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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the :
 Application of Ohio Edison :
 Company, The Cleveland :
 Electric Illuminating :
 Company, and The Toledo :
 Edison Company for : Case Nos. 07-551-EL-AIR
 Authority to Increase : 07-552-EL-ATA
 Rates for Distribution : 07-553-EL-AAM
 Service, Modify Certain : 07-554-EL-UNC
 Accounting Practices, and :
 For Tariff Approvals. :

PROCEEDINGS

before Ms. Kimberly W. Bojko and Mr. Gregory Price,
 Hearing Examiners, at the Public Utilities Commission
 of Ohio, 180 East Broad Street, Room 11-C, Columbus,
 Ohio, called at 9:30 a.m. on Monday, February 11,
 2008.

VOLUME IV

ORIGINAL

ARMSTRONG & OKEY, INC.
 185 South Fifth Street, Suite 101
 Columbus, Ohio 43215-5201
 (614) 224-9481 - (800) 223-9481
 Fax - (614) 224-5724

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1 APPEARANCES:

2 Mr. James W. Burk
3 Mr. Stephen L. Feld
4 Mr. Arthur E. Korkosz
5 Ms. Ebony L. Miller
6 Ms. Kathy Kolich
7 Mr. Mark A. Hayden
8 FirstEnergy
9 76 South Main Street
10 Akron, Ohio 44308

11 Jones Day
12 By Mr. Mark A. Whitt
13 325 John H. McConnell Boulevard, Suite 600
14 Columbus, Ohio 43215-2673

15 On behalf of Applicants.

16 McNeese, Wallace & Nurick, LLC
17 By Ms. Lisa McAlister
18 Mr. Daniel J. Neilsen
19 Mr. Samuel C. Randazzo
20 Fifth Third Center, Suite 1700
21 21 East State Street
22 Columbus, Ohio 43215-4288

23 On behalf of IEU-Ohio.

24 Bricker & Eckler, LLP
By Mr. Thomas J. O'Brien
100 South Third Street
Columbus, Ohio 43215-4291

On behalf of Ohio Manufacturers
Association.

Brickfield, Burchette, Ritts & Stone, PC
By Mr. Michael K. Lavanga
Mr. Garrett A. Stone
1025 Thomas Jefferson Street, Northwest
8th Floor, West Tower
Washington, DC 20007-5201

On behalf of Nucor Steel Marion, Inc.

1 APPEARANCES (continued):

2 Mr. Robert J. Triozzi, Director of Law
3 Mr. Harold A. Madorsky, Assistant
4 Director of Law
5 City of Cleveland Law Department
6 601 Lakeside Avenue, Room 106
7 Cleveland, Ohio 44114

8 Chester, Willcox & Saxbe, LLP
9 By Mr. John W. Bentine
10 Mr. Mark S. Yurick
11 65 East State Street, Suite 1000
12 Columbus, Ohio 43215-4213

13 On behalf of the City of Cleveland.

14 Ms. Cynthia A. Fonner, Senior Counsel
15 Constellation Energy Group, Inc.
16 550 West Washington Street, Suite 300
17 Chicago, Illinois 60661

18 Vorys, Sater, Seymour & Pease, LLP
19 By Mr. Stephen M. Howard
20 Mr. M. Howard Petricoff
21 52 East Gay Street
22 Columbus, Ohio 43216-1008

23 On behalf of Constellation NewEnergy,
24 Inc.

Bricker & Eckler, LLP
By Mr. Glenn S. Krassen
1375 East Ninth Street, Suite 1500
Cleveland, Ohio 44114-1718

Bricker & Eckler, LLP
By Mr. E. Brett Breitschwerdt
100 South Third Street
Columbus, Ohio 43215-4291

On behalf of Ohio Schools Council.

1 APPEARANCES (continued):

2 Janine L. Migden-Ostrander
3 Ohio Consumers' Counsel
4 By Mr. Richard C. Reese
5 Mr. Jeffrey L. Small
6 Assistant Consumers' Counsel
7 Ten West Broad Street, Suite 1800
8 Columbus, Ohio 43215-3485

9 On behalf of the Residential Customers
10 of the FirstEnergy companies.

11 Marc Dann, Ohio Attorney General
12 Duane W. Luckey, Senior Deputy Attorney General
13 Public Utilities Section
14 By Mr. John H. Jones
15 Mr. Thomas W. McNamee
16 Mr. William L. Wright
17 Assistant Attorneys General
18 180 East Broad Street
19 Columbus, Ohio 43215

20 On behalf of the staff of the Public
21 Utilities Commission of Ohio.

22 Mr. David C. Rinebolt
23 Ms. Colleen L. Mooney
24 231 West Lima Street
Findlay, Ohio 45839-1793

On behalf of the Ohio Partners for
Affordable Energy.

Mr. Bobby Singh, Senior Attorney
By Mr. Howard M. Petricoff
300 West Wilson Bridge Road, Suite 350
Worthington, Ohio 43085

On behalf of Integrys Energy Services,
Inc.

22 - - -

23

24

1 APPEARANCES (continued):

2 Boehm, Kurtz & Lowry
3 By Mr. Kurt J. Boehm
4 Mr. David F. Boehm
5 Mr. Michael L. Kurtz
6 36 East Seventh Street, Suite 2110
7 Cincinnati, Ohio 45202

8 On behalf of Ohio Energy Group and
9 Kroger.

10 McNeese, Wallace & Nurick LLC
11 By Mr. Thomas L. Froehle
12 21 East State Street, 17th Floor
13 Columbus, Ohio 43215-4228.

14 On behalf of Ohio Home Builders
15 Association.

16 Legal Aid Society of Cleveland
17 By Mr. Joseph P. Meissner
18 1223 West Sixth Street
19 Cleveland, Ohio 44113

20 On behalf of the Neighborhood
21 Environmental Coalition, Consumers for
22 Fair Utility Rates, and the Empowerment
23 Center of Greater Cleveland.

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CITY OF CLEVELAND

ID'D REC'D

1 Direct Testimony of Kevin Higgins

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Monday Morning Session,
February 11, 2008.

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EXAMINER BOJKO: Let's go on the record.
Good morning. Today the Public Utilities Commission
has assigned for hearing at this time and place this
is a continuation of Case No. 07-551-EL-AIR, et al.,
in the Matter of the Application of Ohio Edison
Company, Cleveland Electric Illuminating Company, The
Toledo Edison Company for Authority to Increase Rates
for Distribution Service, Modify Certain Accounting
Practices, and for Tariff Approvals.

My name is Kim Bojko. I am here today
with Gregory Price. We are the Attorney Examiners
assigned to the case.

We'll take abbreviated appearances of the
continuation of this hearing for the company.

MR. FELD: Yes, your Honor, appearing on
behalf of the companies is myself, Stephen L. Feld,
Arthur Korkosz, Jim Burk, Mark Hayden, Ebony Miller,
and Mark Whitt of Jones Day, thank you.

MR. WRIGHT: Good morning, your Honor.
On behalf of the staff of the Public Utilities
Commission, Attorney General Marc Dann, my name is

1 Bill Wright, I'd also like to enter the appearance of
2 Tom McNamee and John Jones, 180 East Broad Street,
3 Columbus, Ohio.

4 EXAMINER BOJKO: Mr. Rinebolt.

5 MR. RINEBOLT: On behalf of Ohio Partners
6 for Affordable Energy, David C. Rinebolt and Colleen
7 L. Mooney, 231 West Lima Street, Findlay, Ohio 45840.

8 MS. BENTINE: Thank you, your Honor. On
9 behalf of the City of Cleveland, John Bentine, and
10 joining me later will be Mark Yurick of the law firm
11 Chester, Willcox & Saxbe.

12 MR. K. BOEHM: Good morning, your Honor,
13 Kurt Boehm appearing on behalf of OEG and Kroger.

14 MR. KRASSEN: Your Honor, on behalf of
15 the Ohio Schools Council, Glen Krassen and Brett
16 Breitschwerdt with the law firm of Bricker & Eckler.

17 MR. NEILSEN: Good morning, your Honor,
18 on behalf of Industrial Energy Users-Ohio, Daniel J.
19 Neilsen, Lisa McAlister, and Samuel C. Randazzo, 21
20 East State Street, 17th Floor, Columbus, Ohio 43215.

21 MR. SMALL: On behalf of the Office of
22 the Ohio Consumers' Counsel, Jeffrey Small and
23 Richard Reese.

24 EXAMINER BOJKO: At this time would the

1 Schools like to call their first witness?

2 MR. KRASSEN: Yes, your Honor. The Ohio
3 Schools Council would like to call Howard Solganick
4 as our witness.

5 (Witness sworn.)

6 EXAMINER PRICE: Please have a seat,
7 state your name and business address for the record.

8 THE WITNESS: Howard Solganick, and my
9 address is 810 Persimmon Lane, Langhorne, PA.

10 EXAMINER PRICE: Mr. Krassen, please
11 proceed.

12 MR. KRASSEN: I'd like to mark for
13 identification as Ohio Schools Council Exhibit 2
14 direct testimony and exhibits of Howard Solganick
15 filed in this case on January 10th, 2008.

16 EXAMINER PRICE: So marked.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 MR. KRASSEN: I would just like to
19 explain that's Ohio Schools Council Exhibit 2 and in
20 that packet the first exhibit to Mr. Solganick's
21 testimony has also been admitted as Ohio Schools
22 Council Exhibit 1 in this proceeding.

