

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the :  
Application of Ohio Power :  
Company for Authority to :  
Establish a Standard :  
Service Offer Pursuant to : Case No. 16-1852-EL-SSO  
Section 4928.143, Revised :  
Code, in the Form of an :  
Electric Security Plan. :

In the Matter of the :  
Application of Ohio Power :  
Company for Approval of : Case No. 16-1853-EL-AAM  
Certain Accounting :  
Authority. :

- - -

PROCEEDINGS

before Ms. Greta See and Ms. Sarah Parrot, 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 Thursday, November 2,  
2017.

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VOLUME II

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On behalf of Paulding Wind Farm II, LLC.

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1 Thursday Morning Session,  
2 November 2, 2017.

3 - - -

4 EXAMINER SEE: Okay. Let's go on the  
5 record. Let's take brief appearances of the parties,  
6 starting with the company and going around the room.

7 MR. NOURSE: Thank you, your Honor. On  
8 behalf of Ohio Power Company, Steven T. Nourse,  
9 Matthew S. McKenzie, Christen M. Blend; and with the  
10 law firm of Ice Miller, Christopher L. Miller, Jeremy  
11 M. Grayem; and with the law firm of Porter, Wright,  
12 Morris & Arthur, Eric Gallon.

13 MS. BOJKO: Thank you, your Honor. On  
14 behalf of Ohio Manufacturers' Association Energy  
15 Group, Kimberly W. Bojko and James Perko, with the  
16 law firm Carpenter Lipps & Leland.

17 MS. WHITFIELD: Good morning, your  
18 Honors. On behalf of the Kroger Company, Angela Paul  
19 Whitfield, Carpenter Lipps & Leland.

20 MR. MARGARD: Your honor, on behalf of  
21 the staff of the Public Utilities Commission,  
22 Assistant Attorneys General, Werner Margard and  
23 Robert Eubanks.

24 MR. MOORE: Good morning, your Honor. On  
25 behalf of the energy consumers of AEP Ohio, Bruce J.

1 Weston, Consumers' Counsel, by William Michael and  
2 Kevin Moore.

3 MR. PRITCHARD: Good morning, your Honor.  
4 On behalf IEU-Ohio, Matt Pritchard.

5 MR. BOEHM: Good morning, your Honor. On  
6 behalf of OEG, Kurt Boehm.

7 MS. HEWELL: Good morning, your Honor.  
8 On behalf of Paulding Wind Farm, II, Nicki Hewell and  
9 Sommer Sheely.

10 EXAMINER SEE: Ms. Hewell, would you like  
11 to move to the front?

12 MS. HEWELL: Sure.

13 MS. GLOVER: Your Honor, on behalf of the  
14 Retail Energy Supply Association and Just Energy,  
15 Mark Whitt and Rebekah Glover.

16 MS. FLEISHER: Good morning, your Honors.  
17 On behalf of the Environmental Law and Policy Center,  
18 Madeline Fleisher and Robert Kelter.

19 EXAMINER SEE: Thank you.

20 Mr. Moore.

21 MR. MOORE: Yes, your Honor.

22 EXAMINER SEE: You can proceed.

23 MR. MOORE: Thank you.

24 At this time the Consumers' Counsel would  
25 like to call James D. Williams to the stand.



1 EXAMINER SEE: Mr. Williams, if you would  
2 raise your right hand.

3 (Witness sworn.)

4 EXAMINER SEE: Thank you. Have a seat.

5 - - -

6 JAMES D. WILLIAMS

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

9 DIRECT EXAMINATION

10 By Mr. Moore:

11 Q. Could you please state your name and  
12 business address.

13 A. Yes. My name is James D. Williams. My  
14 business address is 10 West Broad Street, Suite 1800,  
15 Columbus, Ohio 43215.

16 Q. By whom are you employed and what is your  
17 position?

18 A. I'm employed by the Office of the Ohio  
19 Consumers' Counsel, and my position is I'm a Utility  
20 Consumer Policy Analyst.

21 MR. MOORE: Your Honor, at this point we  
22 would like to have marked as OCC Exhibit 1, the  
23 Direct -- 2, excuse me, OCC Exhibit 2, the direct  
24 testimony of James D. Williams filed in this docket  
25 on May 2, 2017; and as OCC Exhibit 2A, the

1 supplemental testimony of James D. Williams filed in  
2 this docket on October 11, 2017.

3 EXAMINER SEE: So marked.

4 (EXHIBITS MARKED FOR IDENTIFICATION.)

5 MR. MOORE: And I have already supplied a  
6 copy to the court reporter this morning.

7 Q. (By Mr. Moore) Mr. Williams, do you have  
8 before you -- do you have before you copies of what  
9 have been marked as OCC Exhibit 2 and 2A?

10 A. Yes, I do.

11 Q. And is OCC Exhibit 2 the direct testimony  
12 that you filed in this proceeding on May 2, 2017?

13 A. Yes, it is.

14 Q. And is OCC Exhibit 2A the supplemental  
15 testimony that you filed in this docket on October 1,  
16 2017?

17 A. Yes, it is.

18 Q. And were OCC Exhibits 2 and 2A prepared  
19 by you or at your direction?

20 A. Yes, they were.

21 Q. Do you have any changes that you would  
22 like to make to OCC Exhibits 2 or 2A at this time?

23 A. No, I do not.

24 Q. If I would ask you the same questions  
25 that appear in Exhibits 2 and 2A today, would your

1     answers be the same?

2             A.     Yes, they would.

3             MR. MOORE:   Your Honor, I move for the  
4     admission of OCC Exhibits 2 and 2A, pending  
5     cross-examination, and the witness is available for  
6     cross.   Thank you.

7             EXAMINER SEE:   Let's start on this side  
8     of the room.   To my left.   Ms. Fleisher?

9             MS. FLEISHER:   No questions, your Honor.

10            EXAMINER SEE:   Ms. Glover.

11            MS. GLOVER:   No questions, your Honor.

12            EXAMINER SEE:   Ms. Hewell.

13            MS. HEWELL:   No questions, your Honor.

14            EXAMINER SEE:   Mr. Boehm.

15            MR. BOEHM:   No questions, your Honor.

16            EXAMINER SEE:   Mr. Pritchard.

17            MR. PRITCHARD:   No questions, your Honor.

18            EXAMINER SEE:   Ms. Whitfield?

19            MS. WHITFIELD:   No questions, your Honor,  
20     but we do believe there is going to be a motion to  
21     strike something that a few parties are going to be  
22     taking up.

23            EXAMINER SEE:   Okay.   Ms. Bojko?

24            MS. BOJKO:   Your Honor, if we could do  
25     the motion to strike first, that may shorten my

1 cross-examination or eliminate it.

2 EXAMINER SEE: Okay.

3 MR. MILLER: It's Mr. Miller's turn for  
4 the company.

5 EXAMINER SEE: I thought Ms. Bojko --

6 MS. BOJKO: Mr. Miller.

7 EXAMINER SEE: Mr. Miller is going to  
8 take it up.

9 MR. MILLER: Good morning. The company  
10 is going to make a motion to strike certain portions  
11 of the direct testimony and the supplemental  
12 testimony. If you would bear with me, I will explain  
13 that.

14 Specifically, we would like to strike  
15 direct testimony on page 9, lines 13 through 19, and  
16 page 10, lines 1 through 10, ending with the word  
17 "families."

18 EXAMINER SEE: Okay. Let's take it a  
19 little slower.

20 MR. MILLER: So direct testimony, page 9,  
21 lines 13 through 19. Page 10, lines 1 through 10,  
22 which is a continuation of what's on 9.

23 EXAMINER SEE: Okay. We have a slight  
24 issue here.

25 MR. MILLER: And that's on the direct.

1 EXAMINER SEE: Yes. The numbering on the  
2 direct is -- mine is a little different apparently.

3 Do you have an extra copy of the direct  
4 testimony of Mr. Williams, Mr. Moore?

5 MR. MOORE: I do.

6 MR. MILLER: So we will do the question  
7 number if that's easier.

8 EXAMINER SEE: Okay. That would be  
9 helpful.

10 MR. MILLER: So Question 9 on the direct  
11 and the answer to that. And then, in addition, there  
12 is an attachment -- actually, there's two on the  
13 direct that are referred to.

14 EXAMINER SEE: Okay.

15 MR. MILLER: And that would be JDW-4 and  
16 JDW-5. And if the Bench will let me know when they  
17 are ready for the supplemental, I can go through  
18 that.

19 EXAMINER SEE: Okay. Just a moment.  
20 Go ahead, Mr. Miller.

21 MR. MILLER: And then on the supplemental  
22 it would be page 5, and my hope is that we all have  
23 the same document, lines 1 through 10 and ending with  
24 the word "families." And there is a supplemental  
25 attachment which is JDW-2 to the supplemental

1 testimony. And the objection to both is regarding  
2 relevancy and hearsay.

3 All three of the attached documents that  
4 are referred to in the two pieces of testimony are  
5 produced by either 501(c)(3) nonprofit or charitable  
6 organizations. The attachments aren't learned  
7 treatises; they're not business records. The  
8 testimony is based primarily on those documents and  
9 doesn't satisfy any exception -- those documents  
10 don't satisfy any exception to the evidentiary  
11 hearsay rules, and the documents and the  
12 corresponding testimony should be stricken on  
13 relevancy.

14 The documents deal with food availability  
15 in Ohio. They have nothing to do with whether AEP's  
16 DIR charges are reasonable given the conditions and  
17 realities of AEP Ohio's distribution system. There  
18 is simply no nexus between the two issues; no  
19 evidence the requested DIR amounts would have any  
20 impact on Ohioans including low-income Ohioans and  
21 their ability to secure food.

22 And further, as I believe Examiner See  
23 may remember, similar testimony to the attachment,  
24 the supplemental attachment, in Case No.  
25 17-1377-EL-USF was struck previously.

1 MS. BOJKO: Your Honor, OMAEG joins in  
2 the motions to strike.

3 MS. WHITFIELD: As does Kroger, your  
4 Honor, for the same reasons; relevancy and hearsay.

5 MR. MOORE: Your Honor, I'll address the  
6 objections one at a time.

7 As far as hearsay goes, I think this does  
8 come in under the business records exception. It  
9 doesn't have to be a business. It can be an agency  
10 or office. It was a report that was made at or near  
11 the time by someone who has knowledge. It was kept  
12 in the regular course of business. It's a regular  
13 practice of The Ohio State University to keep this  
14 record. They update it regularly. It's a well-known  
15 entity. It's publicly verified.

16 And the underlying reason behind hearsay  
17 is to keep out information that's untrustworthy, and  
18 I don't think that's an issue here, and I don't think  
19 it's an issue that opposing counsel brought up. So I  
20 think it's not hearsay as far as that goes.

21 As far as relevance, I'm sure you know in  
22 Ohio and at the PUCO, relevance is construed very  
23 broadly. However, it's being quoted as a statement  
24 that evidence is relevant if it has any tendency to  
25 make the existence of any fact that is of consequence

1 to the determination of the action more or less  
2 probable than it would be without the evidence.

3 I mean, here the study regarding food  
4 insecurity in Ohio is a fact of consequence to the  
5 determination of this case. This case must be  
6 determined under the three-prong test. And one of  
7 the prongs is whether the settlement benefits  
8 customers and the public interest. The proposal must  
9 also be just and reasonable.

10 And as the witness explains in his  
11 testimony, excessive DIR spending comes at a time  
12 when many Ohioans are not even getting enough to eat.  
13 Therefore, the charge that the company is proposing  
14 is not just and reasonable and will not benefit  
15 customers because they cannot afford to pay it. That  
16 is directly related to whether it benefits them and  
17 whether it is just and reasonable.

18 As far as the USF case goes, I think the  
19 two cases are easily distinguishable, especially  
20 since USF and -- dealt with around a \$12-per-year  
21 charge; whereas, here, the DIR and ESRR will increase  
22 or will -- will accumulate to a charge of about \$100  
23 per year for customers. So the effect on customers  
24 is much graver in this situation.

25 Therefore, the evidence is even more



1 relevant here as to what customers can't afford to  
2 pay and what customers can't afford to pay is  
3 something that the Commission does take into  
4 consideration in whether a program is just and  
5 reasonable.

6 Also the issues before the PUCO in the  
7 USF were rider revenue requirement and rate design  
8 methodology. That's not the issue before this  
9 Commission in this case. In this case the issues are  
10 directly tied to whether the program is needed, how  
11 often customers should pay. And given the data in  
12 the studies, customers can't afford to pay those  
13 charges. So we think the evidence is relevant  
14 especially given the extremely liberal nature of what  
15 is considered relevant in a PUCO proceeding. Thank  
16 you.

17 MR. MILLER: Your Honors, I would remind  
18 the Bench, The Health Policy Institute of Ohio and  
19 Feeding America, neither of them are state agencies.  
20 One of them may have some level of affiliation with  
21 Ohio State University, but it is a 501(c)(3)  
22 nonprofit. It is not a business record. I don't  
23 know what goes into these records. I don't know who  
24 comprises these. I don't know what the survey  
25 standards and statistics look like. If they wanted

1 to put someone on from The Health Policy Institute or  
2 Feeding America, that might be a different  
3 circumstance, but these simply aren't relevant. And  
4 it's hearsay.

5 The reality is that we heard a long  
6 explanation from Mr. Moore. I appreciate the  
7 explanation, but I don't see the relevancy in these,  
8 and I certainly think that they are hearsay  
9 documents. We haven't validated the underlying facts  
10 and we don't have the ability to do so at this point  
11 in time.

12 MS. BOJKO: Your Honor, OMAEG will add  
13 that we don't know the assumptions, and I think that  
14 was one thing that was under consideration in the USF  
15 case. We have no ability to cross-examine the  
16 organization to determine those assumptions.

