
11 to a SmartGrid rollout versus a smart meter rollout
12 for customers?

13 A. Yes.

14 Q. And so if the Commission were to direct
15 the companies to implement a smart meter rollout for
16 customers in the companies' service territories for
17 this we will call it "hypothetical," assuming all
18 customers, how long do you anticipate before the
19 companies would actually start installing meters?

20 A. Well, I don't know that the economic
21 development is tied to the installation of the
22 meters. I believe there would be economic
23 development arising from the ordering of the meters,
24 the paying for the meters prior to their
25 implementation, perhaps engineering resources,

1 speccking out the work that needs to occur pursuant to
2 the Commission order, and, again, any and all of that
3 work, I expect, would begin very shortly after a
4 Commission order.

5 Q. Well, what about when the first meter is
6 installed, how long to get to that point?

7 A. I don't know.

8 Q. Okay. And so when you said there would
9 be no economic development related to the
10 installation of the meters, does that mean the
11 companies' personnel would be swapping out the
12 meters?

13 A. I don't know.

14 MR. KUTIK: Objection. That
15 mischaracterizes her testimony.

16 EXAMINER PRICE: Sustained.

17 Q. When -- do you believe there are economic
18 development benefits related to the installation of
19 the smart meters, the actual physical installation?

20 A. Yes.

21 Q. And what would that economic development
22 benefit be?

23 A. The benefit associated with the human
24 resource that's responsible for actually installing
25 the meter.

1 Q. And when you say "human resource," is
2 that a company's personnel -- company person?

3 A. It could be a company -- I use the word
4 "human resource" because it could be a company
5 employee or it could be a contractor employee.

6 MR. SETTINERI: Okay. Thank you. No
7 more questions. Thank you.

8 EXAMINER PRICE: Mr. Hays?

9 MR. HAYS: No questions, your Honor.

10 EXAMINER PRICE: Mr. Dougherty?

11 MR. DOUGHERTY: No questions.

12 EXAMINER PRICE: Ms. Bojko?

13 MS. BOJKO: No questions, your Honor.

14 EXAMINER PRICE: Mr. Kurtz?

15 MR. KURTZ: No questions.

16 EXAMINER PRICE: Mr. McNamee?

17 MR. McNAMEE: No. Thank you.

18 EXAMINER PRICE: Thank you. You are
19 excused.

20 THE WITNESS: Thank you, sir. Thank you,
21 madam.

22 EXAMINER PRICE: Mr. Kutik.

23 MR. KUTIK: Your Honor, we move for the
24 admission of Company Exhibit 206.

25 EXAMINER PRICE: Any objections to

1 admission of Company Exhibit 206?

2 MS. WILLIS: Subject to the one sentence
3 that was struck.

4 EXAMINER PRICE: Subject to the one
5 sentence that was struck, it will be admitted.

6 (EXHIBIT ADMITTED INTO EVIDENCE.)

7 MR. FISK: Sorry, your Honor. Move for
8 the admission of Sierra Club Exhibit 104.

9 EXAMINER PRICE: Any objection to the
10 admission of Sierra Club Exhibit 104?

11 Seeing none, it will be admitted.

12 (EXHIBIT ADMITTED INTO EVIDENCE.)

13 MS. WILLIS: OCC would move for the
14 admission of Exhibit No. 47.

15 EXAMINER PRICE: Any objections?

16 MR. KUTIK: Your Honor, we would object
17 on relevance grounds.

18 EXAMINER PRICE: Why do you think it's
19 not relevant?

20 MR. KUTIK: Your Honor, all it is is
21 cumulative of information that's already in the
22 record. And it also has -- no, this is the other
23 one. That's not the one. It's cumulative of what's
24 already in the record with respect to FES and AES.

25 EXAMINER PRICE: We have been admitting

1 these ratings reports throughout this proceeding. We
2 will go ahead and admit this one, too.

3 (EXHIBIT ADMITTED INTO EVIDENCE.)

4 MR. SETTINERI: P3/EPSC moves for the
5 admission of P3/EPSC 21.

6 MR. KUTIK: No objection.

7 EXAMINER PRICE: It will be admitted.

8 (EXHIBIT ADMITTED INTO EVIDENCE.)

9 EXAMINER PRICE: Let's go off the record.

10 (Discussion off the record.)

11 EXAMINER PRICE: Let's go back on the
12 record.

13 Initial briefs, rehearing testimony
14 briefs, will be due on August 15. Replies will be
15 due on August 29.

16 With that, we are adjourned. Thank you,
17 all. We are off the record.

18 (Thereupon, the hearing was concluded at
19 6:42 p.m.)

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CERTIFICATE

I do hereby certify that the foregoing is
a true and correct transcript of the proceedings
taken by me in this matter on Monday, August 1, 2016,
and carefully compared with my original stenographic
notes.

Karen Sue Gibson, Registered
Merit Reporter.

Carolyn M. Burke, Registered
Professional Reporter.

(KSG-6230)

- - -

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Case No(s). 14-1297-EL-SSO

Summary: Transcript in the matter of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company hearing held on 08/1/16 - Volume X electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.