23 EXAMINER PRICE: Thank you for the
24 clarification.

1 MR. KRASSEN: Thank you.

2 - - -

3 HOWARD SOLGANICK

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

6 DIRECT EXAMINATION

7 By Mr. Krassen:

8 Q. Mr. Solganick, do you have a copy of your
9 direct testimony filed in this case --

10 A. Yes, I do.

11 Q. -- on January 10, 2008?

12 A. Yes.

13 Q. If I were to ask you the questions
14 contained in your direct testimony, would your
15 answers be the same?

16 A. With the exception of two small changes,
17 yes.

18 Q. Would you like to go through those
19 changes, Mr. Solganick?

20 A. Yes. On page 21 of my testimony, line
21 18, the word "develop" should be "developed," in the
22 past tense.

23 And in Exhibit HS-7 on the graphic for
24 Cleveland Electric Illuminating on the upper line

1 which carries the legend Max for July, the Max should
2 not be 1.0, but the Max should be .93.

3 MR. WRIGHT: Which company again? I'm
4 sorry?

5 THE WITNESS: Cleveland Electric
6 Illuminating. So rather than a straight line across
7 there should be one small dip in that line in July.

8 Q. Do you have any other corrections or
9 additions to your testimony?

10 A. No, I do not.

11 MR. KRASSEN: Your Honor, I'd like to
12 make the witness available for cross-examination, and
13 I'd also like to move for admission of Ohio Schools
14 Council Exhibit 2.

15 EXAMINER PRICE: We'll defer ruling on
16 OSC 2 until after cross-examination.

17 Mr. Reese, would you like to cross?

18 MR. SMALL: No.

19 EXAMINER PRICE: IEU?

20 MR. NEILSEN: No questions, your Honor.

21 EXAMINER PRICE: OEG?

22 MR. K. BOEHM: No questions, your Honor.

23 EXAMINER PRICE: City of Cleveland.

24 MR. BENTINE: No questions.

1 EXAMINER PRICE: Mr. Rinebolt.

2 MR. RINEBOLT: No questions.

3 EXAMINER PRICE: Company.

4 MR. BURK: We have questions, your Honor.

5 EXAMINER PRICE: Please proceed.

6 - - -

7 CROSS-EXAMINATION

8 By Mr. Burk:

9 Q. You came all the way in from out of town.
10 Got to do something.

11 Mr. Solganick, is that --

12 A. That's correct.

13 Q. -- pronounced correctly? My name is Jim
14 Burk. I'm an attorney with FirstEnergy.

15 A. Good morning.

16 Q. I have some questions on your direct
17 testimony. I'd like to start more on your
18 background, focus on the rate of return piece of your
19 testimony, and it's correct your undergraduate degree
20 is in mechanical engineering?

21 A. That's correct, with a minor in
22 economics.

23 Q. And then you have a graduate degree in
24 engineering management.

1 A. That's correct also.

2 Q. Okay. But you do not have a degree in
3 finance, correct?

4 A. That is correct, however, I was Manager
5 of Corporate Planning for Atlantic City Electric
6 Company for a few years and engaged in the review of
7 the company's finances, the company's short and
8 long-term budgets, the preparation of our packages
9 for the rating agencies, and for various financing.

10 Q. I think my question was just whether you
11 had a degree in finance.

12 A. And I think I answered that.

13 MR. BURK: Your Honor, I'm going to move
14 to strike everything beyond that. It's a very simple
15 question.

16 EXAMINER PRICE: Sustained.

17 Q. On page 4, line 18 through page 5, line 2
18 of your testimony, there you list subjects on which
19 you have previously provided expert testimony; is
20 that correct?

21 A. That's correct.

22 Q. And this list doesn't reflect any
23 testimony on the recommended cost of capital or
24 return on equity for an investor-owned utility; is

1 that correct?

2 A. That is correct.

3 Q. And, in fact, you've never testified as
4 an expert on that particular area; is that correct?

5 A. That's correct.

6 Q. And a specific recommendation as to the
7 cost of capital or rate of return to be applied to
8 the overall rate base of the companies in this case
9 is not within the scope of your analysis for this
10 proceeding; is that correct?

11 A. That's correct also.

12 Q. Now, directing your attention back to
13 page 33, it's where your testimony starts on the rate
14 of return. Specifically at page 34, line 6, that
15 answer, you state -- you note there that a number of
16 utilities have explicitly asked for a form of revenue
17 stability known as decoupling. Do you see that?

18 A. That's correct.

19 Q. Okay. And you'll agree that the
20 companies in this case haven't made such a specific
21 request as was made in those cases.

22 A. Not to my knowledge, that's correct.

23 Q. Okay. And to your knowledge, the staff
24 reports of investigation issued in these cases have

1 not made such a recommendation either.

2 A. That's correct also.

3 Q. And then in the answer beginning on page
4 34, line 15, just further down on that page, you list
5 several proceedings in which proposals were made to
6 reduce the overall allowed rate of return on common
7 equity in the given case by some number of basis
8 points; is that right?

9 A. That's correct.

10 Q. And that's not what you're proposing here
11 in this case.

12 A. Excuse me. Could I have your previous
13 question read back?

14 (Record read.)

15 A. That's correct.

16 Q. But that's not your proposal in this
17 case.

18 A. No, it's not.

19 Q. And on page 35, line 11, there -- do you
20 have that, I'm sorry?

21 A. Yes, I do.

22 Q. There you reference a recent Maryland
23 case in which a proposal was made that's similar to
24 yours in this case; is that correct?

1 A. That's correct.

2 Q. And that's the matter that involved
3 Chesapeake Utilities Corporation in a gas case; is
4 that right?

5 A. That's correct also.

6 Q. Were you a witness in that case?

7 A. Yes, I was.

8 Q. Did you testify on rate of return as to
9 the overall recommended rate of return on rate base?

10 A. No, I did not.

11 Q. And that case was resolved by way of
12 settlement among all the parties, correct?

13 A. That's correct.

14 Q. And the Maryland decision in that case
15 simply accepts the settlement, it doesn't address
16 anything related to a reduction and return on common
17 equity.

18 A. The settlement was confidential, so it
19 did not address the terms of the settlement.

20 Q. Okay.

21 EXAMINER PRICE: The settlement was
22 confidential?

23 THE WITNESS: Yes. Welcome to Maryland.

24 EXAMINER PRICE: Sorry, Mr. Burk.

1 MR. BURK: That's fine, your Honor.

2 Q. Now, turning now to more of the meat of
3 your testimony, do you know how many public and
4 private schools there are across the three companies
5 of Ohio Edison, Toledo Edison, CEI?

6 A. No, I do not.

7 Q. Okay.

8 A. I know how many school districts but not
9 the number of schools.

10 MR. KRASSEN: Point of clarification,
11 Mr. Burk. Would you be referring to the number of
12 school districts or the number of school accounts?

13 MR. BURK: Actually, the number of school
14 buildings containing classrooms.

15 Q. So then you wouldn't know the number of
16 how many public or private schools were in each
17 company's service territory, the same definition of
18 schools.

19 A. That's correct.

20 Q. Do you know how many individual schools
21 are members of the Ohio Schools Council?

22 A. In terms of number of individual schools,
23 no, but I believe there are 249 districts.

24 Q. Do you know how many school accounts are

1 served by the companies?

2 A. No.

3 Q. Do you know how many school accounts are
4 served under the Ohio Schools Council master
5 contract?

6 A. No.

7 Q. Do you know of the school accounts that
8 are served under the Ohio Schools Council master
9 contract how many are actually for school buildings
10 that have classrooms as opposed to administrative
11 offices, maintenance buildings, bus garages, space
12 heating, anything like that?

13 A. I know the existence obviously of
14 noneducational facilities, but I don't know the
15 proportions.

16 Q. Do you know the percentage of school
17 accounts served under the Ohio Schools Council master
18 contract that are served under the school rates at
19 Toledo Edison and CEI?

20 A. Could you repeat that question?

21 Q. Sure. Do you know the percentage of
22 school accounts that are served under the Ohio
23 Schools Council master contract under the school
24 rates at Toledo Edison and CEI?

1 MR. KRASSEN: Point of clarification,
2 Mr. Burk. Are you talking about the schools that are
3 served by Toledo Edison and CEI which are the two
4 companies that have the special school schedules?

5 MR. BURK: Yes.

6 MR. KRASSEN: You're only talking about
7 those two operating companies.

8 MR. BURK: Yes.

9 A. I understand it's almost 100 percent.

10 Q. Now, if a school were to take service --
11 if it did not take service under a school rate at
12 Toledo Edison and CEI, do you know what rate they
13 would take service under?

14 A. I would presume a general service rate
15 would be appropriate.

16 Q. Let me refer you to page 19, line 9 of
17 your testimony. There you quote a company response
18 to a -- if I say "OSC," do you understand that to
19 mean Ohio Schools Council?

20 A. Yes, I do.

21 Q. Okay. Page 19, line 9, you quote a
22 company response to an OSC data request. Do you see
23 that?

24 A. That's correct.

1 Q. Now, you would agree that the response
2 you quote there is not the complete response to that
3 data request from the companies to OSC Set 1, No. 38?

4 A. Subject to check, yes.

5 Q. Okay. But the remainder dealt with how
6 the rates were mapped and there was additional
7 information.

8 A. Again, subject to check.

9 Q. Okay. And you would also agree that the
10 companies' response to OSC Set 2, No. 14 demonstrated
11 that the billing determining information you sought
12 had already been provided to the Ohio Schools
13 Council?

14 A. I'd have to see that response before I
15 could comment on it.

16 MR. KRASSEN: Do you have a copy of the
17 response, Mr. Burk?

18 MR. BURK: Yes, I do.

19 I'll mark this for identification as
20 Company Exhibit 20.

21 EXAMINER PRICE: 20?

22 MR. BURK: 20.

23 EXAMINER PRICE: Thank you. It will be
24 so marked.

1 (EXHIBIT MARKED FOR IDENTIFICATION.)