17 Mr. Williams, the witness before us, had  
18 no part in drafting these documents. I believe in  
19 similar cases, when there were agencies or institutes  
20 related to universities, the Bench had required that  
21 at least somebody from the university be present to  
22 be able to testify. And in one situation, the  
23 witness was not even listed as an author, even though  
24 they helped in preparing those; the Bench had struck  
25 those documents.

1           So, in this case, Mr. Williams is not  
2 part of these agencies or institutes and/or  
3 non-profits and had no part in doing this. He cannot  
4 testify to the relevancy. And I don't think that OCC  
5 has shown that these are regular -- regular documents  
6 that are updated and that they're business records  
7 and they have been kept in the proper course and that  
8 Mr. Williams can testify to such facts as he has no  
9 connection with that entity.

10           MR. MOORE: Your Honor, the business  
11 records exception to the hearsay rule is available,  
12 whether the declarant is available or not. That's  
13 the whole point of the business records exception.  
14 It doesn't matter whether it's a 501(c)(3) nonprofit  
15 agency. It's still an agent -- it is still an agency  
16 that's keeping this record in the regular course of  
17 business. It is updated on a regular basis.

18           The Ohio State University is a reputable  
19 and well-known organization. It's publicly available  
20 for all the parties to have seen beforehand. They  
21 had prior knowledge that it was in here. They had  
22 plenty of time to explain it and rebut it if they  
23 chose to. And because -- just because opposing  
24 counsel doesn't think it's relevant doesn't mean that  
25 it isn't.

1           The facts between USF and in this case  
2 are vastly different. So I don't think that that  
3 should have any bearing on your Honor's determination  
4 as to whether this should come in in this case.

5           MR. MILLER: Your Honors, I don't think  
6 they've laid a foundation for these documents. And  
7 in addition, I don't believe the Commission has ever  
8 used evidence like this in a case to set just and  
9 reasonable rates.

10          MR. MOORE: Your Honor, I know the  
11 Commission has included Ohio poverty reports from the  
12 Ohio Department of Development before. I think  
13 Mr. Williams has testified to those reports and these  
14 reports are very similar to those.

15          MR. MILLER: Perhaps they are similar,  
16 but the Commission specifically excluded these exact  
17 documents from previous cases. So, historically, I  
18 would say they have not been used to set just and  
19 reasonable rates in Ohio.

20          MR. MOORE: Again, the evidence in one  
21 proceeding might not be relevant, but it may be  
22 relevant in a different proceeding with a different  
23 set of facts. You have to look at the evidence in  
24 each proceeding as to whether it will make a  
25 determination on this case, not a previous case.

1 EXAMINER SEE: The motion to strike  
2 portions of Mr. Williams' direct testimony, that is  
3 pages 9, Question 9 and the answer to Question 9 is  
4 granted, along with the attachments JDW-4 and JDW-5.

5 As well as the supplemental testimony at  
6 lines 1 through 10. That motion to strike that  
7 portion of the supplemental testimony is granted.

8 Did you have any other cross-examination?

9 MR. MILLER: And again, JDW-2, which is  
10 an attachment to the supplemental?

11 EXAMINER SEE: Yes. Make sure. Yes.  
12 That is also stricken from the supplemental  
13 testimony.

14 MS. BOJKO: Thank you, your Honor.

15 And with the Bench's ruling, OMAEG has no  
16 questions for this witness.

17 EXAMINER SEE: Mr. Miller?

18 MR. MILLER: Thank you, your Honor.

19 - - -

20 CROSS-EXAMINATION

21 By Mr. Miller:

22 Q. Good morning, Mr. Williams. My name is  
23 Chris Miller, and I am a lawyer with the law firm of  
24 Ice Miller, and I am here representing the company.

25 A. Good morning.

1 Q. Good morning. How are you?

2 A. Well, thank you.

3 Q. Sorry you had to sit there, but we will  
4 see if we can get you off relatively quickly.

5 A. That would be appreciated.

6 Q. Can I run through a number of questions  
7 with you just very quickly and briefly, just to make  
8 sure we're on the same page and understanding what  
9 certain terms are. If I refer to the Ohio Power  
10 Company as "AEP Ohio" or "AEP" or "the company," will  
11 you understand what I mean?

12 A. Yes.

13 Q. If I refer to the Public Utilities  
14 Commission of Ohio as "the PUCO" or "the Commission,"  
15 will you understand what I mean?

16 A. Yes.

17 Q. Same with the Office of Consumers'  
18 Counsel as "the OCC"?

19 A. I would.

20 Q. And if I refer to the Joint Stipulation  
21 and Recommendation filed on August 5, 2017, as "the  
22 settlement" or "the stipulation," will you understand  
23 what I mean?

24 A. Yes, I would.

25 Q. If I refer to the Distribution Investment

1 Rider as "the DIR" or "the DIR," will you know what I  
2 mean?

3 A. I would.

4 Q. And then if I refer to the Enhanced  
5 Service Reliability Rider as "the ESRR," will you  
6 know what I mean?

7 A. I would.

8 Q. Great. Thank you.

9 So my understanding is you're currently  
10 employed with the OCC as a Senior Utility Consumer  
11 Policy Analyst; is that correct?

12 A. That is correct.

13 Q. And just briefly, for my edification,  
14 what exactly does a Senior Utility Consumer Policy  
15 Analyst do?

16 A. I do a number of things within the  
17 office. I'm primarily looking at utility issues,  
18 utility proposals, more from a consumer's standpoint  
19 in terms of the impact different proposals and  
20 applications have on customers' affordability and the  
21 impact on being able to pay, as well as different  
22 service quality matters specifically involving  
23 reliability or some of the other electric service and  
24 safety standards.

25 Q. Do you focus on electric or do you do

1 gas?

2 A. No. I work in all the industries;  
3 although, lately it's tended to be a lot of electric.

4 Q. Understood. Are you the only one of your  
5 kind at the OCC? Are there multiple Senior Utility  
6 Consumer Policy Analysts?

7 A. First, in terms of one of a kind, yes.

8 Q. I appreciate that, sir.

9 A. And as far as I know, there are no other  
10 Utility Policy Analysts at the OCC.

11 Q. And I'm certain you are probably the  
12 best, so that's why we have you here today.

13 A. Thank you.

14 Q. You have a Bachelor of Science, as I  
15 understand it, in Engineering Technology from  
16 Franklin?

17 A. I do.

18 Q. Are you an engineer?

19 A. No, I am not.

20 Q. I am not familiar; what is Engineering  
21 Technology exactly?

22 A. Primarily at the time that I was going to  
23 school is that it was looking at primarily  
24 electronics engineering and just more of the  
25 technology aspects of that. It's not a specific



1 engineering program though.

2 Q. Okay. And Master's -- MBA, actually,  
3 from Webster?

4 A. That is correct.

5 Q. And how long have you been at the OCC?

6 A. I have been at the OCC, it will be 22  
7 years in January.

8 Q. Congratulations.

9 So this doesn't appear to be the first  
10 time you have testified in front of this Commission  
11 based on your testimony and the documents appended  
12 thereto. You have a number of times you have  
13 appeared, correct?

14 A. I have.

15 Q. Have you ever provided any testimony for  
16 any other regulatory body in Ohio or outside of the  
17 state?

18 A. No.

19 Q. And you weren't deposed by anybody in  
20 this proceeding, any of the parties.

21 A. I was not.

22 Q. So in the course of preparing your  
23 supplemental testimony and I guess direct, because  
24 you've admitted that into evidence, what did you  
25 review in preparation for preparing that testimony?

1           A.    You're talking about the direct --

2           Q.    Direct first, sure.

3           A.    On the direct, refresh my memory just a  
4 little bit here. I certainly reviewed the testimony  
5 of different company witnesses that were filed as  
6 part of the application. Pertinent parts of the  
7 application, some of the schedules. I believe I was  
8 looking at some of the proposed tariffs as well at  
9 that time.

10          Q.    And then in preparation for the  
11 supplemental filing, what did you review?

12          A.    Primarily reviewed the -- the settlement  
13 itself as well as refreshed myself on some of the  
14 pertinent testimony that was filed in the direct.

15          Q.    And you reviewed Mr. Allen's testimony  
16 for the company?

17          A.    Yes, I did.

18          Q.    Okay. And then regarding your  
19 supplemental testimony, can I direct you to page 1,  
20 line 17 through 21. And page 2, lines 1 through 2.  
21 It's sort of a continuation there. What is the --  
22 what's the purpose of your testimony in the  
23 supplement?

24          A.    It's to address issues that were  
25 identified within the stipulation. Specifically the

1 DIR and the ESRR.

2 Q. And I think you essentially referenced,  
3 in lines 7 through 15, on page 2, a test. You  
4 reference some specific information regarding, I  
5 guess I would call it a test or a process?

6 A. Yes, I do.

7 Q. And what is that test or process?

8 A. I believe this is identified within my  
9 testimony. It's my understanding the PUCO will adopt  
10 a settlement only if it meets all three of the  
11 criteria outlined below. It includes is it a product  
12 of serious bargaining among capable, knowledgeable  
13 parties? Is the stipulation, as a package,  
14 benefiting customers in the public interest? And  
15 then does it -- does the stipulation violate an  
16 important regulatory principle or practice?

17 Q. And I appreciate your thoroughness. I  
18 was going to ask you to read that, but I appreciate  
19 that.

20 A. You're welcome.

21 Q. Which of those three components are you  
22 reviewing in your testimony?

23 A. As I identified on page 3 of my  
24 testimony, I don't believe that the settlement is in  
25 the public interest.

1           Q.   And to be clear, you didn't take into  
2           consideration either of the other two when you looked  
3           at compiling your testimony when you made it?

4           A.   No.  I specifically addressed the public  
5           interest.

6           Q.   Okay.  Great.  Thank you.

7                        So on page 4 of your supplemental  
8           testimony, beginning on line 7, I think you indicate  
9           that a residential customer using 1,000 is currently  
10          paying, what, \$8.10 a month?

11          A.   Yes.

12          Q.   And then I think you equate that to  
13          almost \$100 annually, rounding it I guess, or  
14          approximating.

15          A.   That is my testimony.

16          Q.   Okay.  And you also indicate, I believe,  
17          that the rider is not contributing to better  
18          distribution reliability; is that correct?

19          A.   That is correct.  I believe that the  
20          rider should be contributing to better reliability.

21          Q.   And what's your basis for the assertion  
22          that the spending on the DIR is not contributing to  
23          better reliability?

24          A.   It's a massive investment and I don't see  
25          massive improvement in reliability.

1 Q. Can you tell me what CAIDI means?

2 A. Yes. It's the Customer Average  
3 Interruption Duration Index. It's a measure of how  
4 long customers are basically out of service when they  
5 experience an outage.

6 Q. And then SAIFI? Do you know?

7 A. SAIFI is the System Average Interruption  
8 Frequency Index. It would be a measure, over a  
9 period of time, how many outages a customer is having  
10 I believe in a year.

11 Q. Can you explain to me sort of how -- your  
12 understanding of how those are calculated?

13 A. Yeah. My understanding is that SAIFI is  
14 calculated by the total number of outages that --  
15 interruptions divided by the frequency. This is all  
16 specified -- the number of interruptions and that's  
17 all specified within the Commission rules  
18 4901:1-10-10.

19 Q. Would you generally agree that the  
20 frequency of outages and the duration of outages are  
21 both components of reliability?

22 A. As I -- as I identified a moment ago,  
23 those are the two specific performance standards that  
24 the PUCO applies to the electric utility, the  
25 different electric utilities. That's both a SAIFI

1 and CAIDI. The PUCO rules require establishing a  
2 minimum performance standard for -- for both of those  
3 indices.

4 Q. So, again, my question, so generally you  
5 agree that the frequency and the duration are  
6 components of reliability.

7 A. Yes.

8 Q. I think you summarized some of the SAIFI  
9 and the CAIDI numbers historically for the company on  
10 page 19 of your direct. Can you turn to that; is  
11 that correct?

12 A. I know it's in here. I'm not sure what  
13 page.

14 Q. Yeah, I show it on page 19 of your  
15 direct.

16 A. Yes, I'm there.

17 Q. Okay. And looking at those numbers in  
18 light of the following question, isn't it true that  
19 AEP's reliability performance for the years 2013 and  
20 '16, which are the years you covered on your chart,  
21 were within the standard set forth by the Commission  
22 regarding both SAIFI and CAIDI?

23 A. Yes. AEP met the performance, the  
24 minimum performance standards for -- for all four of  
25 those years. Although, as I noted in my testimony,

1 the SAIFI performance has been worse each year since  
2 2013 through 2016, and that's generally the same as  
3 well for CAIDI between '13 and 2016, with the  
4 exception of 2015.

5 Q. But so isn't it true, though, the  
6 reliability at least as measured by SAIFI, was better  
7 in '16 compared to '14 and '15?

8 A. Yes, it was. But it was not better than  
9 it was in 2013, and I'm just trying to compare over  
10 what I consider to be a relevant period of time.

11 Q. Do you know what the standards were  
12 before '13?

13 A. I believe prior to '13 that -- that both  
14 Columbus Southern Power and Ohio Power had separate  
15 standards. These are the combined company and so I  
16 don't know what a direct comparable number would be.

17 Q. So sort of back to where we were a second  
18 ago. So reliability, at least as measured by CAIDI,  
19 appears to have improved in certain of the years  
20 listed, correct?

21 A. In certain of the years. But just in  
22 comparing 2016 to '13, which I consider the baseline  
23 here, no. It's got worse.