2 Q. I'll give you just a minute to look at
3 that, Mr. Solganick.

4 A. Yes.

5 Q. Was that the answer to my previous
6 question?

7 A. No, I'm just telling you that I have at
8 least reviewed it.

9 Q. I was going to be impressed that you
10 could remember that.

11 MR. KRASSEN: Is there a pending
12 question?

13 MR. BURK: Well I can reask it if I
14 didn't ask it. Well, I think there is.

15 Can you read back my last question?

16 (Record read.)

17 A. This document essentially provides a copy
18 of a bill.

19 Q. Correct.

20 A. And there's a copy of a bill.

21 Q. Is it your understanding that the Ohio
22 Schools Council gets a copy of the bill for each
23 school account under their master agreement on a
24 monthly basis?

1 A. That, I do not know. We were provided
2 information by Ohio Schools Council, but I don't know
3 how they obtained it.

4 Q. But you'd agree that what's been marked
5 as Company Exhibit 20 reflects both energy usage,
6 measured demand, and the billing period?

7 A. I would say yes.

8 Q. Okay. Now let's turn to your testimony
9 at page 26. Here I believe you say that,
10 specifically line 3, you ask the Ohio Schools Council
11 to select 20 billing sets for each company, and the
12 Ohio Schools Council selected approximately 20 school
13 accounts for each utility; is that correct?

14 A. That's correct.

15 Q. And they made sure that some were large,
16 some medium, and there were some small accounts in
17 the mix?

18 A. That's correct, there was.

19 EXAMINER PRICE: I have this question, so
20 I am going to follow up whether or not Mr. Burk wants
21 me to or not. You say you randomly selected them,
22 and was it then you were double-checking to make sure
23 they were reasonably spread, or did you randomly
24 select some small, some medium, and some large?

1 THE WITNESS: First of all, I did not
2 randomly select them, all right? What we asked
3 OSC -- as I say here, OSC randomly selected them, all
4 right? We asked OSC to randomly select school
5 accounts, all right? And they picked 20 for each
6 utility, and we told them that those school accounts
7 should include small, medium, and large accounts, all
8 right?

9 And then when that information was
10 provided to Blue Ridge by OSC, a stack of bills about
11 3, 4 inches thick, we had that information entered
12 into an Excel spreadsheet.

13 EXAMINER PRICE: Did you at that point
14 check to make sure they were reasonably spread across
15 small, large --

16 THE WITNESS: Yes, I did.

17 EXAMINER PRICE: Thank you. Sorry,
18 Mr. Burk.

19 MR. BURK: No problem, your Honor.

20 Q. (By Mr. Burk) And the information that
21 OSC provided you would have included the measured
22 demand and the billing period for each of those
23 months?

24 A. It includes the billing demand and the

1 energy and the time periods for that month, yes.

2 Q. Did the Ohio Schools Council provide you
3 the measured demand?

4 A. They provided us with a copy of the
5 bills, and I'd have to check my work papers to see
6 which one we used, but I believe we had used the
7 measured demand.

8 Q. Okay. So you had the measured demand.

9 A. That's right.

10 Q. Okay. And then based on the
11 information -- strike that.

12 Based on the school accounts selected by
13 Ohio Schools Council, did you then select a subset of
14 the billing data based on your own criteria which is
15 set out on page 26 of your testimony?

16 A. I didn't select, I extracted.

17 Q. Okay. And that resulted in 30 billing
18 sets from the 20 school accounts that OSC had
19 provided you information for. About line 15.

20 A. Yes. Actually, the actual numbers was
21 for Ohio Edison 41 sets, all right, for CEI 32 sets,
22 and for Toledo Edison 27 sets.

23 Q. Okay. So then there is more than one
24 billing set for the same school account in some

1 instances?

2 A. That could be, yes.

3 Q. And then the next step was you calculated
4 your demand ratios for each school account by
5 dividing each month's peak demand by the 12-month
6 peak demand for each school; is that correct?

7 A. The monthly demand was divided by the
8 peak demand for that 12-month period for each school.

9 Q. And then you added up the demand ratios
10 for each month for all of the school accounts which
11 resulted in your average demand ratios which support
12 your conclusions.

13 A. I wouldn't say I added them, but I
14 averaged them.

15 Q. Okay. You added and then divided by the
16 total?

17 A. That's correct.

18 Q. And through this process the size of the
19 demand for a particular school account no longer
20 mattered because you just averaged the percentages;
21 is that correct?

22 A. We had -- creating the percentages, you
23 know, unitizes the demand information on a basis of
24 zero or one, right, and then they were averaged

1 together. So the units are no longer demand -- no
2 longer kilowatts, they are percentage and peak.

3 Q. And you didn't weight the percentages
4 based upon the size of the demand of the school.

5 A. No, I did not.

6 Q. Do you know, were all of the school
7 accounts in your study on a school rate? Obviously
8 not Ohio Edison.

9 A. That's correct. I don't recall.

10 Q. Do you recall if any of the school
11 accounts in your study were on a school rate?

12 A. I don't recall.

13 Q. And in your study you did not analyze all
14 of the monthly demands for all of the school accounts
15 in the companies' service territory, correct?

16 A. That's correct.

17 Q. And you did not analyze all of the school
18 accounts that are served under the Ohio Schools
19 Council master contract; that's also correct.

20 A. That's correct also.

21 Q. In your study did you confirm that the
22 school accounts that you analyzed were actually
23 school buildings containing classrooms?

24 A. No.

1 Q. Okay. So they may have been for a
2 different type of facility or account.

3 A. They might have, but the load profiles
4 when I examined them for many of them looked like a
5 profile that I would expect for a school facility.

6 Q. And you would agree that the companies
7 should be permitted to recover their costs of
8 installing adequate facilities to serve schools as a
9 general proposition.

10 A. Yes.

11 Q. And they should be able to recover the
12 cost of the line and the transformer and the meter to
13 provide the electricity to a particular school?

14 A. If you mean a dedicated line, meter, and
15 transformer, I would agree, yes.

16 MR. KRASSEN: Point of clarification.
17 Are you referring to a dedicated line, Mr. Burk, or
18 in general? I'm not exactly sure what you're
19 referring to.

20 MR. BURK: Well, I was willing to accept
21 his answer.

22 MR. KRASSEN: Okay.

23 Q. And that such adequate facilities must be
24 in place all year round to serve the electrical needs

1 of the school regardless of when they set their
2 annual peak demand.

3 A. That's correct.

4 Q. Now, in your testimony at page 30,
5 specifically line 10, you include a statement there,
6 it says "The Contract Demand is determined by the
7 customer's peak load during the term of the
8 contract." Do you see that?

9 A. That's correct.

10 Q. Okay. Would you agree that the
11 companies' proposed tariff language related to
12 contract demand states that the contract demand shall
13 be specified in the contract for electric service
14 which shall reflect the customer's expected typical
15 monthly peak demand?

16 A. I'm not sure. The reason I say that is
17 because of the statements that follow the statement
18 you referenced in my testimony which I extracted from
19 the companies' information.

20 Q. Did you review the companies' proposed
21 tariffs with regard to contract demand?

22 A. I did review the proposed tariff, I also
23 reviewed the contract, but I didn't notice the
24 wording you're talking about there.

1 Q. Okay.

2 MR. KRASSEN: Point of verification.
3 Which tariff are you referring to, Mr. Burk? Which
4 company or which section?

5 MR. BURK: Generally speaking, the
6 contract demand language is the same in the GS --
7 proposed GS tariff and GP tariff for all three
8 companies.

9 MR. KRASSEN: And what section of the
10 tariff is that?

11 MR. BURK: It's on page 1. It doesn't
12 have a specific section number.

13 MR. KRASSEN: Okay.

14 Q. (By Mr. Burk) Well, Mr. Solganick, just
15 let me ask you, if the companies' tariff did say the
16 contract demand would reflect the customers' expected
17 typical monthly peak demand, do you equate those
18 words with a customer's peak load during the term of
19 the contract? Do those two phrases mean the same
20 thing to you?

21 A. When I asked -- when I saw the term or
22 the sentence on the proposed tariff in each of the
23 companies' filings, we went back and asked discovery
24 questions, and also looked at the various company

1 testimony, all right? And we specifically asked that
2 question because I thought that this one sentence
3 that you cited in your question was open to some
4 interpretation.

5 When we received the companies' reply to
6 discovery, and the companies said the method to
7 establish contract demand for a new customer would be
8 the same as the method to establish a contract demand
9 for an existing customer, and then the company
10 replied the contract demand would be based on
11 estimates of the customer's peak loads during the
12 term of the contract.

13 When I looked at the words "peak loads,"
14 I presumed, based on those words, that that meant the
15 companies' peak for the year and, therefore, I feel
16 comfortable in the statement I've made.

17 Q. And I think this is referenced to
18 specifically page 23, my next question, generally
19 starting with line 15. Basically your conclusion in
20 your testimony about schools being overallocated
21 costs is based on your conclusion that schools don't
22 set an annual peak during the summer period, correct?

23 A. My conclusion is based that most schools,
24 due to the nature of the way they operate, all right,

1 in that they start the school term late in August and
2 end the school term early in June, all right, would
3 have a load profile that is different from the peak
4 period of the company's operation which the company
5 has indicated its point of concern would be the
6 summer speak.

7 From the information we have in terms of
8 the summer peak, the company is summer peaking, based
9 on the information provided in discovery, in
10 late-July and early-August.

11 Q. Okay. And your conclusion that most
12 schools don't peak during the summer period is based
13 on your analysis contained in your testimony,
14 correct?

15 A. Combination of the numerical analysis in
16 the exhibit and also based upon the school calendar
17 and other facts I've put into my testimony.

18 Q. So is it your testimony, then, that
19 schools should pay less or have a lower rate than
20 what is proposed by the companies in their revenue
21 distribution and rate design?

22 A. That's correct.

23 Q. And if that were the case, which
24 customers should make up the difference for that

1 lower rate or lesser amount given to schools?

2 MR. KRASSEN: Objection.

3 Q. Where would these dollars shift?

4 EXAMINER PRICE: Grounds?

5 MR. KRASSEN: It's not relevant to the
6 discussion, and it's also asking for an answer that's
7 outside of the scope of his direct testimony.

8 EXAMINER PRICE: Overruled. You can
9 answer the question.

10 A. It's not a matter of who makes up the
11 lost revenue. As staff has said in its Staff Report,
12 rates should be based on costs, so one could say that
13 the company has a total revenue requirement, all
14 right, that it proves in terms of a revenue
15 requirement application, and then the cost-of-service
16 study -- generally on a cost-of-service study
17 includes relevant subclasses would then give the
18 parties to the case and specifically the Commission
19 as the decision-maker the information to allocate the
20 revenue requirements based upon the information of
21 the cost-of-service study.

22 So this is not a situation where a party
23 is saying "We deserve a subsidy just because we
24 deserve a subsidy and, therefore, find someone else

1 to make up that revenue." But this is a party who
2 has a markedly different operating regime in terms of
3 operating general -- generally operating between
4 late-August and early-June and that operating regime
5 is different than the companies' peak area, which is
6 its concern and its means of allocating distribution
7 costs.

8 So we're not saying there's a subsidy
9 here that has to be made up by anyone else, we're
10 saying there is cost causation that is lower for the
11 schools in general, all right, than the general
12 service class, and if, for example, in a perfect
13 world there were a cost-of-service study that was
14 split by various types of customers, all right, where
15 the school class had its own or the school subclass
16 had its own cost-of-service study, based upon the
17 information that I've presented, I would believe that
18 it would recommend lower rates or a different rate
19 design or both for schools.

20 EXAMINER BOJKO: Excuse me, could you
21 speak up? Is your microphone on?

22 THE WITNESS: I believe it is.

23 EXAMINER BOJKO: You need to pull it
24 closer to you, then.

1 THE WITNESS: Do you want the answer
2 again?

3 EXAMINER BOJKO: No.

4 EXAMINER PRICE: Thank you. That helps,
5 though.

6 THE WITNESS: As I said, we're not asking
7 for a subsidy here. We're saying there is cost
8 causation which is a concept that staff has referred
9 to in its report and the cost causation, because
10 schools generally have a different operating regime,
11 primarily between late-August and very early-June,
12 therefore, have a lower impact on the companies' area
13 of concern which is its peak period during the summer
14 and, therefore, we don't see that somebody has to
15 make up that shortfall because it is not a shortfall,
16 this is an issue based on cost causation.

17 Those other classes and subclasses have
18 their own cost causation also.

19 EXAMINER PRICE: Let's go off the record
20 one second.

21 (Discussion off the record.)

22 EXAMINER PRICE: Back on the record.

23 Thank you, Mr. Burk.

24 THE WITNESS: Can we hear it now?

1 MR. KRASSEN: Yeah.

2 THE WITNESS: Try for a third time.

3 Q. I don't think I suggested in my question
4 anything about a subsidy. But based upon what you
5 just answered, assuming a constant revenue
6 requirement, your recommendation is to allocate -- to
7 do a different revenue distribution than what the
8 companies propose, correct?

9 A. I'm advocating that the company recognize
10 that the schools subclass is a different load profile
11 which, therefore, says that it is a different cost
12 causation situation which then gets to a different
13 revenue allocation.

14 Q. And that different revenue allocation
15 would be lower in your recommendation.

16 A. For schools, yes.

17 Q. And I think my original question was who
18 would it be higher for?

19 A. If one would presume that the general
20 service class together is a zero sum situation, all
21 right, that would say that the general service class
22 has benefited from the inclusion of the schools
23 subclass in terms of allocation of costs, and when a
24 proper cost-of-service study which would have had a

1 subclass for schools and a subclass for all other or
2 potentially for other subclasses, that zero sum
3 allocation, that benefit that schools provided to the
4 general service class would have been separated out,
5 and the actual allocation of cost to the remaining
6 general service classes might be just a tad higher
7 because the schools had been somewhat lower.

8 MR. BURK: I think that's all the
9 questions I have, your Honor.

10 Thank you, Mr. Solganick.

11 THE WITNESS: Thank you.

12 EXAMINER PRICE: Staff?

13 MR. JONES: No questions, your Honor.

14 EXAMINER PRICE: Mr. Krassen, redirect?

15 MR. KRASSEN: May I take one minute?

16 EXAMINER PRICE: Certainly.

17 MR. KRASSEN: Your Honor, we have no
18 redirect.

19 EXAMINER PRICE: Ms. Bojko.

20 - - -

21 EXAMINATION

22 By Examiner Bojko:

23 Q. Just to clarify exactly what you looked
24 at when you were making your recommendations, it's my

1 understanding that you stated that you know that
2 there are 249 school districts and, obviously, there
3 are a lot of schools under that but you or the OSC
4 only chose 20, 25?

5 A. I asked the OSC to give us a manageable
6 number of school accounts and suggested that they
7 choose 20 from each of the companies, so a total of
8 60. From those 20 accounts or schools we then
9 digitized the information in terms of the billing
10 information, reviewed them, and made a selection
11 according to the criteria use that we -- I state in
12 my testimony, and that gave me the 41, 32, and 27
13 accounts that I used for the three different analyses
14 to demonstrate that there is a distinct drop in
15 demand for schools during the summer period.

16 Q. And 20 was chosen just because you deemed
17 it to be manageable; is that what I heard?

18 A. That's absolutely correct. We need it to
19 be manageable because we originally asked the company
20 to provide the information in machine readable form,
21 all right? The company didn't have or did not
22 provide it, all right? We also asked the company for
23 the load data for schools, all right? The school
24 rate has been in existence for at least 10 or 15

1 years, all right, and we thought that the company
2 would have load data for the schools as they did
3 their load research.

4 For example, because it was an important
5 subclass that was a point of contention in the last
6 rate case in the '90s, I would have thought that the
7 company would have tracked the performance or the
8 load data of the schools, and from the reply they did
9 not have load data for the schools.

10 So we were forced then to create -- not
11 create, we were forced to find the information
12 necessary to present to the Commission, all right?
13 So we asked the question of the OSC in terms of a
14 reasonable number of accounts.

15 As I said, the packet of information we
16 received from OSC was about 4 to 5 inches thick.

17 Q. Well, would the OSC have only provided
18 you accounts that were under their master school
19 agreement that Mr. Burk has been referencing?

20 A. I would presume so because they wouldn't
21 have access to other schools, all right? I also
22 understand that it's very close to 100 percent of the
23 schools in question, that most schools within the
24 OSC, I believe it's 98 or 99 percent of them,

1 subscribe to E for E and, therefore, they would have
2 that information. If there was any concern, it was
3 not expressed by OSC and, obviously, they could have
4 asked other members to provide that information, but
5 it was not of a concern.

6 Q. Well, would the schools served by Ohio
7 Edison be under that school agreement since Ohio
8 Edison doesn't have the school rate?

9 A. They don't have school rates for
10 distribution, but they are served under the E3
11 program, so OSC does have access to their
12 information.

13 Q. Well, they have access -- you're saying
14 they have access and they are also part of this,
15 you're calling it E3, that's the master school
16 agreement?

17 A. That is the Energy for Education
18 agreement. They did provide school billing
19 information for the OE accounts.

20 Q. So it's your -- with that it's your
21 understanding that approximately 98 to 100 percent of
22 the schools would, then, be under the master school
23 agreement, the E3.

24 A. It's my understanding, yes.

1 Q. So if the school is in Ohio Edison's
2 service territory, they don't have a school tariff,
3 but they are under this agreement, so they likely
4 still have a special school rate?

5 A. They do not have a special school rate
6 because there is no special school rate for just the
7 delivery function under Ohio Edison. What they do
8 have is access to and they take advantage of the
9 Energy for Education program that was established
10 which provides them with commodity energy under a
11 different structure.

12 Q. For those companies or for those schools
13 that are on Ohio Edison that don't have the
14 distribution tariff, then they take under the general
15 service or which one do they take under?

16 A. Yes.

17 Q. General service tariff?

18 A. Yes.

19 EXAMINER PRICE: Implicit in your
20 testimony is the idea that most schools are not used
21 all year round; is that correct?

22 THE WITNESS: Yes.

23 Q. Did you do anything to break out the
24 schools that might be used all year round due to

1 summer school, sports activities, other
2 extracurricular activities?

3 A. We provided that information to the
4 Commission in two different ways. Number one, we did
5 not segregate in the demand analysis any school, any
6 school account, in any way due to usage of the
7 school. So that if a school account was part of the
8 selection criteria, and you can see it, there are
9 schools that have a demand ratio of one in July and
10 in August in two of the three companies and in August
11 of all three, I believe it's Cleveland Electric that
12 has a .93, but the remainder do, so at least one or
13 more of the schools in the demand analysis did peak
14 or have a peak in July or August. So we did not
15 segregate them out.

16 Second of all, we also asked OSC to
17 survey its members who had air conditioned schools
18 and in my exhibit or Attachment HS-2 we provided that
19 information and we provided not only the percentage
20 of schools that had air conditioning but had energy
21 management programs, either electronic equipment to
22 manage their demand or did it manually, but we went
23 further and put into the record for the Commission to
24 understand that there are schools that operate

1 effectively year-round, all right?

2 And I think I've been very careful in my
3 testimony and in my cross-examination response to not
4 say absolutely every school, all right, but to say
5 most schools, and that Exhibit HS-2 provides the
6 Commission and your Honors the information.

7 Approximately 30 percent of the schools
8 that responded that said that they had air
9 conditioning, all right, I classified as having
10 approximately eight weeks of activity within the
11 school. I was very liberal in the following remarks:
12 If they said they had summer school for eight weeks,
13 we didn't discount whether it was a half day summer
14 school or a full day summer school, whether that
15 summer school ended before the company's peak, all
16 right? The company is an afternoon peaking company
17 and that information is in my testimony in terms of
18 the date and the time.