24 Q. It sort of bounces around a little bit,  
25 doesn't it?

1           A.    Yes.  There's variability.

2           Q.    Do you have --

3           A.    And that variability is designed into the  
4 standards as well.

5           Q.    Do you have any idea why there is not a  
6 clear lineal trend here?

7           A.    I suspect there is other factors or there  
8 can be factors that are influencing that.  You know,  
9 I believe, and as I pointed out in my testimony, you  
10 know, one thing is certainly the tree trimming that I  
11 did note in my direct testimony that even though the  
12 company is supposed to be on a four-year tree  
13 trimming cycle, it didn't meet its goal last year of  
14 maybe 25 percent of the tree trimming that was  
15 required.

16                   And I believe I identified in my direct  
17 testimony there were two other years as well where  
18 the company hasn't met its -- its vegetation  
19 management goals.  So I would say that just not doing  
20 proper maintenance and repair for the distribution  
21 system could contribute to these numbers.

22           Q.    Would deploying some of the DIR measures  
23 be the reason for the fact that the numbers get  
24 better in some years?

25           A.    It could be a contributing factor.  It



1     may not be.

2             Q.     Okay.  Do you have any information or  
3     have you performed any analysis regarding what SAIFI  
4     and CAIDI might look like without the company  
5     actively deploying the DIR investment in the period  
6     from '13 to '16?

7             A.     Without DIR?

8             Q.     Correct.

9             A.     No, I don't.

10            Q.     So you don't have access to any kind of  
11     control study that would maybe compare a zero spend  
12     on the DIR to compare those?

13            A.     No.  But, again, I would say that as part  
14     of a company application for something that involves  
15     such massive spending as DIR, that if the company is  
16     able to quantify the benefits of DIR, it should do so  
17     in its direct testimony.  And the supporting  
18     documentation that it files at the Commission.  
19     That's not what was provided in this case.

20            Q.     On page --

21            A.     In fact, the company has consistently  
22     said that it has no ability to be able to quantify  
23     the impact.

24            Q.     On page 18, line 7 through 9 of your  
25     direct, and page 4, lines 11 through 13 of your

1 supplement, and I think they are the same language if  
2 I remember correctly, you state --

3 A. What was the supplemental?

4 Q. You can either go to 18 on the direct, 7  
5 through 9.

6 A. Okay.

7 Q. Or 4 -- I'm sorry -- 4, 11 through 13, on  
8 your supplement. Either one, I think the language is  
9 exactly the same in both places.

10 A. Okay. I'm there.

11 Q. And you indicate, I believe, you tell me  
12 if I get this right, "AEP Ohio is now seeking less  
13 stringent distribution reliability standards that  
14 support customers having more frequent annual outages  
15 that last for much longer durations of time."

16 A. That is correct.

17 Q. Are you aware that -- in fact, just this  
18 week, the company has agreed to a settlement in  
19 another case I believe that there has been a filing  
20 that makes the SAIFI and CAIDI standards, on a  
21 going-forward basis, more stringent?

22 A. Yes. First off, in terms of my  
23 testimony, the company had -- did propose standards  
24 that were completely different from the standards  
25 that are now being proposed as part of another

1 settlement. I would say though that that -- that  
2 settlement document has not been approved by the  
3 Commission. And I would also say that that  
4 settlement document isn't necessarily what the  
5 standard should actually be.

6 Q. Do you know, perhaps you don't, but do  
7 you know, is the OCC opposing that settlement?

8 A. No. I believe that that's clearly stated  
9 in the settlement documents filed this week is that  
10 we are not opposing that settlement.

11 Q. And that settlement is in Case No.  
12 16-1511-EL-DSS, right? ESS, I'm sorry.

13 A. That is correct. But again, I would not  
14 infer from that that DIR or that that document  
15 properly reflects what DIR should be contributing  
16 towards these reliability standards.

17 Q. You -- and tell me if I have understood  
18 your testimony, I believe you're asserting modified  
19 reliability standards will result in more frequent  
20 outages that will last for much longer periods of  
21 time; is that a fair statement?

22 A. In terms of the proposal by AEP, yes.  
23 AEP proposed a SAIFI that would result in outages  
24 lasting for a longer period of time and the duration  
25 of those outages on average would be 9 minutes

1 greater than the current minimum performance  
2 standard. And I think it's important to consider  
3 those are a minimum performance standards. DIR is a  
4 massive investment in infrastructure, modernization.

5 Q. Let me ask you a couple of questions  
6 about your understanding about reliability. Do -- do  
7 technical and engineering advancement contribute to  
8 distribution system reliability?

9 A. I suspect they could.

10 Q. Does the age of a distribution system  
11 impact its reliability?

12 A. I'm sure that that has impact.

13 Q. And weather patterns?

14 A. Well, yes, to a certain extent. I mean,  
15 there's -- the standards that we're talking about are  
16 the blue sky standards. Major events are excluded  
17 from those standards. So the severe storms that we  
18 could have aren't considered in the outage effects;  
19 the large storms aren't considered in those minimum  
20 performance standards.

21 Q. I don't think I asked you about that but,  
22 again, that's a whole line of questioning I think we  
23 could go down, but we are not going to for the sake  
24 of time today.

25 Does geography impact the standards --

1 reliability in a system?

2 A. I suspect it does.

3 Q. And would you agree that customer usage  
4 patterns certainly can affect system reliability?

5 A. What do you mean by customer -- how do  
6 you define customer?

7 Q. Who the customers are, what their usage  
8 is, types of customers, volume of use.

9 A. I think that, you know, the factors are  
10 generally -- the factors that are affecting  
11 reliability are specific outages and causes of  
12 outages, be it the company not trimming its trees on  
13 a regular basis, you know, certain number of unknown  
14 causes of outages, birds, rodents, other things that  
15 cause outages. I am not sure about specifically  
16 customer usage. Customers ought to be able to use  
17 their service 24 hours a day.

18 Q. Do all investor-owned electric service  
19 companies operating in Ohio use the same SAIFI and  
20 CAIDI methods?

21 A. All -- all of the electric utilities in  
22 the state use the same indices of CAIDI and SAIFI.  
23 Each are calculated differently based upon the  
24 individual characteristics of their systems.

25 Q. So FirstEnergy would have different

1 numbers than Dayton Power and Light?

2 A. Each of the three operating companies in  
3 FirstEnergy have different numbers.

4 Q. Because of the design of the system or  
5 because of the geography or because -- I mean?

6 A. I suspect it's all of the above. All of  
7 the above.

8 Q. So you briefly had mentioned storms. The  
9 impacts of nonmajor storms are reflected in the  
10 results of these SAIFI and CAIDI metrics?

11 A. They are. These reliability standards  
12 are established by using typically a five-year  
13 average historical performance assessment. That  
14 five-year average is then used as a baseline and it's  
15 then adjusted for specific -- for specific other  
16 factors that could be contributing to the  
17 reliability, be it technological impacts, changes in  
18 the service area. I think -- there's other things  
19 that are also identified within the rule. I can't  
20 think of them at the moment though.

21 Q. So would it be a true statement to say  
22 the DIR is generally designed to recover costs  
23 directly related to the maintenance and improvement  
24 of AEP Ohio's distribution system?

25 A. DIR is, yes, it's supposed to be designed

1 to be infrastructure modernization.

2 Q. You referenced, I think, a while ago --  
3 used the word anyway, "massive." That DIR  
4 investments are massive; is that true?

5 A. That's how I would characterize the DIR  
6 investment.

7 Q. And that you expect commensurate massive  
8 improvements in reliability?

9 A. Again, the reliability standards are  
10 minimum performance standards. When I look at over a  
11 billion dollars having been invested in DIR so far  
12 and another 700 or a billion to come, yes, that's a  
13 massive investment.

14 Q. So your expectation is that there is a --  
15 some sort of dollar for result performance measure?

16 A. Well, I think in general for that, you  
17 know, for that level of investment, yes, that  
18 customers should be getting better reliability and  
19 much better reliability. Improvements in reliability  
20 that are commensurate with the amount of money that's  
21 being put into the system. Otherwise, it's just  
22 continue doing the regular maintenance repair as AEP  
23 did for many, many decades, and customers are paying  
24 for the repair, the necessary changes that are made  
25 through the system, through their base rates. This

1 goes beyond that.

2 Q. Do you happen to know what the amount of  
3 DIR investment is in regards to it being sort of  
4 compared to a percentage of plant in service? The  
5 company's plant in service?

6 A. As I sit here today, no, I didn't bring  
7 that data with me. You know, I think it's in the --  
8 I'm not going to speculate.

9 Q. But have you reviewed that in the past?

10 A. I have seen those types of data in the  
11 past but it's part -- there is a report that's --  
12 that's filed, it's called the Rule 26 report. That's  
13 the 4901:1-10-26 and it's -- it's a system  
14 improvement plan that outlines what the company's  
15 plans are for capital spending as well as O&M.

16 Q. Are you -- are you aware that it's less  
17 than 5 percent?

18 A. I believe, I believe that's close to the  
19 number I saw.

20 Q. Do you know the specific number or  
21 just --

22 A. Again, I don't want to speculate on the  
23 specific.

24 Q. But you are aware it's below 5.

25 A. But I would also say 5 percent is



1 significant. I mean, prior to DIR, the numbers that  
2 I saw were nowhere close to that. Those -- that type  
3 of an indices has been tracked for years and it was a  
4 small percentage of that.

5 Q. So it's less than 5 percent which is a  
6 small percentage and it's not massive; is that fair?

7 A. No. I believe that it's massive. I'm  
8 speaking -- I am talking about over a billion dollars  
9 so far and another billion to come if this settlement  
10 was to be approved and hopefully it won't.

11 Q. Are you under the impression "massive" is  
12 a 5-percent number compared to a total?

13 A. Again, that's just a measure of the total  
14 investment to the total rate base. And it is a  
15 significant growth from what that percentage would  
16 have been prior to the DIR.

17 Q. Well, it seems to me if someone offered  
18 me a massive pay increase, I would hope it would be  
19 more than 5 percent, but.

20 A. Again, we're talking about on the total  
21 rate base and it is significant dollars. I mean,  
22 it's -- I think I've even put the numbers in my  
23 testimony. This is some serious money and I would  
24 characterize it as massive. I think everybody else  
25 would as well.

1           Q.    Can you take a look at your supplemental  
2 testimony on page 5, lines 14 through 17.

3           A.    I'm there.

4           Q.    Thank you.

5                   I think here you generally indicate that  
6 there's no opportunity for an examination of  
7 investments funded through the DIR and there is no  
8 examination of AEP financial records where  
9 distribution revenues and expenses are reviewed; is  
10 that correct?

11           A.    I'm saying that. I understand that there  
12 is an annual review of -- a financial review of the  
13 DIR. I'm -- but, again, the context of my testimony  
14 is, in comparison with a rate case or the type of  
15 review that would happen in a rate case, it's not  
16 that. In a rate case there would be an opportunity  
17 to look at all revenues and expenses together. Here,  
18 with these annual financial reviews, there's an  
19 opportunity to look at the costs.

20           Q.    But you are aware that the cost charged  
21 to customers under the DIR are annually audited by  
22 the Commission for prudence and necessity?

23           A.    No. I'm aware that they're reviewed,  
24 that there is an annual review.

25           Q.    The Commission does do that.

1           A.    That's correct; the Commission or an  
2 outside entity.

3           Q.    Annually?

4           A.    Annually.

5           Q.    On those expenses.

6           A.    Yes.

7           Q.    Thank you.

8                   Can we take a look at the statement you  
9 make on page 5, again lines 17 through 20?

10          A.    I'm there.

11          Q.    Is it fair to say that it's your  
12 testimony that under current and possibly extended  
13 DIR rider mechanisms, operational cost savings that  
14 may be obtained will not flow through to customers in  
15 the form of lower bills?

16          A.    Short of a rate case, there's no  
17 mechanism to roll any operational efficiencies that  
18 have occurred as a result of this massive investment  
19 back to customers in the form of lower rates.

20          Q.    Lower rates, lower bills.

21          A.    That's correct.

22          Q.    Are you familiar with the AEP Storm  
23 Damage Recovery Rider?

24          A.    I know there is one. I'm not -- not --  
25 I'm not testifying as to that in this case.

1 Q. But you know it exists.

2 A. I know there is a rider. I know  
3 there's -- somewhere between 27 and 30 of them  
4 riders.

5 Q. Are you aware that if storm damage  
6 restoration costs are reduced by the DIR investment,  
7 that customers will see actual savings flow through  
8 the Storm Damage Recovery Rider in the form of lower  
9 bills?

10 MR. MOORE: Objection, your Honor. The  
11 witness just said he is not familiar with this rider.  
12 It's outside the scope of his testimony as well.

13 MR. MILLER: I believe he said he's  
14 familiar with it and it exists and he knows it  
15 exists, and he just said there was no savings to  
16 customers from the DIR, and what I am trying to do  
17 here is make the simple point that if there were  
18 savings in regards to the storm damage, they would  
19 flow through, and I'm asking him if he is aware of  
20 that. He can choose to say "yes" or "no."

21 MR. MOORE: Your Honor, opposing counsel  
22 should not be testifying. He should be asking  
23 questions. The witness said he is not familiar with  
24 this rider. That's outside the scope of his  
25 testimony. This witness is testifying to the DIR and

1 ESRR.

2 EXAMINER SEE: Mr. Williams, you can  
3 answer the question to the best of your ability if  
4 you know the answer.

5 A. I can say for sure there's a rider called  
6 Storm Cost Rider. Beyond that, I'm not the witness  
7 to talk about that.

8 Q. And if I ask you the question again, can  
9 you just give me a "yes" or "no" answer? "No" is  
10 fine if you don't know.

11 Are you aware that if storm damage  
12 restoration costs are reduced as a result of the DIR  
13 investment, customers will see actual savings flow  
14 through the Storm Damage Recovery Rider, which I  
15 believe you're aware of, in the form of lower bills?

16 MR. MOORE: Objection, asked and  
17 answered. The witness has given his answer to this  
18 question. Let's move on.

19 MR. MILLER: It was a simple "yes" or  
20 "no" question. I was just looking for a "yes" or  
21 "no." "No" is fine.

22 MR. MOORE: The witness has given his  
23 answer to the best of his knowledge. It's outside  
24 the scope of his testimony.