19 So if summer school was morning only,
20 conceivably that summer school could, you know, shut
21 down its air conditioning and not contribute in the
22 company's peak hour.

23 But we provided that information for both
24 you and the Commission to provide a balance. It

1 indicates that approximately half the schools that
2 were air conditioned have no operation during the
3 summer period. 30 percent of them have approximately
4 eight weeks and that includes summer school, summer
5 camp, other activities, I'm sure there must be some
6 municipalities that use it as the equivalent of a
7 recreational center, and that information is there.

8 There are other ones that have minimal
9 usage, and anything that said "minimal usage" we
10 classified as two weeks.

11 Q. In your discussions with Mr. Burk, I
12 think it was implied that there are some schools that
13 are not on a school rate; is that right?

14 A. I understand that there may be a few
15 schools that, for whatever reason, are on general
16 service rates.

17 Q. And that's within your 98 to 100 percent
18 that would be an OSC -- taking service pursuant to
19 the OSC master agreement?

20 A. Not really. The 98 to 100 is more those
21 who participate in Energy for Education and I can't
22 confirm that every school is on that and I want to be
23 clear about that, so that's what I've always said,
24 that it's -- according to what I've heard from --

1 been told by OSC, it is a very, very high percentage
2 but it's not absolute.

3 Q. And I know you talked in your testimony
4 about Mr. Hussing's rationale for eliminating the
5 distribution tariffs, and we're talking about in this
6 rate case their eliminating the distribution school
7 tariff for CEI and Toledo Edison; is that right?

8 A. That's correct.

9 Q. Now, you've also talked a lot today about
10 the Energy for Education, the E3. You are calling it
11 E3 just to be clear; is that right?

12 A. Yes.

13 Q. What will happen to the E3 if these
14 distribution tariffs are eliminated? Would schools
15 still be taking pursuant to the E3 or what will
16 happen?

17 A. I don't know what's going to happen with
18 E3, that's beyond the scope of my engagement. We're
19 here -- or I've been engaged to review the delivery
20 tariffs, the distribution tariffs that the company
21 has proposed which OSC is concerned and I'm concerned
22 don't reflect the proper analysis of the load of the
23 companies compared to the companies' peak.

24 Q. But as of right now, the company that

1 doesn't have a distribution school tariff, Ohio
2 Edison, the schools are still taking advantage of the
3 E3 that are in Ohio Edison; is that right?

4 A. The Energy for Education program, yes.

5 Q. It wouldn't be called the E3 tariff.

6 A. Right.

7 Q. It would be the Energy for Education.

8 MR. KRASSEN: Your Honor, E for E.

9 EXAMINER BOJKO: E for E?

10 MR. KRASSEN: Yes, Energy for Education,
11 that's the name.

12 EXAMINER BOJKO: The acronym.

13 Q. But you've been referencing E3, that is
14 the companies' tariff. I want to make sure our
15 acronyms are clear.

16 A. I'm sorry, I was referencing E for E.

17 Q. E for E.

18 A. Right, Energy for Education, maybe that's
19 the easier way to do it.

20 Q. So E3, that's not what you were meaning
21 to say.

22 A. No; I'm sorry.

23 Q. E for E, thank you for that
24 clarification.

1 EXAMINER PRICE: That's all I have.
2 You're excused. Thank you.

3 THE WITNESS: Thank you very much.

4 MR. KRASSEN: I'd like to move for
5 admission of OSC Exhibit 2.

6 EXAMINER PRICE: Objections?

7 Hearing none, OSC 2 will be admitted.

8 (EXHIBIT ADMITTED INTO EVIDENCE.)

9 MR. KRASSEN: And then as a numbering
10 issue for Ohio Schools Council, if I can beg your
11 indulgence for a moment, as I mentioned, OSC No. 1 is
12 Exhibit HS-1 of Exhibit 2 of Mr. Solganick's
13 testimony, and then your Honors had admitted a
14 discovery response as OSC 9. We were reserving 2
15 through 8. I don't know what your pleasure is, we
16 can keep it as OSC Exhibit 9 or we can move it to --

17 EXAMINER PRICE: Let's leave it as 9.

18 MR. KRASSEN: That's fine. Thank you,
19 your Honor.

20 EXAMINER PRICE: That will be best.

21 MR. KRASSEN: Thank you.

22 EXAMINER PRICE: Won't be the first time
23 we'll be missing numbers in the sequence.

24 MR. BURK: Then, your Honor, I'm going to

1 move into evidence Company Exhibit 20.

2 EXAMINER PRICE: Objections?

3 Hearing none, Company Exhibit 20 will be
4 admitted.

5 (EXHIBIT ADMITTED INTO EVIDENCE.)

6 EXAMINER PRICE: Let's go off the record.

7 (Discussion off the record.)

8 EXAMINER BOJKO: Let's go back on the
9 record.

10 Mr. Bentine.

11 MR. BENTINE: Yes, if I might, your
12 Honor. We are discussing some potential stipulations
13 and settlements, however, I'd like to get an
14 indication from the parties on the record, an
15 agreement with the Bench if there's no objection,
16 whether or not there is a broad stipulation or
17 whether or not the City of Cleveland participates in
18 that broader stipulation, it is my understanding that
19 the City of Cleveland's witness Kevin Higgins who's
20 scheduled on the 14th, that no party has
21 cross-examination for him regardless of whether or
22 not there's a stipulation entered into and regardless
23 of whether or not the City of Cleveland is a party to
24 that stipulation.

1 For travel purposes I'd like to get that
2 on the record today, that we would be able to
3 stipulate his testimony in without his appearance,
4 assuming that there are no objections to that and no
5 one has cross-examination of that witness.

6 EXAMINER BOJKO: Is that correct? Does
7 any party have cross-examination for Mr. Higgins?

8 MR. FELD: The company has no
9 cross-examination for Mr. Higgins.

10 EXAMINER PRICE: Do you want to do that
11 right now?

12 MR. BENTINE: That would be wonderful.
13 If that is the case then, your Honor, I would ask
14 that the prefiled testimony of Kevin Higgins on
15 behalf of the City of Cleveland be marked as the City
16 of Cleveland Exhibit 1 and would move that into
17 evidence pursuant to the agreement of the parties at
18 this time.

19 EXAMINER PRICE: So marked.

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

21 EXAMINER PRICE: Any objection?

22 Without hearing any objections -- I'm
23 sorry, which number was that, 1?

24 MR. BENTINE: 1.

1 EXAMINER PRICE: Thank you. Cleveland
2 Exhibit No. 1 will be admitted.

3 (EXHIBIT ADMITTED INTO EVIDENCE.)

4 EXAMINER BOJKO: Mr. Higgins is also
5 appearing in this case on behalf of --

6 MR. BENTINE: Kroger.

7 EXAMINER BOJKO: -- Kroger. I mean
8 separate pieces of testimony were filed.

9 MR. BENTINE: There were separate pieces
10 of testimony.

11 EXAMINER BOJKO: I guess my question
12 would be do people have cross-examination for
13 Mr. Higgins with regard to the testimony in Kroger?

14 MR. K. BOEHM: Your Honor, we anticipate
15 signing the stipulation, and if we do, then it's my
16 understanding that Mr. Higgins' testimony would not
17 be offered into the record.

18 EXAMINER PRICE: Okay. We'll await
19 further updates on how that goes.

20 EXAMINER BOJKO: I guess my
21 recommendation to Mr. Bentine, though, is work with
22 counsel, I'm not sure we want to cancel Mr. Higgins'
23 travel plans if he needs to appear still on behalf of
24 Kroger at least.

1 MR. BENTINE: We're going to cancel his
2 travel plans on behalf of the City of Cleveland.

3 EXAMINER PRICE: That's Mr. Boehm's
4 problem after that.

5 MR. BENTINE: That's Mr. Boehm's problem
6 after that, and he may have to pick up 100 percent of
7 the costs.

8 EXAMINER BOJKO: I understand that, but
9 I'm saying I would hate -- I hope that that is made
10 clear, I would hate for Mr. Higgins to cancel his
11 flight and then --

12 MR. BENTINE: We will make it crystal
13 clear to Mr. Higgins that my discussion with him
14 relates only to his testimony with regard to the City
15 of Cleveland.

16 EXAMINER BOJKO: Thank you. So
17 Mr. Higgins is still on our calendar as of now with
18 regard to Kroger testimony.

19 MR. K. BOEHM: I imagine that we would
20 wrap that up in this next half hour discussion,
21 whether or not he would need to come in for that.

22 EXAMINER BOJKO: Okay.

23 EXAMINER PRICE: All the parties will be
24 able to update us to any witnesses they intend to

1 withdraw or not go forward with as a result of the
2 stipulation when we come back at 11:10; is that
3 correct?

4 EXAMINER BOJKO: And also when we
5 return -- Mr. Rinebolt seems to have left the room.
6 I would like to stipulate his two witnesses that were
7 agreed to two weeks ago as well.

8 EXAMINER PRICE: Let's go off the record.
9 (Recess taken.)

10 EXAMINER BOJKO: Let's go on the record.
11 Let's go back to the company. We took witnesses out
12 of order. I believe this is the last company
13 witness; is that correct?

14 MR. FELD: That is correct.

15 EXAMINER BOJKO: And would you like to
16 call your last witness?

17 MS. MILLER: The companies call Susan
18 Lettrich.

19 (Witness sworn.)

20 EXAMINER BOJKO: Please make sure your
21 microphone is on and close to you.

22 Miss Miller.

23 MS. MILLER: We would like to begin by
24 marking for identification Company Exhibit 17B, the

1 direct testimony of Susan Lettrich.

2 EXAMINER BOJKO: It will be so marked.

3 (EXHIBIT MARKED FOR IDENTIFICATION.)

4 MS. MILLER: Thank you.

5 EXAMINER BOJKO: And we only have one
6 piece of testimony then.

7 MS. MILLER: That's correct.

8 - - -

9 SUSAN LETTRICH

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

12 DIRECT EXAMINATION

13 By Ms. Miller:

14 Q. Could you state your name and position
15 for the record.

16 A. Yes. I'm Susan Lettrich. I am currently
17 Director of Energy Delivery and Customer Service
18 Policy, Process, Procedure, and Assessment
19 Department.

20 Q. Do you have before you a copy of a
21 document that was just marked as Company Exhibit 17B?

22 A. I do.

23 Q. And is that your direct testimony in this
24 proceeding?

1 A. Yes, it is.

2 Q. Do you have any corrections, additions,
3 or modifications to that testimony?

4 A. No, I do not.

5 EXAMINER BOJKO: Excuse me just one
6 minute. I don't think your microphone is turned on.
7 Can we go off the record.

8 (Discussion off the record.)

9 MS. MILLER: The witness is available for
10 cross.

11 EXAMINER BOJKO: Thank you.

12 Start with OCC, do you have any
13 questions --

14 MR. REESE: Yes, we do, your Honor.
15 Good morning, Miss Lettrich.

16 MS. MILLER: Your Honor, I'm sorry. I
17 should have asked one additional question.

18 EXAMINER BOJKO: Sure.

19 Q. (By Ms. Miller) If you were asked the
20 same questions today as set forth in your testimony,
21 would your answers be the same?

22 A. Yes, they would.

23 MS. MILLER: Thank you. The witness is
24 now available for cross.

CROSS-EXAMINATION

By Mr. Reese:

Q. Good morning.

A. Good morning.

Q. Let's look at page 1 of your testimony. Page 1 of your testimony down at approximately line 15, you state that in your prior position with FirstEnergy you supervised the development of the annual reports required by Ohio Administrative Code 4901:1-10. I'm going to refer to that as ESS rule 10 --

A. All right.

Q. -- if that's okay with you. Do you currently supervise preparation of these reports?

A. May I ask, Rule 10, my supervision for the annual report was for Rule 10, Rule 11, Rule 26, and Rule 27.

Q. So it was for the entire chapter.

A. It was not limited to Rule 10.

Q. Thank you.

Do you currently supervise preparation of any reports for those rules?

A. No, I do not.

Q. Do you know who does?

1 A. Yes, I do.

2 Q. Could you tell me who that is?

3 A. Mr. Randy Coleman.

4 Q. Can you tell me what Mr. Coleman's
5 position is with the company?

6 A. Manager of Regulatory Reporting.

7 Q. Do you know who Mr. Coleman reports to?

8 A. Yes. He reports to Mr. Eric Dixon.

9 Q. And, Ms. Lettrich, I'm going to have some
10 questions for you on specific ESSS rules, those in
11 Chapter 1-10 that we just talked about. I'll give
12 you a copy of the rules.

13 MR. REESE: Your Honor, I'm not going to
14 have these marked, I'm just going to ask her a few
15 questions.

16 Q. Ms. Lettrich, before we move to the
17 remainder of your testimony I note that it deals to a
18 large extent with the proper interpretation of
19 certain ESSS rules including ESS Rule 6, ESS Rule 10,
20 ESS Rule 27(E), and ESS Rule 27(F). Does that sound
21 correct?

22 A. That sounds correct, but, as I stated
23 earlier, it would also include Rules 11 and 26.

24 Q. Okay.

1 EXAMINER BOJKO: Mr. Reese, when you said
2 "it," you're referring to her testimony?

3 MR. REESE: That's correct. Sorry.

4 Q. Ms. Lettrich, on page 2 of your testimony
5 at line 19 you said that staff has a, quote/unquote,
6 new interpretation of ESS Rule 27(E)(1)(d) pertaining
7 to the preventative practices of FirstEnergy for its
8 line reclosers and line capacitors. Do you see that?

9 A. Yes, I do.

10 Q. First, can I ask you, does this statement
11 refer to all three staff reports filed in this case?

12 A. Yes, it does.

13 Q. Can you tell me how staff's
14 interpretation is new?

15 A. Rule 27 requires that the companies have
16 an inspection and maintenance program for
17 distribution capacitors and line reclosers, and it
18 indeed does have a program for the inspection and
19 maintenance of distribution capacitors and line
20 reclosers.

21 It was my belief that staff in their
22 Staff Report was taking it to another degree as far
23 as what should be done to be compliant with Rule 27.

24 Q. So when you say "new," does that mean

1 it's outside the scope of the electric service and
2 safety standards, at least that particular rule?

3 A. Yes.

4 Q. I'd like to refer you to ESS Rule 2,
5 specifically Rule 2(B) in the packet I have there, it
6 would be 1-10-02(B).

7 A. All right.

8 Q. Referring specifically to that rule,
9 don't the ESSS permit the Commission to require the
10 distribution utilities to furnish additional services
11 or conduct additional reliability programs?

12 A. Could you repeat that question, please?

13 (Record read.)

14 A. I'm not reading that. I don't have that
15 same interpretation that you just stated.

16 Q. Can you tell me what your interpretation
17 is of that rule?

18 A. Well, I could only read it to you. But
19 it doesn't say what you just asked.

20 Q. Can you read it for me?

21 A. "The commission may, in addition to the
22 rules in this chapter, require EDUs and/or
23 transmission owners to furnish other or additional
24 service, equipment, and facilities upon any of the

1 following: The commission's own motion; formal or
2 informal commission resolution of a complaint; the
3 application of any EDU."

4 Q. And that rule doesn't say to you that the
5 Commission can order certain activities and
6 reliability-related services to be provided that
7 aren't already in Chapter 1-10?

8 A. I'm sorry, but I'm just not reading that
9 in this.

10 Q. Okay. Let's move to page 2 of your
11 testimony at line 14. In line 14 you use the term
12 "quality control." QC is the acronym. Do you equate
13 the term QC with preventative practices?

14 A. What I was equating in my testimony was a
15 staff's use of quality control and what the rule
16 states as preventive practices.

17 Q. So does that mean you do not equate the
18 two?

19 A. My testimony is referencing the fact that
20 the staff uses the term "quality control," and
21 relates it to preventive practices.

22 Q. My next question, several more, are
23 regarding the CEI Staff Report. I'll need to provide
24 you with a copy.

1 MR. REESE: Your Honor, again, I'm just
2 going to have the witness refer to this.

3 EXAMINER PRICE: CEI, Mr. Reese?

4 MR. REESE: Yes, sir.

5 Q. Ms. Lettrich, what I have here is a cover
6 page from the CEI Staff Report and then the Service
7 Monitoring and Enforcement Department section of that
8 Staff Report. It's actually an excerpt from page 57
9 to 81 of the CEI Staff Report.

10 I'd like to refer you first to page 65 of
11 the CEI Staff Report. I want you to look first at
12 the Staff Report to review what findings the staff
13 made relative to CEI's compliance with ESS Rule
14 27(E)(1)(d) and (e). On page 65 the Staff Report --
15 sorry, the staff found that CEI did not perform any
16 QC, or quality control, oversight practices which the
17 Staff Report characterizes as second level of
18 verification of inspection results. Do you see that?

19 A. Yes, I do.

20 Q. Is it your position that FirstEnergy --
21 I'm sorry, CEI conducts a second level of
22 verification?

23 A. At the time that this Staff Report --
24 well, not when it was written, but at the time that

1 this finding was made, no, a second level was not
2 done, but today a second level is being done.

3 Q. So a second level of verification is
4 being done?

5 A. That's correct.

6 Q. Okay. Let's look at the top of page 3 of
7 your --

8 EXAMINER BOJKO: Before you move on,
9 Mr. Reese, is the second level being done because --
10 as a result of the Staff Report finding?

11 THE WITNESS: No.

12 EXAMINER BOJKO: Isn't it your testimony
13 that a second level isn't required to be done by the
14 rule?

15 THE WITNESS: When I said "second level,"
16 I meant second level review of the forms.

17 EXAMINER BOJKO: Not second level of
18 verification of inspection results.

19 THE WITNESS: That's correct.

20 EXAMINER BOJKO: So you still disagree
21 with the staff finding that states that you should do
22 a second level verification of the inspection
23 results.

24 THE WITNESS: That's correct.

1 EXAMINER BOJKO: Mr. Reese, I apologize.

2 A. I'm sorry, where are we at?

3 Q. I'm sorry. Top of page 3 of your
4 testimony, specifically line 3. You note at line 3
5 that staff's recommendations are, quote/unquote,
6 outside of what is currently required by the Ohio
7 Administrative Code. Can you tell me specifically
8 which recommendations you're referring to?

9 A. I'm referring to the recommendation that
10 the staff has made that we need to perform additional
11 quality control and oversight practices.

12 Q. Doesn't the Ohio Administrative Code,
13 specifically the rule we've been talking about,
14 27(E), require that the company file certain
15 programs?

16 A. I'm sorry, which rule?

17 Q. 27(E).

18 A. Yes.

19 Q. So if it's outside of what is currently
20 required by the Ohio Administrative Code, I'm
21 confused. Does that mean it's outside of what's in
22 CEI's programs and plans that it has on file with the
23 Commission?

24 A. No. Rule 27 requires that we file an

1 inspection program and that we review that program
2 with staff. And we have filed programs and they have
3 been reviewed by staff. In fact, they are
4 continuously reviewed by staff.

5 Last year alone in 2007 we had over 100
6 audits by staff both formal and informal, office
7 audits, record audits, field audits, and the records
8 and the programs are continuously reviewed.

9 Q. Considering that these programs are
10 reviewed and you have dialogue with the staff, how is
11 it that a recommendation can be outside of what is
12 currently required by the Administrative Code?