25 MR. MILLER: Your Honors, the witness --

1 EXAMINER SEE: Thank you, Mr. Miller.

2 If you can answer the question,

3 Mr. Williams, you can answer if you know.

4 A. I can't answer the question, so no.

5 Q. Thank you.

6 On page 6 of your supplemental testimony,  
7 if you could go there, take a look at lines 1 through  
8 3. I believe you state that the settlement doesn't  
9 obligate AEP Ohio to file a distribution rate case.  
10 Do you see that?

11 A. 1 to 3. I believe I say that AEP made a  
12 commitment to file a distribution rate case. And  
13 then I go on to say the conditions that are applied  
14 to it.

15 Q. Are you of some opinion that the company  
16 won't be filing a distribution rate case in 2020?

17 A. I -- again, the way I would read the  
18 terms in this settlement, it's really left up to AEP  
19 to decide if it wants to file a rate case in 2020.  
20 And I would say that because, you know, this isn't  
21 the only rider out there. I think you've already  
22 said think there's 30. There's -- there's also  
23 gridSMART rider, other riders.

24 Q. Right. I didn't ask you --

25 MR. MOORE: Your Honor, if the witness

1 could finish his answer.

2 EXAMINER SEE: Go ahead and finish your  
3 answer, Mr. Williams, if you haven't already.

4 A. There are other riders that are at play  
5 as well. AEP would ultimately have the discretion to  
6 determine whether or not it files a base rate case in  
7 2020.

8 Q. Isn't AEP heavily incentivized to do  
9 that?

10 A. It depends when you compare the revenues  
11 of this rider from the revenues that could be coming  
12 from other riders. Those are up to AEP.

13 Q. If AEP doesn't file a distribution rate  
14 case by June 1, 2020, wouldn't the DIR effectively  
15 end on December 31, 2020?

16 A. That's how I understand the terms of the  
17 settlement.

18 Q. And do you also understand that for 2021,  
19 based on the information in the settlement of the  
20 stipulation, that the DIR, if it were to continue  
21 into 2021, would be \$290 million?

22 A. Yes.

23 Q. Wouldn't you think that was an incentive  
24 to the company to file that rate case?

25 A. Well, again, it comes back to what's

1 massive. There could be other massives from other  
2 riders.

3 Q. So let me ask you another question going  
4 back to page 5 real quick, if you would, in the  
5 footnote on 14, if I can direct your attention to  
6 that, it starts with "According to the AEP Ohio  
7 response...." Could you read that for me? Not out  
8 loud, just to yourself quickly.

9 A. I'm there.

10 Q. Just take a quick look at 14, if you  
11 would do that. And then the question, I guess, would  
12 be: In a base rate case, does the Commission require  
13 investments to pass a cost-effective test before  
14 being included in the rate base?

15 A. I believe the Commission could. I don't  
16 know if that's always the case for every investment,  
17 but certainly for major investments, that's -- major  
18 investments that I'm aware of, I've seen those type  
19 of cost-benefits studies before.

20 Q. Just you talked about knowing that and  
21 believing that they do do that. Do you have any  
22 examples or thoughts of where you've seen that  
23 before?

24 A. I am just saying, in general, in other  
25 cases that I have been involved with, I know that a



1 cost/benefit analysis is commonplace for -- for large  
2 investments. I'm thinking of one that I have in mind  
3 right now involved a Duke case where there was  
4 certainly a cost/benefit analysis done before massive  
5 investment was made in a SmartGrid case.

6 Q. So is there a cost/benefit analysis for  
7 each individual investment?

8 A. Are you talking about that example?

9 Q. Not that example. Just in your  
10 experience in general. We talked about the fact you  
11 believe this occurs.

12 A. I believe that -- I believe that it  
13 happens sometimes. Not necessarily all the time.

14 Q. So if there was a line item listing of  
15 investments, would the Commission analyze each one on  
16 that same basis, line item, or some of them?

17 A. I don't know which ones the staff or an  
18 auditor would look at, no, I don't.

19 Q. If the company installed a pole, would  
20 that be analyzed under those standards?

21 MR. MOORE: Your Honor, he's asking the  
22 witness to speculate as to what the Commission would  
23 do.

24 MR. MILLER: He indicated he believes  
25 these type of investments should be reviewed

1 previously and done on the DIR, and I am trying to  
2 ask him a question about specifics as to what he is  
3 getting at.

4 MR. MOORE: He testified that he believes  
5 the cost/benefit analysis should be used, but he  
6 can't testify as to what the PUCO will do. That's up  
7 to the PUCO.

8 EXAMINER SEE: The objection is  
9 overruled. Mr. Williams, you can answer the  
10 question.

11 THE WITNESS: Could you please repeat the  
12 question.

13 (Record read.)

14 A. Not necessarily each individual pole, but  
15 the program that was replacing the poles. I'm  
16 assuming there's some level of a cost/benefit at some  
17 level to justify the expense that's going into that  
18 kind of a program. Does that mean each pole? I  
19 think that's a bit extreme.

20 Q. Let's talk a little bit about the ESRR  
21 rider. That's --

22 A. That would be my second-favorite rider.

23 Q. Well, I'm glad you have -- I'm glad you  
24 have favorites because I've got about two hours of  
25 questions on this.

1           The ESRR rider is designed to recover  
2 costs directly related to tree-trimming activities  
3 performed by AEP Ohio, correct?

4           A.    That would be correct.

5           Q.    And isn't it true that AEP Ohio -- and I  
6 want to go down this line of questioning because it  
7 is your favorite rider -- isn't it true that AEP  
8 Ohio, among its four major electric utilities --  
9 among the major electric utilities in Ohio, has, by  
10 far, the largest presence in eastern and southeastern  
11 Ohio; is that fair?

12          A.    I believe that's true.

13          Q.    And how familiar are you with Ohio? Are  
14 you an Ohio born and bred guy?

15          A.    I've been around a fair amount.

16          Q.    I see you got your MBA in St. Louis, so I  
17 don't know if you're from our fine state or --

18          A.    I've spent a lot of years here.

19          Q.    So is -- is the eastern and southern  
20 part, southeastern part of Ohio, is it fair to say  
21 it's probably the most heavily forested part of the  
22 state?

23          A.    I believe it is.

24          Q.    Is there a standard tree trimming,  
25 vegetation management for all investor-owned electric

1 service companies in Ohio?

2 A. There -- each of the electric utilities  
3 are required, pursuant to I think it's Ohio  
4 Administrative Code 1-10-27, to have a vegetation  
5 management plan. A vegetation management plan  
6 specifies the terms and requirements of their  
7 inspection, repair, replacement program, including  
8 vegetation management.

9 Q. So does each investor-owned electric  
10 service company have a unique tree trimming,  
11 vegetation management policy and program? Are they  
12 all the same? Is it sort of, you know, apples to  
13 apples things with everybody?

14 A. I believe that the Commission, and I  
15 can't say that this is all of the utilities, but I  
16 can say that it's the majority of the electric  
17 utilities are supposed to be on a four-year,  
18 cycle-based, end-to-end trimming of -- of their -- of  
19 their circuits. So every four years the entire  
20 system should be -- there should be tree trimming  
21 having been performed.

22 Q. So you are not entirely certain, but  
23 that's your general --

24 A. Yes. But I am pretty certain that is  
25 AEP's requirements as well. I have looked at the

1 Rule 27 report for AEP.

2 Q. So I guess what I'm trying to determine  
3 here and understand is, is it your understanding that  
4 each utility has a different plan? They have  
5 different requirements, different metrics, perhaps?

6 MR. MOORE: Your Honor, I am going to  
7 object. FirstEnergy's proposal is not on trial here.  
8 It's AEP's proposal that is being decided. I think  
9 it's outside the scope of his evidence, outside of  
10 the proceeding.

11 MR. MILLER: I would assume, as his  
12 favorite rider, he may know a little bit more about  
13 that.

14 MR. MICHAEL: It's his second favorite.  
15 Please listen, Mr. Miller.

16 MR. MILLER: I'm sorry. Second favorite.  
17 I think my question here is whether or not he expects  
18 or has an understanding that there is some sort of  
19 cookie-cutter plan for each electric utility in Ohio  
20 in regards to vegetation management. And my question  
21 is does he -- is he aware of that or does he think  
22 that's the case.

23 EXAMINER SEE: And I believe Mr. Williams  
24 has already answered that he is not sure.

25 MR. MILLER: Okay. Thank you.

1           Q.    I'm just curious, do you have any  
2 training or educational background in forestry or  
3 arboriculture?

4           A.    No, I don't.

5           Q.    Can I direct your attention to your  
6 supplemental testimony, page 9, lines 12 through 16.

7           A.    I'm there.

8           Q.    And in light of your testimony there, are  
9 all -- all ESRR costs based on actual dollars spent?  
10 Do you know?

11          A.    I believe that they are.  If you're  
12 asking is it based upon, you know, forecasted numbers  
13 or things, I don't believe so.

14          Q.    It's actual dollars then.

15          A.    There is an actual -- there is a true --  
16 there is a filing that reflects the actual amount of  
17 money that was spent.

18          Q.    And then do you know if those costs are  
19 independently audited by the Commission for prudence  
20 and necessity?

21          A.    I know that there's an annual filing and  
22 I believe that the Commission staff does review those  
23 filings.

24          Q.    Is it an audit?

25          A.    Audit, I'm not sure exactly what the

1 scope of that is. It could be an audit.

2 Q. Okay. Can we take a look at your direct  
3 testimony and specifically I would like you to look  
4 at an exhibit to your direct testimony which is  
5 JDW-9. And I show it listed, I guess the specific  
6 pages would be 2 and 3 of 34 total pages, so JDW-9.

7 A. I'm there.

8 Q. And let's talk a little bit about this  
9 survey. Where did this survey come from? Do you  
10 know?

11 A. I believe this survey was -- it was  
12 either attached to one of the -- an AEP witness or it  
13 came through discovery.

14 Q. And do you know who prepared it?

15 A. Thoroughbred Research Group.

16 Q. Is it your opinion that based on your  
17 review of it, generally speaking, that the results of  
18 the survey are reliable?

19 A. I wasn't questioning the reliability of  
20 the survey.

21 Q. So you're not aware of the accuracy of  
22 the survey?

23 A. No, I'm not.

24 Q. Okay. Let's look at page 3, if you  
25 would, and this is the page that's entitled

1 "Residential Customer Results" and it has some  
2 language and some verbiage and then some bar graphs.  
3 Do you see that?

4 A. I'm there.

5 Q. And I'm assuming, but I don't know and I  
6 don't want to make the assumption, but I assume you  
7 took a look at the research methodology on page 2,  
8 which is before that, to get sort of an understanding  
9 how these results were compiled, correct?

10 A. Generally, yes.

11 Q. So just for starters, what's the margin  
12 of error on this specific study? Based on the  
13 information on page 2?

14 A. Plus or minus 4.9 percent.

15 Q. So my understanding of margin of error,  
16 it could be 4 percent above or 4 percent below. 4.9  
17 percent above or below, just depending on the  
18 specific result, correct?

19 A. That's as I understand it.

20 Q. And there's a confidence component, a  
21 percentage confidence component. Do you see that?  
22 It's just after the listing of the margin of error.

23 A. It shows 95 percent.

24 Q. So not being a math guy, that's why I'm  
25 not an engineer, but plus or minus 4.9 percentage



1 points at 95 percent means to me, and tell me if you  
2 agree, that 95 percent of the time it's plus or minus  
3 4.9 percent -- or 4.9 points, I'm sorry.

4 A. That's generally how I would interpret  
5 the data.

6 Q. So taking a look at page 3 now with those  
7 bar graphs, and I believe you cite to this or refer  
8 to this document, it -- is it your understanding that  
9 on the bar graphs at the bottom of the page that  
10 there are -- that this is based on a 100-percent  
11 measurement. In other words, there are numbers, five  
12 individual numbers, that if compiled would equal  
13 100 percent, so this is 100 percent total, correct?

14 A. That's how I understand it.

15 Q. And it's your testimony, I think, that  
16 AEP should be most focused purely on costs rather  
17 than reliability as its customers have indicated and  
18 specifically in this study that cost is the most  
19 important factor regarding electric service,  
20 residential electric service?

21 A. I think it's an accurate reflection on my  
22 testimony that AEP should not ignore costs as it  
23 considers reliability and the impact on customers.  
24 And what I gathered from this chart is that AEP  
25 customers are greatly concerned about the cost. When

1 I look at this settlement, it does nothing to address  
2 the issue that seems to be the most concerning to  
3 customers.

4 Q. Is the greatest concern, cost?

5 A. It's got 34 percent.

6 Q. And so cost is the greatest, in looking  
7 at these numbers, and what's the second greatest?

8 A. Quickly restoring power when outages  
9 occur.

10 Q. And the third?

11 A. The third would be keeping power outages  
12 to a minimum.

13 Q. I think earlier in the day, when we were  
14 talking about reliability, you agreed that outages  
15 duration and outages restoration were components of  
16 reliability, correct?

17 A. Yes, I did.

18 Q. And so as I look at these numbers, it  
19 seems to me that the No. 2, which is the restoration  
20 and the No. 3, which is the outages, if you added  
21 those together, it would equal 52 percent; is that  
22 correct?

23 A. The math is right.

24 Q. And I told you I am not strong on that,  
25 but I'm trying. And so if you compare the 52 percent

1 to the 34 and, again, I think your testimony earlier  
2 that both of those two items, the 20 and the 32,  
3 outages and restoration, are reliability standards.  
4 It seems to me that reliability now is, if you  
5 combine those two under that subject, we are looking  
6 at 52 percent. And remember, each customer, as we  
7 talked, each customer chooses one item.