13 A. Because we have already submitted our
14 programs per Rule 27, they have been reviewed and
15 approved by staff, and going over and above would be
16 outside of what is required of the companies.

17 Q. When is your next program or plan
18 scheduled to be filed with the staff?

19 A. We file updates to the plans as part of
20 Rule 27, so the next ESSS annual report is due on
21 March 31st. If we have any updates, we would file
22 that in that ESSS report.

23 EXAMINER BOJKO: Are you saying that it's
24 beyond the plan or beyond the Administrative Rule?

1 THE WITNESS: It's beyond the rule.

2 EXAMINER BOJKO: I think I understood you
3 to testify -- to say that because you submitted a
4 plan to staff and because the plan is approved,
5 anything outside of that plan is beyond the rule. Is
6 that what you're saying? I believe that's what you
7 stated.

8 THE WITNESS: Can you say that again,
9 please?

10 EXAMINER BOJKO: Are you testifying that
11 you submitted plans to the Commission staff and those
12 plans were approved and that's what you think is
13 outside the scope, or because you had a plan approved
14 that it's outside the scope of the rule? You used
15 the word "plan" and "rule," and I'm trying to
16 understand what you're testifying to. Are you
17 testifying that it was beyond the rule or beyond your
18 plan that was approved by staff?

19 THE WITNESS: In the case of the QC I
20 would say both. We have a QC that we feel is
21 sufficient, it's been reviewed, and we feel that it's
22 appropriate, so it's outside of both the rule and in
23 this case the plan.

24 EXAMINER PRICE: So your plan includes a

1 quality control provision.

2 THE WITNESS: Yes, it does.

3 EXAMINER PRICE: And the staff has
4 reviewed this.

5 THE WITNESS: Yes.

6 EXAMINER PRICE: And the staff has
7 approved this.

8 THE WITNESS: Yes.

9 EXAMINER PRICE: And your testimony is
10 that the recommendations of staff are over and above
11 what are in the currently approved plan?

12 THE WITNESS: When I read Rule 27 --

13 EXAMINER PRICE: I'm asking about the
14 Staff Report, not about Rule 27.

15 THE WITNESS: What specifically are
16 you --

17 EXAMINER PRICE: The Staff Report at page
18 65 indicates that CEI did not perform any QC
19 oversight practices. Is that the part that you're
20 saying that --

21 THE WITNESS: Well, I'm looking at 64.

22 EXAMINER PRICE: I don't want you to look
23 at 64. I want you to look at 65.

24 THE WITNESS: Okay.

1 EXAMINER PRICE: At 65 it says, "CEI did
2 not perform any QC oversight practices (second level
3 verification of inspection results)." Are you saying
4 that that requirement would be beyond what's in your
5 plan?

6 THE WITNESS: I'm saying that, yes, in
7 their current plan that would be beyond our plan, and
8 also looking at page 64, we feel that our program
9 meets the language in 27(E)(1).

10 EXAMINER PRICE: Thank you.

11 Sorry, Mr. Reese.

12 Q. (By Mr. Reese) Ms. Lettrich, in a recent
13 answer you referenced a hundred audits that staff had
14 conducted over -- I think it was over the last year?

15 A. Yes.

16 Q. Was that specific to CEI?

17 A. I'm sorry, no. That was the three
18 companies, Ohio Edison, Toledo Edison, and CI.

19 Q. Do you know if those audits were routine,
20 or were they in preparation for the rate case; if you
21 know?

22 A. I believe most of those were routine, had
23 nothing to do with the rate case.

24 Q. Thank you.

1 Referring to line 4 of your testimony on
2 page 3, you state that the staff's recommendations,
3 if implemented, will result in no benefits to
4 consumers. Is that still your position?

5 A. That is correct.

6 Q. So this second level of verification
7 would provide no benefit to a consumer of CEI.

8 A. Well, I think what we need to do is when
9 we say "second level of verification," when I talked
10 about second level of verification, it was a second
11 level of verification of the inspection form. Second
12 level of verification could broadly mean
13 reinspecting, going out and doing a complete
14 reinspection and, no, that would not have benefit to
15 customers.

16 Q. Would a second level -- or does a second
17 level of verification of the form provide a benefit
18 to consumers?

19 A. I believe the point of the quality
20 control is to ensure that the work is done, and I do
21 think the second level of verification of the form
22 does provide that.

23 EXAMINER BOJKO: But you just started
24 doing the second level of the verification form --

1 THE WITNESS: Yes.

2 EXAMINER BOJKO: -- after this finding
3 was put in the Staff Report.

4 THE WITNESS: It was not after this
5 finding. It was after some of the other issues that
6 took place, staff findings, but it was not after this
7 report.

8 EXAMINER BOJKO: But for the -- well, was
9 it in the context of this rate case?

10 THE WITNESS: No, it was not. The staff
11 references some issues that took place in their
12 report, and that was part of their routine
13 inspections or routine audits. As a result of that,
14 we have increased the level of verification of the
15 forms. It had nothing to do with the actual
16 submittal of the Staff Report.

17 EXAMINER BOJKO: No, but it was because
18 of staff telling you they wanted it.

19 THE WITNESS: It was the staff findings
20 that drew us to that and numerous other improvements.

21 EXAMINER BOJKO: Staff conducted an
22 audit, and as a result of the audit, they made
23 recommendations to the company, and as a result of
24 those recommendations, the company accepted and

1 started doing additional verification; is that right?

2 A. The staff -- no, that's not -- the staff
3 conducted numerous audits, numerous office audits,
4 record audits, field audits. From some of those
5 findings we saw a need for some improvements.

6 EXAMINER BOJKO: Right. I wasn't talking
7 about a specific audit. But I think you interpreted
8 my word "audit" as being the Staff Report.

9 THE WITNESS: I did. I did.

10 EXAMINER BOJKO: The staff conducted an
11 audit -- they conducted a hundred audits.

12 THE WITNESS: Yes.

13 EXAMINER BOJKO: And they came back to
14 the company and said "We think X, Y, Z needs to be
15 improved or modified," and it was because of your --
16 you're using the word "findings" and I'm assuming
17 that's what you're talking about then.

18 THE WITNESS: Yes.

19 EXAMINER BOJKO: As a result of those
20 audits, they came back and said "We suggest or we
21 recommend that the company does X, Y, Z," and because
22 of that, not because of the written Staff Report,
23 because of that you started implementing new improved
24 verification reporting is what I heard.

1 THE WITNESS: We saw a need because of
2 some of the issues that were uncovered with our
3 inspection and maintenance program to do a complete
4 review of our inspection and maintenance program
5 altogether, and there are numerous things that we are
6 doing to -- as a part of continuous improvements to
7 improve upon our process.

8 EXAMINER BOJKO: So now you're telling me
9 that it wasn't at staff's recommendation, the company
10 just realized that maybe they should do it.

11 THE WITNESS: No, it was -- I am not
12 saying that it's because specifically that staff said
13 "You need to do this." It was some of the issues
14 that staff found that caused us to say, "Okay, we
15 need to take a look at our inspection and maintenance
16 program overall, from cradle to grave."

17 EXAMINER BOJKO: Is that a one-time
18 overall look at what has happened or is that going to
19 be a continual requirement of the company to do this
20 second level verification?

21 THE WITNESS: It will be a continual.

22 EXAMINER BOJKO: Sorry, Mr. Reese.

23 Q. (By Mr. Reese) Ms. Lettrich, at lines 5
24 to 6 of your testimony on page 3 you state that,

1 quote, "such recommendations provide no mechanism to
2 recover the associated costs," end quote. Do you see
3 that?

4 A. I do.

5 Q. Can you give me an idea of what the
6 associated costs might be with implementing these
7 recommendations?

8 A. No. While I have not quantified the
9 specific costs, I can give you some examples of the
10 type of additional costs and there would obviously be
11 some labor costs especially if what staff means, a
12 verification would be to actually go out and redo
13 field audits or redo the inspections, that would
14 require additional labor, it would require additional
15 equipment, it may require additional records, all of
16 which are examples of the additional costs associated
17 with this.

18 Q. And this is if you implemented the second
19 line of verification which would entail labor --
20 strike that.

21 Are there any associated costs with
22 providing the second level of verification of the
23 forms?

24 A. There is some additional labor cost, but

1 very little.

2 Q. So you can give me some examples of these
3 associated costs but not the amount.

4 A. No, I have not quantified the amounts. I
5 can only give you those examples.

6 Q. Are you sure there would -- these costs
7 would be incurred?

8 A. From my knowledge of how we interpret the
9 verification, and "verification," again, can be
10 interpreted broadly, yes, I'm sure those costs would
11 be incurred.

12 Q. When you refer to a recovery mechanism to
13 recover the associated costs, what type of recovery
14 mechanism are you referring to?

15 A. Well, examples of a recovery mechanism
16 might be a rider or possibly an addition to base
17 rates.

18 Q. At lines 8 to 9 of your testimony on page
19 3 you state that the operating companies perform
20 routine checks for reasonableness and completeness of
21 the inspection forms for line reclosers. Do you see
22 that?

23 A. I do.

24 Q. Could you give me the job title and/or

1 the job description of the persons who perform these
2 checks?

3 A. Typically it's a supervisor in a regional
4 engineering department.

5 Q. Tell me what the job qualifications are
6 for that position.

7 A. They are engineers.

8 Q. Is there any specific training for
9 performing this check for reasonableness?

10 A. There's -- when you say "specific
11 training," it's not necessarily a class, but there's
12 on-the-job-type training.

13 Q. And this would give the supervisor an
14 idea of what was reasonable in terms of filling out
15 the forms?

16 A. Yes.

17 Q. Can you tell me what would constitute an
18 unreasonable counter reading for a line recloser?

19 A. An unreasonable counter reading would be
20 a reading that is less than the previous reading,
21 which would indicate, you know, the number of
22 operations should be additive from the last reading.