8 A. I would direct you to the title of this  
9 entire survey which is called "AEP Ohio 2015 Service  
10 Reliability Perception Survey." Cost is part of that  
11 perception survey. I don't think -- as I would look  
12 at this chart, I would look at the 32 percent who  
13 responded with quickly restoring power as an issue  
14 generally related to CAIDI. Keeping power outages to  
15 a minimum is an issue related to the SAIFI measure.  
16 But cost can't be ignored.

17 Q. And if you're -- based on the methodology  
18 we talked about, if you're an individual that's been  
19 surveyed, I believe your choice is to pick one of  
20 these five categories, correct?

21 A. Yes.

22 Q. And so I think we've talked about this.  
23 I think you agreed two of these categories are  
24 reliability indices.

25 A. I believe that they are, as is the cost

1 of electricity.

2 Q. One of these, maybe two, I don't know  
3 about the options of paying the monthly bill, which  
4 is very minor, it's 4 percent, may be cost issues,  
5 correct?

6 A. I believe that there's a cost component  
7 in all of these. I believe I -- if I was AEP, I  
8 would interpret these survey results to be telling me  
9 that -- that there's great concern about the cost of  
10 bills, how much the service is costing. And this is  
11 done in the context of a reliability survey. It's  
12 not a survey looking at other things that customers  
13 want.

14 Q. And you're correct, it is a reliability  
15 survey, and 52 percent of the people indicated that  
16 the two -- and we talked about this and I think  
17 you've agreed to this -- the two bar graphs that are  
18 reliability related directly were their choices. So  
19 again, it seems that reliability is 52 percent of the  
20 choices made out of these five choices out of 100,  
21 which would be a majority. And even taking into  
22 account the fact that 4.9 percent margin of error,  
23 seems to me that 52 is still significantly larger  
24 than 34.

25 MR. MOORE: Objection. Asked and

1 answered and he's testifying instead of asking  
2 questions.

3 Q. Wouldn't you agree? I was going to  
4 finish. I'm sorry.

5 A. Again --

6 MR. MOORE: Your Honor --

7 EXAMINER SEE: Go ahead, Mr. Williams.

8 A. Again, this is an interpretation of an  
9 AEP survey. I didn't do this survey; AEP did. So  
10 we're questioning the reliability of the application  
11 of it. I believe that's an AEP type of issue. I  
12 think that AEP customers are trying to tell the  
13 company about the considerations that they think are  
14 the most important. And I believe that the  
15 reliability is split into two different categories  
16 for specific reasons. Customers care a great deal  
17 about cost. They recognize there can be outages, but  
18 when there are outages, they would like to have the  
19 service quickly restored. I think that's how to  
20 interpret this data.

21 MR. MILLER: I have nothing further.  
22 Thank you, Mr. Williams.

23 EXAMINER SEE: Mr. Margard?

24 MR. MARGARD: I have no questions. Thank  
25 you, your Honor.

1 EXAMINER SEE: Redirect, Mr. Moore?

2 MR. MOORE: Can I have a few minutes to  
3 confer with my witness, your Honor?

4 EXAMINER SEE: Certainly.

5 We're off the record.

6 (Discussion off the record.)

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

9 Mr. Moore.

10 MR. MOORE: Thank you, your Honor. OCC  
11 has no further questions. However, we would like to  
12 proffer the testimony that was stricken from  
13 Mr. Williams' testimony earlier today. Thank you.

14 EXAMINER SEE: Are there -- okay. Are  
15 there any objections to the admission of OCC Exhibit  
16 2 and OCC Exhibit 2A?

17 MS. BOJKO: Your Honor, subject to your  
18 motions to strike that were granted, there's no  
19 objection from OMAEG.

20 MS. WHITFIELD: Same for Kroger, your  
21 Honor.

22 EXAMINER SEE: Hearing none, OCC Exhibit  
23 2 and 2A are admitted into the record.

24 (EXHIBITS ADMITTED INTO EVIDENCE.)

25 EXAMINER SEE: Thank you very much,

1 Mr. Williams.

2 THE WITNESS: Thank you.

3 EXAMINER PARROT: Mr. Moore, you may call  
4 your next witness.

5 MR. MOORE: Thank you, your Honor. At  
6 this time, the Consumers' Counsel would like to call  
7 Dr. Daniel J. Duann to the stand.

8 EXAMINER PARROT: Please raise your right  
9 hand.

10 (Witness sworn.)

11 EXAMINER PARROT: Please have a seat.

12 - - -

13 DANIEL J. DUANN, Ph.D.

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

16 DIRECT EXAMINATION

17 By Mr. Moore:

18 Q. Dr. Duann, could you please state your  
19 full name and business address.

20 A. Yes. Daniel J. Duann, 10 West Broad  
21 Street, Suite 1800, Columbus, Ohio 43215.

22 Q. By whom are you employed and what is your  
23 position?

24 A. I'm employed by the Office of the Ohio  
25 Consumers' Counsel. I'm a Principal Regulatory

1 Analyst at OCC.

2 Q. Thank you.

3 MR. MOORE: Your Honor, at this time, we  
4 would like to have marked as OCC Exhibit 3, the  
5 direct testimony of Daniel J. Duann, filed in this  
6 docket on May 2, 2017; and as OCC Exhibit 3A, the  
7 supplemental testimony of Daniel J. Duann, filed on  
8 October 1, 2017.

9 EXAMINER PARROT: So marked.

10 (EXHIBITS MARKED FOR IDENTIFICATION.)

11 Q. Dr. Duann, do you have before you copies  
12 of what have been marked as OCC Exhibits 3 and 3A?

13 A. Yes, I do.

14 Q. And is that OCC Exhibit 3 the direct  
15 testimony you filed in this docket on May 2, 2017?

16 A. Yes.

17 Q. And is OCC Exhibit 3A the testimony you  
18 filed in this docket on October 11, 2017?

19 A. Yes.

20 Q. And were OCC Exhibits 3 and 3A prepared  
21 by you or at your direction?

22 A. Yes.

23 Q. Do you have any changes that you would  
24 like to make to OCC Exhibit 3 or 3A?

25 A. Yes, I do.



1 Q. Let's start with Exhibit 3.

2 A. Yes, for my direct testimony on page 20,  
3 line 22, it should be read as "regulated electric  
4 utility is not a proper application" and that the  
5 word "a" should be deleted before that "not."

6 Q. Okay.

7 A. And I have another correction that is  
8 page 34, line 16 of my direct testimony. It should  
9 be read ".75 percent" instead of ".50 percent."

10 And I have correction on my supplemental  
11 testimony. That will be page 11.

12 MS. BLEND: I'm sorry, your Honor, if we  
13 could go back to the last change. The copy of  
14 Mr. Duann's direct testimony that we have has .25  
15 percent not .75 percent on line 16, page 24.

16 THE WITNESS: Yes, that ".25" percent  
17 should be changed to point ".75 percent." Then the  
18 second ".75 percent" that should be changed to  
19 ".50 percent."

20 MS. BLEND: Thank you for that  
21 clarification.

22 A. And on my supplemental testimony on  
23 page 11, line 1, it says "(5)" there. That should be  
24 deleted so actually there's only four bullet point in  
25 my Answer No. 9. 1, 2, 3, 4. So that No. 5 should

1 be deleted. That's all the change and correction I  
2 have.

3 Q. Would any of those changes change the  
4 conclusions you reached in your testimony?

5 A. No.

6 Q. If I were to ask you today the same  
7 questions that appear in OCC Exhibits 3 and 3A, would  
8 your answers be the same?

9 A. Yes.

10 MR. MOORE: Your Honor, at this time I  
11 would move for the admission of OCC Exhibits 3 and  
12 3A, pending cross-examination.

13 EXAMINER PARROT: Thank you, Mr. Moore.  
14 Any questions, Ms. Fleisher?

15 MS. FLEISHER: No questions, your Honor.

16 EXAMINER PARROT: Ms. Glover?

17 MS. GLOVER: No questions.

18 EXAMINER PARROT: Ms. Hewell?

19 MS. HEWELL: No questions.

20 EXAMINER PARROT: Mr. Boehm?

21 MR. BOEHM: No questions, your Honor.

22 EXAMINER PARROT: Mr. Pritchard?

23 MR. PRITCHARD: No questions, your Honor.

24 EXAMINER PARROT: Losing people.

25 Ms. Blend.

1 MS. BLEND: Thank you, your Honor.

2 - - -

3 CROSS-EXAMINATION

4 By Ms. Blend:

5 Q. Good morning, Dr. Duann.

6 A. Good morning.

7 Q. The purpose of your testimony in this  
8 proceeding is to address the ROE including the  
9 resulting WACC and the SEET proposed in the  
10 stipulation, correct?

11 A. As well as those proposals in the  
12 application.

13 Q. And you agree that the stipulation  
14 modifies the application in this case?

15 A. It modified and -- but I think there's --  
16 there's not clear.

17 Q. You agree that the ROE proposed in the  
18 stipulation is different from the ROE proposed in the  
19 amended application in this case, correct?

20 A. It is different for the time period  
21 before and if AEP file -- file its next rate case and  
22 before the new rate go into effect, under the  
23 application it's 10.41 percent, and under the  
24 settlement it will be 10 percent.

25 Q. Correct. And you would agree that after

1 the company files a distribution rate case and an  
2 order is issued in that case, that the order in that  
3 distribution rate case would set the ROE going  
4 forward?

5 A. Would set the ROE going forward for  
6 the -- for the distribution rate, yes.

7 Q. Thank you.

8 And you agree that the SEET proposal  
9 contained in the stipulation is different from the  
10 SEET proposal contained in the amended application in  
11 this case, correct?

12 A. I think they are the same. Essentially  
13 the same.

14 Q. On pages 2 and 3 of your testimony, you  
15 summarize the recommendations that you initially  
16 concluded -- pages 2 and 3 of your supplemental  
17 testimony, which has been marked OCC Exhibit 3A, you  
18 summarize the recommendations you initially included  
19 in your direct testimony which has been marked OCC  
20 Exhibit 3, correct?

21 A. Yes.

22 Q. And on page 3, lines 17 and 18, you  
23 indicate that the stipulation or settlement does not  
24 change the recommendations that you made in your  
25 direct testimony.

1           A.    Yes.

2           Q.    You would agree, though, that three of  
3 the five recommendations that you made in your direct  
4 testimony relate to proposals included in the  
5 company's amended application that are no longer  
6 being proposed in the stipulation, correct?

7           A.    No, that's not correct.

8           Q.    Okay. You would agree that the company  
9 is no longer proposing, through the stipulation in  
10 this case, a baseline ROE of 10.41 percent and an  
11 aftertax rate of return of 8.2 percent -- 2.3 -- 8.23  
12 percent and a pretax WACC of 11.16 percent, as  
13 indicated on item 2, that begins on page 2, line 19,  
14 of your supplemental testimony, correct? We just  
15 talked about that one.

16           MR. MOORE: Objection, form.

17           EXAMINER PARROT: Dr. Duann, you may  
18 answer if you understand the question. If not,  
19 please ask for clarification.

20           A.    I don't understand the question.

21           EXAMINER PARROT: Ms. Blend, if you could  
22 try rephrasing.

23           MS. BLEND: Thank you, sure.

24           Q.    The ROE -- we just established the ROE  
25 that's being proposed in the stipulation is not the

1 same ROE that was proposed in the amended  
2 application, correct?

3 A. I already answered that. My answer is  
4 the ROE for the period that before the new  
5 distribution rate being set it will be -- would be --  
6 is different under the -- is different under the  
7 stipulation from those proposed under the -- the  
8 application. But only for the period before the new  
9 distribution rate go into effect. There's nothing in  
10 the settlement talk about those, for example, like  
11 those annual adjustment or those incentives what will  
12 happen to those provision in the application. What  
13 will happen after the Commission decided in a new  
14 rate case.

15 Q. Okay. I am talking -- I would like you  
16 just to limit your answer to item 2 that begins on  
17 line 19, page 2 of your testimony. We'll get to  
18 items 3 and 4 next.

19 The stipulation contemplates that the ROE  
20 will change, on a going-forward basis, after the  
21 distribution rate case that the company has committed  
22 to file before -- on or before June 1, 2020, correct?

23 MR. MOORE: Objection, asked and  
24 answered. He has already testified that the rate  
25 case changed the ROE.

1 MS. BLEND: Well, your Honor, I am trying  
2 to get to the next piece of this proposal, but I am  
3 having difficulty getting a straight answer from  
4 Dr. Duann this morning. But I'll move on.

5 Q. (By Ms. Blend) Dr. Duann, you agree that  
6 the pretax WACC that's proposed in the stipulation is  
7 different from the pretax WACC proposed in the  
8 amended application in this case?

9 A. Once again, it's for the period before  
10 the new distribution rate going into effect.

11 Q. Okay. Accepting that caveat, the  
12 proposal is different in the stipulation than what  
13 was included in the amended application, correct?

14 A. That's correct.

15 Q. Okay. So your -- your recommendation  
16 that the Commission reject the baseline ROE and the  
17 WACC proposal in the amended application is no longer  
18 relevant in the stipulation -- in the context of the  
19 stipulation hearing, correct?

20 MR. MOORE: I object to that, your Honor.  
21 That's asking him to draw a legal conclusion, what's  
22 relevant and what's not relevant.

23 EXAMINER PARROT: Overruled. You may  
24 answer.

25 A. I think it's relevant. I think the

1 Commission need to consider everything.

2 Q. So it's your testimony that the  
3 Commission should consider proposals that the company  
4 is no longer making, in its decision on the  
5 stipulation.

6 A. I say the Commission should consider or  
7 reject that 10.41, yeah, when they decide what --  
8 what the proper rate will be.

9 Q. And looking at item 3 that begins on  
10 page 3, line 4 of your supplemental testimony, you  
11 recommend that the Commission reject the proposed  
12 annual adjustment of the return on equity and cost of  
13 debt and the resulting WACC that the company proposed  
14 in the amended application, correct?

15 A. That's what I recommended in my direct  
16 testimony and that referred to the adjustment for the  
17 whole period, the whole ESP period, yes.

18 Q. And you would agree that and in fact you  
19 concede on footnote 6, page 3 of your testimony, that  
20 that proposal has not been included in the  
21 stipulation, correct?

22 A. No, I didn't state that.

23 Q. You state, "...there will not be an  
24 annual adjustment to the baseline ROE, the embedded  
25 cost of debt, or the WACC prior to a new authorized



1 ROE under the next AIR rate case order," correct?

2 A. Yeah. Under the -- you know, under --  
3 until the next AIR rate case.

4 Q. And looking at item 4 on page 3, lines 8  
5 and 9 of your supplemental testimony, you recommend  
6 that the Commission reject the quote-unquote  
7 incentive adder of 75 basis points to the baseline  
8 ROE for the Distribution Technology Rider, correct?

9 A. That's what I recommended in my direct  
10 testimony.

11 Q. And that rider has been withdrawn in this  
12 case, correct? As a result of the stipulation?

13 A. The Distribution Technology Rider has  
14 been withdrawn.

15 Q. Thank you.

16 On pages 5 through 8 of your testimony,  
17 beginning on page 5, line 11, and continuing through  
18 until page 8, line 6, you discuss state policy  
19 considerations, your opinions regarding state policy  
20 considerations contained in RC 4928.02, correct?

21 THE WITNESS: Can I have the question  
22 read back, please?

23 (Record read.)

24 A. Yes.

25 Q. And each of these opinions relates to

1 either the ROE or the SEET proposals contained in the  
2 stipulation, correct?

3 A. They are related, yes, to the SEET, as  
4 well as the ROE, and all those ROE-related proposals  
5 by the company.

6 Q. Thank you.

7 And if you'll turn to page 27 of your  
8 supplemental testimony, on page -- beginning on page  
9 27, line 5, and continuing until page 29, line 8, you  
10 offer your opinion regarding the application of the  
11 statutory tests that the Commission applies to  
12 stipulations with respect to the ROE and SEET  
13 proposals in the stipulations, correct? I'm sorry.  
14 Only with respect to the ROE proposal in this  
15 section, correct?

16 A. Actually, I don't know what you mean by  
17 "statutory requirement."

18 Q. Sure. I'll clarify.

19 You're aware, in evaluating a  
20 stipulation, the Commission provides a three-part  
21 test to determine whether the stipulation should be  
22 approved?

23 A. Yes.

24 Q. Would you agree that on pages 27,  
25 beginning at line 5, through 29, line 8, you are

1 offering opinions regarding the three-part test as it  
2 relates to the company -- the ROE proposed in the  
3 stipulation?

4 A. Related to the ROE proposal in the  
5 stipulation and the effect of those ROE proposals.

6 Q. Okay. Thank you.

7 And on page 30 of your supplemental  
8 testimony, on lines 9 through 13, you offer an  
9 opinion regarding one prong of the three-part test as  
10 it relates to the SEET provision included in the  
11 stipulation, correct?

12 A. Yeah, on that particular page I -- on  
13 that particular page, yes, benefit customer and  
14 public interest.

15 Q. Mr. Duann, you've offered testimony in  
16 numerous Commission proceedings over -- over the  
17 years, correct?

18 A. Yes.

19 Q. And you've offered testimony in cases  
20 involving stipulations in other proceedings?

21 A. Yes.

22 Q. And so you're aware when the Commission  
23 applies its three-part test for stipulations, it is  
24 looking at the stipulation as a whole and not at  
25 select components of the stipulation on a standalone

1 basis, correct?

2 A. No, I do not agree with that.

3 Q. You do not agree that the Commission is  
4 to apply the three-part test to the stipulation as a  
5 whole, as a package?

6 A. I think I believe the Commission look at  
7 the stipulation as a whole as well as the individual  
8 components because in instances the Commission just  
9 modifies some of those components. You know, the  
10 Commission does not always say approve all or not  
11 approve. The Commission modify the stipulation all  
12 the time. So I do not agree with your -- you're  
13 saying only look at the whole stipulation or  
14 settlement as a package. The Commission look at  
15 every component and look as a whole package.

16 MS. BLEND: Your Honor, I would move to  
17 strike everything that begins after "components" in  
18 Dr. Duann's answer as not responsive to my question.

19 MR. MOORE: Your Honor, she opened the  
20 door to this answer. He was giving his opinion on  
21 how the Commission analyzes settlements. It's per --

22 EXAMINER PARROT: I agree. Motion's  
23 denied.

24 MS. BLEND: Thank you, your Honor.

25 Q. (By Ms. Blend) Dr. Duann, will you please

1 turn to page 10 of your testimony, your supplemental  
2 testimony.

3 A. Yes.

4 Q. Beginning on line 7, on page 10, and  
5 continuing through until line 2 on page 11, you  
6 discuss regulatory principles that you understand are  
7 commonly used in setting a reasonable rate of return  
8 for a regulated utility, correct?

9 A. Yes.

10 Q. On what are -- on what is the  
11 understanding that you summarized in this answer  
12 based?

13 A. That's based on my 25 years of experience  
14 as a regulatory analyst.

15 Q. Did you consult any resource or authority  
16 for the regulatory principles that you've summarized  
17 in this piece -- section of your testimony?

18 A. Well, I can give you all the textbook I  
19 took in, for instance, my undergrad in order to -- up  
20 to the Wall Street Journal I read yesterday.

21 MS. BLEND: Your Honor, I would ask  
22 Mr. Duann be instructed to answer my question.

23 MR. MOORE: Your Honor, I think Dr. Duann  
24 did answer the question. He is saying that his  
25 opinion is based on his education, his 25 years of

1 experience, and what he does on a daily basis; for  
2 example, reading the Wall Street Journal every day.  
3 It was responsive to the question.

4 MS. BLEND: And, your Honor, I  
5 specifically asked whether he consulted any resource  
6 or authority for the purposes of preparing this piece  
7 of his testimony, and I did not receive an answer to  
8 that question.

9 EXAMINER PARROT: I am going to ask you  
10 to try it again, Dr. Duann.

11 THE WITNESS: I think that's a different  
12 question.

13 EXAMINER PARROT: Well, answer that one  
14 then.

15 THE WITNESS: Okay. Can I have the  
16 question read back, please?

17 EXAMINER PARROT: The question that was  
18 asked originally or?

19 THE WITNESS: Both.

20 EXAMINER PARROT: Ms. Blend, try it one  
21 more time for me, please.

22 MS. BLEND: I'll ask it again.

23 Q. (By Ms. Blend) Dr. Duann, did you consult  
24 any treatise or authority while preparing this  
25 section of your testimony?

1           A.    I don't understand what do you mean by  
2    "treatise or authority." And I already answered to  
3    you that these are my own, it based on my own  
4    understanding, these are based on my years, my 25  
5    years of experience, based on my education from  
6    undergraduate, my graduate school. So that's my  
7    answer.

8           Q.    Okay. And so you cannot identify a  
9    specific reference or authority that you utilized or  
10   consulted in preparing this portion of your  
11   testimony, correct?

12          A.    I did not utilize or reference or consult  
13   any quote-unquote treatise or authority in preparing  
14   this particular question.

15          Q.    Okay. Thank you.

16                You propose an ROE in this case of 9.3  
17   percent, correct?

18          A.    Correct.

19          Q.    Okay. And that proposal is predominantly  
20   based upon the average ROE authorized for electric  
21   distribution utilities in 2016 as reported by the  
22   Regulatory Research Associates in a report that's  
23   attached as Attachment DJD-2 to your direct  
24   testimony, correct?

25          A.    No.

1 Q. Can you please explain your answer?

2 MR. MOORE: Objection, your Honor. He  
3 gave an answer to her question.

4 EXAMINER PARROT: Overruled.

5 A. Yeah, my answer is no. That's not --  
6 that's not the main source.

7 Q. Okay. Will you please turn to page 12 of  
8 your supplemental testimony. Beginning at line 7.  
9 Let me know when you're there.

10 A. Uh-huh. Yes.

11 Q. You indicate that your estimation of a  
12 reasonable ROE of 9.3 percent for AEP Ohio was based  
13 on your review of the ROEs authorized for electric  
14 distribution utilities in recent years in many  
15 jurisdictions," correct?

16 A. I'm sorry. Can you give me the page  
17 number and line number again, please?

18 Q. Sure. It's your supplemental testimony,  
19 page 12.

20 A. Okay.

21 Q. Beginning at line 7.

22 A. Yes.

23 Q. Beginning at "My estimation" on line 7,  
24 and continuing until "jurisdictions" and the  
25 footnote 18 on line 9.



1           A.    Then I go on to say "the financial and  
2 business risks of AEP Ohio and its parent company  
3 AEP, and the current conditions of the financial  
4 markets and the U.S. economy. This estimated ROE of  
5 9.3 percent also reflected several corrections I made  
6 to the methodology and the data used by AEP Ohio to  
7 support its proposed ROE in its Application."

8           Q.    Okay.

9           A.    So I spent maybe 20 pages in my direct  
10 testimony supporting my 9.3 percent. So I do not  
11 agree with your characterization that 9.3 percent is  
12 based only on what has been authorized in the recent  
13 rate case.

14          Q.    Mr. Duann, I was simply trying to  
15 establish, I am simply trying to establish you  
16 consulted the 20 -- the Major Rate Case Decisions for  
17 2016 report prepared by Regulatory Research  
18 Associates in estimating an ROE of 9.3 percent in  
19 this case.

20          A.    I think your question is whether I rely  
21 primarily. You didn't use the word consult in your  
22 question.

23          Q.    Did you -- you relied on the Regulatory  
24 Research Associates report that's attached as DJD-2  
25 to your direct testimony in calculating an --

1 estimating a 9.3 percent ROE in this case, correct?

2 A. As I state -- as I say in the -- in the  
3 answer that I just gave to you that I consulted and I  
4 looked at other factors and I look at -- made other  
5 corrections and so that's the number I came up with.

6 Q. Okay. All right. And if you'll look at  
7 page 12 of your supplemental testimony, footnote 18,  
8 you state that the average ROE authorized is 9.31  
9 percent for the 12 rate cases of delivery-only  
10 electric utilities that are, quote, similar to AEP  
11 Ohio decided in 2016, correct?

12 A. Yes.

13 Q. Those 12 rate cases of delivery-only  
14 electric utilities that you reference in that  
15 footnote, those cases are summarized in the  
16 Regulatory Research Associates report that's  
17 Attachment DJD-2 to your testimony, correct?

18 A. That's from that source, yes.

19 Q. And you took those numbers from that  
20 source, correct?

21 A. Yes.

22 Q. Okay. Mr. Duann, are you familiar with  
23 how Regulatory Research Associates prepares its  
24 "Regulatory Focus" report?

25 A. Can you be more specific? You mean

1 when -- how it prepared that particular report or how  
2 it monitor the rate case or what -- what -- can you  
3 be more specific, please?

4 Q. Are you aware of how Regulatory Research  
5 Associates selects case decisions for inclusion in  
6 its annual reports?

7 A. I don't believe they select any rate  
8 case. They just reported what happened.

9 Q. Okay. So it's your understanding that  
10 the Regulatory Research Associates reports include  
11 every rate case decided in a given year across the  
12 United States?

13 A. I would say probably not every rate case  
14 because I think it's primarily focus probably on the  
15 investor-owned utilities.

16 Q. So it's your understanding that the  
17 Regulatory Research Associates reports include every  
18 rate case involving an investor-owned electric  
19 utility decided in a given year across the United  
20 States.

21 A. I don't know whether that's true or not.

22 Q. Okay. So you are not aware whether every  
23 rate case involving an investor-owned electric  
24 utility decided in a given year is included in this  
25 report, or whether Regulatory Research Associates

1 applies some sort of selection criteria to determine  
2 which cases to include, correct?

3 MR. MOORE: Objection as to form, and  
4 asked and answered.

5 MS. BLEND: Your Honor, he first told me  
6 he didn't think selection criteria were applied and  
7 then he told me he didn't think every decision was in  
8 here, so I'm just trying to understand what his  
9 opinion is regarding the scope and comprehensiveness  
10 of this report.

11 EXAMINER PARROT: Overruled.

12 A. As I already answered, I don't know  
13 whether it include everyone. I cannot confirm that.

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

15 EXAMINER PARROT: You may.

16 MS. BLEND: Thank you. And we are not  
17 marking this as an exhibit, we are just providing  
18 this to the Bench, witness, and counsel for OCC.

19 Q. Mr. Duann, I'll represent that you have  
20 before you the Regulatory Research Associates  
21 "Regulatory Focus Report" of major rate case  
22 decisions for calendar year 2015, published in  
23 January 14, 2016.

24 A. Yes, I do.

25 Q. Are you familiar with this report?

1           A.    No.

2           Q.    You would agree that it's a report  
3 prepared by Regulatory Research Associates and this  
4 has the same title and contains the same information  
5 for 2015 -- calendar year 2015 as that of calendar  
6 year 2016 in your Attachment DJD-2?

7           MR. MOORE:  Objection, your Honor.  He  
8 just said he is not familiar with the document so the  
9 questions are not proper.

10          MS. BLEND:  And, your Honor, I would like  
11 to probe that with Mr. Duann -- Dr. Duann, I  
12 apologize.  Dr. Duann, please feel free to review and  
13 compare the documents before you provide your answer.

14          EXAMINER PARROT:  Overruled.

15          A.    I think the format looks similar.

16          Q.    Where did you obtain the Regulatory  
17 Research Associates report that's included in your  
18 direct testimony?

19          A.    We have -- I think the OCC has  
20 subscription to SNL and I obtained that through SNL.

21          Q.    Okay.  And you would agree that -- well,  
22 in your opinion, this report is a reliable authority  
23 that should be relied upon for purposes of this  
24 proceeding, correct?

25          MR. MOORE:  Which report are we talking

1 about? The one she passed out or the one in his  
2 testimony?

3 MS. BLEND: The attachment DJD-2; the  
4 report that is generally put out.

5 A. You mean the report I attached to my  
6 direct testimony?

7 Q. We can start there. Would you agree  
8 that's a reliable authority that the Commission  
9 should -- it's your opinion that that's a reliable  
10 authority the Commission should consider in making  
11 its decision in this case?

12 A. Yes.

13 Q. And I believe you just testified that OCC  
14 has a subscription so that it can obtain these  
15 reports as they're published.

16 A. We have subscription to SNL and we can  
17 sub -- obtain these if the SNL does not change its  
18 policy or.

19 Q. And I will represent to you that the  
20 document that we've handed to you is the report from  
21 the same group, which you've testified, appears to  
22 contain similar information and is in the same format  
23 for the prior -- immediately prior calendar year.

24 If you'll please look at page 5 of that  
25 report, pages 5 and 6 of that report, do you see at

1 the top that the header on pages 5 and 6 says  
2 "Electric Utility Decisions"?

3 MR. MOORE: Objection, your Honor. The  
4 witness said he's not familiar with this document.  
5 He hasn't read it. She hasn't laid a proper  
6 foundation. She shouldn't ask questions about it.

7 MS. BLEND: Your Honor, the witness  
8 testified OCC has a subscription where it can obtain  
9 these reports. He's relying on the report which he  
10 testified it looks to be substantially the same  
11 format as this report. He's utilizing the earlier  
12 year's report in his testimony and relying upon it.

13 MR. MOORE: Then she should ask questions  
14 about the earlier reports that's in his testimony.  
15 Just because we have internet access at OCC doesn't  
16 mean she can ask about anything we have available to  
17 us.

18 MS. BLEND: Your Honor, I am not going to  
19 test his knowledge of what's contained in this  
20 report. I'm just simply trying to ask him a couple  
21 of questions about -- about the document.

22 EXAMINER PARROT: The objection is  
23 overruled. We will see where it goes.

24 Q. Mr. Duann, on pages 5 and 6 of the  
25 document that you've been provided for major rate

1 cases for calender year 2015, do you see that the  
2 header on those pages is "Electric Utility  
3 Decisions"?

4 A. That's what it says here in the report  
5 you just handed to me. And on page 5 there is a  
6 heading called "Electric Utility Decisions."

7 Q. And that section of this report is  
8 similar to pages 8 and 9 of Attachment DJD-2, would  
9 you agree? Similar in terms of its format and the  
10 types of information that it's compiling and  
11 presenting?

12 A. They are not exactly the same.

13 Q. Both contain information about ROEs  
14 approved in electric utility rate cases for the  
15 period covered in each report; would you agree with  
16 that?

17 A. I didn't catch the second one. It has  
18 the ROE information.

19 Q. Both contain the ROE information; would  
20 you agree with that?

21 A. That -- the second -- the 20 -- the  
22 January 14, 2016, report has the ROE number there.

23 Q. Okay. And if you'll look at pages 5 and  
24 6 of the January 14, 2016, report, you would agree  
25 that there are no Ohio rate case decisions captured



1 on that report, correct?

2 A. In the report it did not indicate which  
3 state.

4 Q. If you look at the column that says  
5 "Company (State)" you'll see for each decision the  
6 company name is stated and in parentheses the state  
7 abbreviation is stated. Do you see that?

8 A. Okay. So they combine those two  
9 together. Yes, I see that, the company and  
10 parentheses state.

11 Q. So with that clarification, would you  
12 agree there are no Ohio rate case decisions included  
13 on this report? The January 14, 2016 report?

14 A. On which page is this?

15 Q. 5 and 6, the "Electric Utility Decisions"  
16 section.

17 A. Based on it, based on what's indicated  
18 there's no -- I didn't see a state "OH" there.

19 Q. And are you aware that the Commission  
20 approved AEP Ohio's ESP 3 application on February 25,  
21 2015?

22 A. I don't remember exact date.

23 Q. Will you accept, subject to check, that  
24 was the date of the Opinion and Order in that case?

25 A. Yeah, I accept that.

1           Q.    Are you aware the Commission authorized  
2 an ROE of 10.2 percent in that case?

3           A.    That's not a rate case.

4           Q.    Are you aware that the Commission  
5 authorized an ROE of 10.2 percent in that case?

6           A.    I'm aware that the Commission authorized  
7 an ROE in the ESP case, but the ESP case is not a  
8 rate case.

9           Q.    So it's -- Mr. Duann, this is also an ESP  
10 case, is it not?

11          A.    Yes, this is an ESP case.

12          Q.    So is it your testimony that the ROEs --  
13 that this case is different from the rate cases whose  
14 ROEs you utilized in calculating your 9.3 percent  
15 recommendation, ROE recommendation, here?

16          A.    No, I didn't say that. I'm just trying  
17 to respond to your question -- to your  
18 characterization in 2015 the PUCO approve an ESP case  
19 and you indicated that case is not here, and I'm just  
20 trying to explain that the ESP case, you know, in --  
21 the ESP case of Ohio Power is not a rate case and  
22 that may be the reason it's not included here. I'm  
23 not saying anything about whether the -- whether the  
24 ROE determined in the rate case should or should not  
25 be used in an ESP.

1           Q.    Are you aware that in the ESP III case,  
2           whether or not it should be included on this report,  
3           the Commission authorized an ROE of 10.2 percent?

4           MR. MOORE:  Objection, your Honors.  
5           Asked and answered.

6           MS. BLEND:  He actually didn't answer the  
7           question, your Honor.

8           A.    I don't --

9           EXAMINER PARROT:  Hang on.  Overruled.  I  
10          don't believe he's answered the question.  Go ahead.

11          A.    I don't remember exactly.

12          Q.    Will you accept, subject to check, that  
13          that was the ROE authorized in that case?

14          A.    As I say, I don't know.  I don't recall  
15          exactly what's the ROE authorized in that case.

16          Q.    You've just identified that this  
17          January 14, 2016 report doesn't include the AEP Ohio  
18          ESP III decision from February 2015.  It's possible,  
19          isn't it, that the January 18, 2017 report, included  
20          in Attachment DJD-2 of your direct testimony, also  
21          doesn't contain decisions involving investor-owned  
22          electric utilities where state commissions  
23          established ROEs in 2016, isn't it?

24          A.    Well, I think I already answered this.  I  
25          don't know whether it include every rate case that

1 decided in that particular year.

2 Q. So, yes, it is possible.

3 A. I don't know about the ESP or not because  
4 I don't know whether it is the -- the intention or  
5 the focus of the Regulatory Research Associates  
6 include any of those non-rate case in its report. I  
7 don't know.

8 MS. BLEND: Your Honor, I would move to  
9 strike the response as not responsive to my question  
10 and request that you ask the witness to answer the  
11 question I asked.

12 MR. MOORE: Your Honor, he gave his  
13 response. He said he doesn't know. You can't force  
14 him to give a response that he is not aware of.

15 MS. BLEND: And, your Honor, I asked  
16 whether it was possible.

17 EXAMINER PARROT: I am going to allow the  
18 answer to stand but, Dr. Duann, I do want you to  
19 answer that question.

20 A. I think I already answered the question.  
21 This regulatory is -- I do not know whether it  
22 include every rate case, and there could be other  
23 proceeding or limited-purpose proceeding, whether  
24 they are included or not, I don't know.

25 Q. And, in fact, you don't know what

1 criteria RRA uses for including or excluding  
2 decisions from its reports, correct?

3 A. I do not know.

4 Q. And, Dr. Duann, looking at the report for  
5 the year 2016, that's Attachment DJD-2 to your  
6 testimony. You can set the other one aside. You  
7 have no personal knowledge of the financial or  
8 business risks that the utilities, whose cases are  
9 summarized in that report, face, correct?

10 A. I do not -- I do not know the detail of  
11 each and every one of those cases.

12 Q. And you do not know how each of those  
13 utilities compare to AEP Ohio, correct?

14 A. I did not make the comparison of each one  
15 individually, but I think it is my testimony that I  
16 did not find AEP Ohio have any additional business or  
17 financial risk that is deviated significantly from  
18 this -- from the electric utility as a group.

19 Q. In forming that opinion, did you compare  
20 the business and financial risks that AEP Ohio faces  
21 to the companies included in the list in Attachment  
22 DJD-2, or did you not?

23 A. I did not, for individual company I  
24 didn't look at what the -- the credit rating for the  
25 utility industry in general -- I mean for the

1 electric utility in general and what kind of ROE they  
2 earned and what kind of a regulatory environment and  
3 whether they are vertically integrated, whether they  
4 are just distribution only, whether they have --  
5 whether they have the same credit supported  
6 environment like the PUCO that they are subject to.

7 Q. You looked at each of those criteria for  
8 each of the companies included in this list on  
9 Attachment DJD-2, that's your testimony?

10 A. No, I didn't say that. I already say I  
11 did not look -- compare each individual company. I  
12 just look at the electric utility industry as a whole  
13 based on my understanding, based on my reading of the  
14 trade publication, based on my reading of the AEP  
15 presentation to its investors, based on AEP's annual  
16 report, based on AEP's 10-K report to the Security  
17 and Exchange Commission.

18 I just do not see AEP -- or I look at  
19 what AEP has earned in the past compared to the  
20 utility industry in general and I just do not see  
21 they are facing a higher risk than the -- than  
22 electric utility industry in general.

23 Q. How did you determine that this group of  
24 utilities included in this report is comparable to  
25 AEP Ohio without looking at any individual utility

1 included in the report?

2 A. You don't need to look at it. You just  
3 look at what's the -- you look at the average. You  
4 look at what's the -- what's the totality of this  
5 group.

6 Q. So you just look at the ROE approved,  
7 with no consideration for any specific regulatory --  
8 the specific regulatory climate, the structure of the  
9 utility, particular business or financial risks that  
10 any other utility faces. It's your testimony that  
11 you just look strictly at the ROE percentage, the ROE  
12 approved.

13 A. I didn't say that. I think my answer is  
14 I look at what kind of regulatory construct, what  
15 kind of regulatory environment AEP Ohio is facing,  
16 and compare that to the -- to the regulatory  
17 environment for the electric utility in general as I  
18 understand it.

19 Q. So how did you determine the regulatory  
20 environment for the group without looking at the  
21 regulatory environment for any particular utility  
22 included in the group?

23 A. Well, just based on my years of  
24 experience, my involvement in public utility  
25 regulation.

1           Q.    But you didn't do any specific  
2 comparison, correct?

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

5           MS. BLEND:  Your Honor, I don't believe I  
6 have asked that question, any questions about the  
7 regulatory environment, until now.

8           MR. MOORE:  That's not what she said in  
9 her question, your Honor.

10          EXAMINER PARROT:  If you could rephrase,  
11 please.

12          Q.    Dr. Duann, you did not do any specific  
13 comparison of the regulatory environment that any  
14 utility included in the list in DJD-2 with AEP Ohio  
15 -- with the regulatory environment of AEP Ohio,  
16 correct?

17          A.    I think I have answered at least three  
18 times as is I do not compare the individual company,  
19 you know, with AEP Ohio.  I focus on AEP Ohio.  I  
20 look at AEP Ohio's regulatory environment, its credit  
21 rate, its cash flow metrics, and its earned ROE, and  
22 then I compare that with -- I compare that with the  
23 investor-owned utility in Ohio and compare that with  
24 other AEP affiliate in other states and compare that  
25 with my understanding of the current state of the



1 electric utility industry. And I say I did not make  
2 that comparison with individual companies.

3 MS. BLEND: Your Honor, I move to strike  
4 everything after the first sentence up until the very  
5 last sentence as not responsive to my question. I  
6 simply asked whether Dr. Duann did any comparison  
7 between the regulatory environment of any utility on  
8 this list and AEP Ohio. I did not ask about what he  
9 analyzed with respect to AEP Ohio itself.

10 MR. MOORE: Your Honor, it was a pretty  
11 broad, open-ended question. Did you do any  
12 comparison to AEP Ohio and the other utilities, and  
13 Dr. Duann answered the question by explaining what he  
14 did.

15 EXAMINER PARROT: The motion to strike is  
16 denied.

17 Q. Dr. Duann, none of the decisions in  
18 Attachment DJD-2 for electric utilities was a PUCO  
19 decision, correct?

20 A. You are referring to my attachment, the  
21 2016 case?

22 Q. Yes.

23 A. Yeah. As this -- the information I see  
24 here in the state of Ohio.

25 Q. The -- you would agree the 10 percent ROE

1 proposed in the stipulation in this case is lower  
2 than the 10.41 percent ROE that the company proposed  
3 in its amended application and supported with the  
4 testimony -- filed testimony of company witness  
5 McKenzie?

6 A. Yes.

7 Q. And the 10 percent ROE proposed in the  
8 stipulation in this case is lower than the currently  
9 authorized ROE of 10.2 percent authorized in the ESP  
10 III case, correct?

11 A. As I indicated earlier, I don't remember  
12 exactly but assuming that 10.2 is what authorized in  
13 the AEP III, then 10.2 is higher than 10.

14 Q. Do you agree that it's possible that  
15 interest rates will increase between the date an  
16 order is issued in this case and the date an order is  
17 issued in the distribution rate case the company has  
18 committed to file by June 1, 2020?

19 A. I think you have to be more specific what  
20 you are referring by the "interest rate." You mean  
21 the interest rate facing the consumer? The interest  
22 rate paid by the U.S. Government? The interest rate  
23 paid by the corporation? Its one-year interest rate?  
24 Two years? Five years? 10 years? 70 years?

25 Q. Interest rates in general. It's possible

1 they could increase between the time of the decision  
2 in this case and the time of the decision in the  
3 future distribution rate case, correct?

4 A. I don't know what the interest would be,  
5 so I will say it could be higher, it could be lower.  
6 It's possible.

7 Q. Okay. And, in fact, on page 21 of your  
8 supplemental testimony, you -- at lines 1 through 13,  
9 you state that interest rates in general and  
10 specifically with respect to 2018 which is between  
11 now and when an order would be issued on the 2020  
12 distribution rate case, might stay the same or might  
13 become higher.

14 A. I'm not -- in that sentence I'm referring  
15 you compare the interest rate in 2018 to the current  
16 interest rate of the -- of the debt you are retiring  
17 that it could be -- and that interest rate is  
18 referring to 6.05. I'm not comparing what the  
19 interest rate right now and what the interest would  
20 be in 2018.

21 Q. So your testimony is you're not -- that  
22 statement does not relate to the interest rates in  
23 general in 2018 compared to what the interest rates  
24 are now?

25 A. In that particular Q and A, that's what I

1     compare to, what's the interest rate for the rate --  
2     for the debt that is going to be retired and what the  
3     interest rate might be in 2018.

4             Q.     Please turn to page 13 of your  
5     supplemental testimony. And actually it begins on  
6     page 12, line 18, and continues onto page 13. In  
7     this section of your testimony you discuss AEP Ohio's  
8     earned ROE, correct?

9             A.     Yes.

10            Q.     Are you aware that there are several  
11     legacy riders that will be concluding or ending  
12     during the term of the proposed ESP III extension?

13            A.     My recollection is that in their  
14     application the company proposed a new rider and it  
15     will maintain existing rider and -- and it will end  
16     certain rider. That's my recollection and I don't  
17     remember exactly what laid out.

18            Q.     Are you aware that the Retail Stability  
19     Rider will end during the term of the expanded ESP?

20                   MR. MOORE:   Objection, asked and  
21     answered. He just said he wasn't sure what specific  
22     riders.

23                   MS. BLEND:   Your Honor, he testified he  
24     recalled that some will end and some will not, and so  
25     I was trying to help him.

1           MR. MOORE: His answer was I'm not sure  
2           what specific ones they are.

3           EXAMINER PARROT: Overruled. You may  
4           answer if you know.

5           A. The Retail Stability Rider, yes, will --  
6           will end within the next six years. I don't know  
7           when it will end.

8           Q. And are you also aware that the Phase-In  
9           Recovery Rider will end during the term of the ESP  
10          III extension? Prior to the 2020 rate case?

11          A. I think -- I don't know. I'm not that  
12          familiar with the PIR. I don't want to give a wrong  
13          answer.

14          Q. Would you expect the ending of the RSR to  
15          increase or decrease the company's earned ROE?

16          A. I don't know because -- because you end  
17          one, one rider, but you have other rider coming in,  
18          so I don't know.

19          Q. Okay. All other -- all other variables  
20          being held consistent, would you expect the  
21          termination of that rider to increase or decrease the  
22          company's earned ROE?

23          A. Well, I think it could actually increase  
24          if the company cut expense significantly, then it  
25          could. So anything could happen.

1           Q.    Okay.  If you'll turn to pages 14 through  
2   19 of your supplemental testimony, Dr. Duann.  In  
3   this section of your supplemental testimony you  
4   discuss three pending electric rate cases, correct?

5           A.    Yes.

6           Q.    And as you can see on line 18 -- or page  
7   18, line 20 through page 19, line 3, the -- each of  
8   these three examples relates to different utilities,  
9   not AEP Ohio, in -- two of which are in different  
10  jurisdictions and in different regulatory  
11  environments, correct?

12          A.    Yes.

13          Q.    And all three of these cases are  
14  currently pending.

15          A.    As when I prepared the testimony, it is  
16  pending.

17          Q.    And there hasn't been a final decision in  
18  any of these cases.

19          A.    As I say, when I prepared, I don't know  
20  whether there's any final decision right now but.  
21  But when I prepared that, they are still pending.

22          Q.    And the ROEs that you discuss with  
23  respect to each of these three cases are the ROEs  
24  that the staff proposed in its litigation position in  
25  those cases, correct?

1           A.    That's what the staff proposed, yes.

2           Q.    How did you choose these three examples?

3           A.    I got these three examples from the AEP's  
4 presentation from the investors that these are out of  
5 pending cases, and then I go to each one of them, and  
6 these are the three cases where closer to the final  
7 decision. These are the three cases where the staff  
8 already took a position. Others they -- at that time  
9 they have not -- they have not -- the staff has  
10 not -- in those jurisdictions have not made any  
11 recommendation. So I am not choose these because  
12 they present a lower ROE or what. I choose it  
13 because that's the best I can get and those are the  
14 cases that -- that the staff already take a position  
15 on those cases. The others the staff have not.

16          Q.    Okay. So just to make sure I understand  
17 your testimony, and you considered some other cases,  
18 but in those other cases that you looked at, there  
19 hadn't been a staff recommendation regarding ROE  
20 issued.

21          A.    I look at the cases and at least I tried  
22 to find relevant information of other pending cases  
23 and for those cases I have not found that they have a  
24 staff recommendation.

25          Q.    And one of the -- the first of the cases

1     you discuss on page 14 -- actually beginning on  
2     page 15 is the currently pending Duke Energy Ohio  
3     case, the 17-32-EL-AIR case pending before the  
4     Commission, correct?

5             A.     Yes.

6             Q.     And on page 15, lines 4 through 6, you  
7     indicate, in that case, staff recommends a midpoint  
8     ROE of 9.73 percent, correct?

9             A.     Yes.

10            Q.     And you consulted the staff report from  
11    that case to obtain that information?

12            A.     I read a staff report, yes.

13            Q.     And so you're aware that in that case  
14    staff has recommended an ROE range up to 10.24  
15    percent, correct?

16            A.     Yes.   From 9.2 -- a range of 9.2 percent  
17    to 10.24 percent.

18            Q.     So in that case staff would agree that  
19    10.24 percent ROE is a reasonable ROE.

20            A.     I don't want to put the word in staff's  
21    mouth, but my understanding is the staff in the staff  
22    report recommended a range, and the range is from 9.2  
23    percent to 10.24.

24            Q.     So up to 10.24 percent.

25            A.     Yeah, a range from 9.2 -- 9.2 percent to



1 10.24 percent.

2 Q. And are you aware what Duke's proposed  
3 ROE is in that case?

4 A. It's -- I believe it's 10.40 percent.

5 Q. It's -- would you agree it's a range of  
6 10 to 10.7 percent?

7 A. I think that's what the staff proposed --  
8 that's what Duke proposed in its application.

9 Q. I would like to talk now about the  
10 adjustment to the WACC, the one-way adjustment to the  
11 WACC for debt financing in the stipulation. You  
12 agree that that proposal in the stipulation provides  
13 a one-way benefit for customers, correct?

14 A. No, I do not agree.

15 Q. You agree that the WACC will only be  
16 adjusted if the update to the WACC would be favorable  
17 to ratepayers per the terms of the stipulation?

18 A. I think what the stipulation says is if  
19 AEP Ohio decides to refinance its long-term debt in  
20 2018, and if that refinance that result in a change  
21 in WACC, and if that -- in the pretax WACC, and if  
22 that pretax WACC would be higher than its -- its  
23 presently proposed level, then the present level will  
24 stay, but I have -- go on to say that I see there's  
25 practically no chance whatsoever that WACC will be

1 adjusted downward. And I explained that in my  
2 testimony. So my argument is there's no benefit, so  
3 whether it's one way or two way or whatever, there's  
4 simply no benefit whatsoever. And so I -- so I will  
5 not agree with your characterization that's a one-way  
6 benefit because there's no benefit.

7 Q. Do you have a copy of Joint Exhibit 1,  
8 which is the stipulation, Joint Stipulation and  
9 Recommendation, in front of you?

10 A. No.

11 Q. Or at the stand with you?

12 A. No, I do not.

13 MS. BLEND: May I approach, your Honor?

14 EXAMINER PARROT: You may.

15 Q. Dr. Duann, I have just handed you Joint  
16 Exhibit 1 and if you could please turn to page 6.

17 A. Yes.

18 Q. In the paragraph in Section 5 on page 6,  
19 beginning at the second sentence, you agree that the  
20 stipulation provides that "If AEP Ohio completes a  
21 new long-term debt financing or refinancing prior to  
22 the next base rate case, the Company agrees to update  
23 its WACC rate within 90 days of closing for such  
24 transaction (to the extent such an update would be  
25 available to ratepayers)."?

1           A.    That's what it says in here in page 6 of  
2 the stipulation.

3           Q.    Thank you.

4                   And you mentioned this earlier. On page  
5 22 -- beginning on page 22 of your testimony,  
6 continuing on for several pages thereafter, you  
7 discuss -- you calculate an updated WACC rate based  
8 upon several assumptions that you outline on page 24,  
9 correct?

10          A.    Yes.

11          Q.    So you assumed -- among your assumptions  
12 you assumed a 4.25 percent interest rate of the  
13 refinanced debt, correct?

14          A.    Yes.

15          Q.    On what did you base that interest rate  
16 assumption?

17          A.    Based on my looking at what the current  
18 BAA rate, corporate bond, what's the interest rate.

19          Q.    Okay. And what's the basis for your  
20 conclusion or your assumption that the capital  
21 structure will change as a result of the debt  
22 refinancing?

23          A.    I looked at the 2016 annual report of AEP  
24 Ohio.

25          Q.    What specifically did you look at to

1 reach that conclusion?

2 A. I look at the balance -- balance sheet.

3 Q. If the capital structure, post debt  
4 refinancing, was going to remain identical to the  
5 capital structure set forth in Attachment B to the  
6 stipulation, which is Joint Exhibit 1, would you  
7 agree that applying the 4.25 percent interest rate  
8 assumption in your testimony, the resulting WACC rate  
9 is lower than the current WACC rate?

10 A. Yeah. If we're assuming the capital  
11 structure stays the same and we are using the same  
12 capital structure that's included in the Attachment B  
13 as I recommended in my supplemental testimony and if  
14 the company does go through with refinance and the  
15 company does go -- does get a lower interest rate and  
16 after paying off -- or amortizing those one-time  
17 costs and it's -- yeah, then it's possible it will  
18 get -- it will lower its overall cost of debt, and  
19 assuming the same capital structure and it will lower  
20 the WACC.

21 Q. And under those circumstances you would  
22 agree that that would be favorable to ratepayers, the  
23 lower WACC.

24 A. As I say, if we are using the same  
25 capital structure and if AEP does go through

1     refinance and AEP Ohio can get an interest rate lower  
2     than what they -- what they are paying right now,  
3     6.05 percent, then that -- then considering other  
4     transaction costs, if that's all true and it does  
5     lower the cost of debt, then that would be a benefit  
6     to customers.

7             Q.     I would like to talk now about your  
8     comments on the SEET proposal contained in the  
9     stipulation. And those are on page 29 and 30 of your  
10    supplemental testimony. Are you recommending,  
11    Dr. Duann, that the Commission establish a fixed  
12    threshold for the SEET for the term of the extended  
13    ESP III?

14            A.     That's not in my testimony.

15            Q.     So, no, you are not making that  
16    recommendation?

17            A.     I did not make a recommendation in my  
18    direct or in my supplement. And when you say a  
19    "fixed threshold," you mean a fixed percentage,  
20    right, like a 12 percent or 14 percent? I did not  
21    make that recommendation.

22            Q.     You are aware, Dr. Duann, that the SEET  
23    provision in the stipulation states that the  
24    methodology of calculating the SEET could be changed  
25    by the Commission during the term of the extended ESP

1     III, correct?

2             A.     That's what the stipulation says.

3             MS. BLEND:   Thank you, Dr. Duann.

4             I have no further questions at this time.

5             EXAMINER PARROT:   Thank you.

6             Mr. Margard?

7             MR. MARGARD:   I have no questions.   Thank  
8     you, your Honor.

9             EXAMINER PARROT:   Any redirect,  
10    Mr. Moore?

11            MR. MOORE:   Can I have one minute with  
12    the witness, your Honor?

13            EXAMINER PARROT:   You may.

14            (Discussion off the record.)

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

17            Any redirect?

18            MR. MOORE:   No redirect, your Honor.  
19    Thank you.

20            EXAMINER PARROT:   All right.   Thank you.

21            Thank you, Dr. Duann.

22            THE WITNESS:   Thank you.

23            EXAMINER PARROT:   I believe Mr. Moore  
24    moved for the admission of OCC Exhibits 3 and 3A.  
25    Are there any objections?

1                   Hearing none, OCC Exhibits 3 and 3A are  
2 admitted.

3                   (EXHIBITS ADMITTED INTO EVIDENCE.)

4                   EXAMINER PARROT: Let's go off the  
5 record.

6                   (Discussion off the record.)

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

9                   We are adjourned for today. We will be  
10 resuming our hearing tomorrow at 9:00 a.m. Thank  
11 you.

12                   (Thereupon, at 12:48 p.m., the hearing  
13 was adjourned.)

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## 1 CERTIFICATE

2 I do hereby certify that the foregoing is  
3 a true and correct transcript of the proceedings  
4 taken by us in this matter on Thursday, November 2,  
5 2017, and carefully compared with our original  
6 stenographic notes.

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9 

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Karen Sue Gibson, Registered  
Merit Reporter.

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Carolyn M. Burke, Registered  
Professional Reporter.

13 (KSG-6446)

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**Case No(s). 16-1852-EL-SSO, 16-1853-EL-AAM**

Summary: Transcript in the matter of the Ohio Power Company hearing held on 11/2/17 - Volume II electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.