23 Q. Is there a range that would be considered
24 too high on that counter reading?

1 A. I don't think that there is a specific
2 range, but what they would do is look at the form and
3 look at the number of operations and if that recloser
4 typically had maybe 25 operations in a quarter and
5 all of a sudden it had 100, then that would give them
6 some concern that they need to go back and look at
7 the readings.

8 Q. If a recloser reading is determined to be
9 unreasonably high or unreasonably low, what steps
10 does FirstEnergy take to correct the information on
11 the inspection form?

12 A. They would go back out and reread that
13 counter reading first to make sure that the reading
14 was correct.

15 Q. If you know, at what point does
16 FirstEnergy perform maintenance on a recloser which
17 has an excessively high counter reading?

18 A. Well, first of all, they would
19 determine -- as I said before, they would go out and
20 determine whether or not the reading is correct. If
21 the reading's correct, then, as I described in my
22 testimony, there's a prescribed tolerance level and
23 that tolerance level is the number of counts, the
24 number of operations that that recloser has operated.

1 Once it reaches that point, that prescribed tolerance
2 level, then it needs to be taken in for maintenance
3 or replaced. It's very similar to your car, you
4 know, you drive a certain number of miles and after a
5 certain number of miles you need to get your oil
6 changed. And this is very similar.

7 Q. Can you tell me what the detailed annual
8 inspection consists of?

9 A. The detailed annual inspection would,
10 one, take the counter reading, but it would also look
11 for oil leakage, various types of issues, maybe a
12 lightning strike evidence.

13 Q. So what would a visual inspection entail?

14 A. They would visually inspect, they have a
15 form that they look at and it has certain things that
16 the inspector should look for and they check off what
17 they see.

18 Q. Give me some ideas what's on that form.

19 A. I just did. Oil leakage would be an
20 example.

21 Q. This would be what they'd be looking for
22 in the visual inspection as well?

23 A. That is correct.

24 Q. Okay.

1 EXAMINER BOJKO: So are they required to
2 do that visual inspection and report it on that form?

3 THE WITNESS: Yes. Yes, that's the
4 annual inspection of the reclosers.

5 EXAMINER BOJKO: So only annually is that
6 visual inspection required.

7 THE WITNESS: The program is to annually
8 inspect and record; however, because the FirstEnergy
9 companies take the counter readings on a quarterly
10 basis and for other reasons a visual inspection is
11 always done, it's done on a quarterly basis, but it's
12 not part of the program.

13 EXAMINER BOJKO: Well, that's what I'm
14 referencing. I think it's on 21, 20, 22, you say
15 while they're at the site during that quarterly -- on
16 that quarterly basis, they're obtaining counter
17 readings; the line recloser is visually inspected.

18 THE WITNESS: Yes.

19 EXAMINER BOJKO: That visual inspection,
20 is that recorded? Is that the form that you're
21 speaking of, or is that only the annual inspection?

22 THE WITNESS: That's only the annual;
23 however, if they see something, if they see something
24 from their visual inspection, they will report it.

1 EXAMINER BOJKO: So it's only required at
2 the annual inspection to check the check boxes for
3 the form that you referenced.

4 THE WITNESS: That is correct.

5 Q. (By Mr. Reese) Ms. Lettrich, reference to
6 lines 2 to 5.

7 A. Of what page, please?

8 Q. Of your testimony on page 4, I believe.
9 Is it your position that quarterly visual inspections
10 and annual detailed inspections constitute
11 preventative maintenance?

12 A. Yes, I do.

13 Q. At lines 11 and 12, page 4, you state
14 that faults are measured to a prescribed tolerance
15 level to determine whether or not the recloser needs
16 to be replaced. Do you see that?

17 A. I do.

18 Q. How are these fault currents measured,
19 and how is the tolerance level determined?

20 A. You had asked me in the deposition about
21 fault currents and how fault currents are measured,
22 and I had indicated I'm not familiar with exactly how
23 we measure fault currents, but what is meant here is
24 that the prescribed tolerance level is not an ampere

1 level, it's not the current measurement or fault
2 current measurement. What it is is the number of
3 operations of that recloser, and the recloser
4 operates when it senses a fault.

5 So there's two different measurements
6 that are being referenced, fault current, and that
7 I'm not familiar with what kind of equipment we use,
8 but faults here are not fault currents, they are the
9 occurrence or the event of a fault that the recloser
10 is counting.

11 Q. So the number of faults, then; is that
12 correct?

13 A. Yes.

14 Q. Okay. Line 16 of your testimony you
15 state that the inspection forms for line capacitors
16 are checked for reasonableness and completeness of
17 data in a similar manner as that for line reclosers.

18 EXAMINER BOJKO: Still on page 4,
19 Mr. Reese?

20 MR. REESE: Yes, your Honor.

21 MS. MILLER: Was that yes? You said yes,
22 still on page 4?

23 EXAMINER BOJKO: Yes.

24 MR. REESE: Yes. Sorry.

1 Q. Can you give me an idea of the similar
2 manner? Is it identical? Is there a visual
3 inspection and a detailed annual inspection?

4 A. There's a visual inspection of capacitor
5 banks and there's a different form, though, there's a
6 capacitor bank inspection form and it's different
7 from the recloser form, but it's similar in nature
8 that it has boxes that are checked when the inspector
9 sees certain conditions.

10 Q. And those forms are used quarterly and
11 annually?

12 A. Now, for the line inspector -- excuse me,
13 line capacitors the inspection's annual.

14 Q. Okay.

15 EXAMINER BOJKO: So the routine check
16 you're talking about on line 17 of page 4 is an
17 annual routine check?

18 THE WITNESS: It's the -- yes. In terms
19 of capacitor banks, yes.

20 EXAMINER BOJKO: But that's what you were
21 referencing in your testimony, you were talking about
22 capacitor banks.

23 THE WITNESS: That's right. I wasn't
24 sure whether we were talking now about line reclosers

1 or line capacitors.

2 EXAMINER BOJKO: I thought Mr. Reese
3 referenced this exact sentence.

4 Did you not?

5 THE WITNESS: He did, but he had
6 mentioned line reclosers as well.

7 EXAMINER BOJKO: Are you waiting on me?

8 MR. REESE: Yes, your Honor.

9 EXAMINER BOJKO: Please continue,
10 Mr. Reese.

11 MR. REESE: Okay.

12 Q. (By Mr. Reese) On pages 3 to 5 of your
13 testimony you refer several times to the operating
14 companies' practices, specifically there's a
15 reference to operating company maintenance practices
16 at the top of page 4 and there's a reference at the
17 top of page 5 to operating companies' practice
18 regarding distribution line capacitors. If you know,
19 are the operating company practices you are referring
20 to filed with the Commission staff in accordance with
21 ESS Rule 27(E)(2)(a)?

22 A. Yes.

23 Q. At the bottom of page 5 of your
24 testimony, lines 21 and 22, you state that "Staff's

1 recommendations contemplate going beyond the Ohio
2 Administrative Code requirements." Can you tell me
3 what you mean by going beyond the requirements of the
4 Ohio Administrative Code?

5 A. It's in reference to what we discussed
6 earlier which is the additional QC measures for line
7 reclosers and line capacitors.

8 Q. So, again, when you reference going
9 beyond the Ohio Administrative Code requirements, do
10 you mean going beyond what is in your filed plan or
11 an update to your plan?

12 MS. MILLER: Objection, your Honor. I
13 think this is going beyond conversation was what we
14 already had regarding the same topic as well.

15 EXAMINER BOJKO: What's your objection?

16 MS. MILLER: Asked and answered. I think
17 that this line of questioning was what we had
18 earlier, and at this time it's not even pertaining to
19 a different topic, it's still the same area of line
20 reclosers and line capacitors and quality control.

21 EXAMINER BOJKO: Overruled. The witness
22 stated -- I think he's just trying to determine what
23 the witness is referencing on page 5.

24 You may answer.

1 A. It's the additional -- if you look on
2 line 17, the additional QC measures for line
3 reclosers and line capacitors.

4 Q. So those are in addition to what's in the
5 companies' programs on file with the Commission or
6 any of the annual updates to that plan that's filed
7 with the Commission staff?

8 A. What is it that you're referring to?

9 Q. Well, when you reference staff's
10 recommendations are going beyond Ohio Administrative
11 Code requirements, I'm trying to figure out what
12 we're talking about. Are we talking about the
13 companies' programs that are required to be filed
14 under the rule, or are we talking about required by
15 another rule or another section of the rule?

16 A. What I'm saying here is the staff
17 recommendations of additional QC measures are going
18 over and above what's already stated in the OAC and
19 what we've provided which is our programs, and they
20 have been approved by the Commission. Does that --
21 I'm trying to answer your question but I'm not sure
22 what --

23 Q. Well, let me see if I can help. I think
24 you stated earlier that there's an update to your

1 annual plan that's filed March 31st of every year?

2 A. If we have an update.

3 Q. If you have an update.

4 A. If we have an update to our program, then
5 we provide it in that March 31st annual report.

6 Q. So if -- strike that. Let's move on.

7 In the context of Rule -- ESS Rule
8 27(E)(1), isn't it true that the Ohio Administrative
9 Code requirements are for the company to follow its
10 own programs and procedures for inspection,
11 maintenance, repair, and replacement?

12 A. Where are you at? I'm sorry.

13 Q. I'm just asking. I'm referring you to
14 the ESS rules, specifically Rule 27(E)(1). I believe
15 that's on page 32 of the standards that I gave you.

16 A. Okay. I have found it. What is the
17 question? I'm sorry.

18 MR. REESE: Can you reread the question,
19 please?

20 (Record read.)

21 A. What I see here in my interpretation is
22 that each electric utility shall establish and
23 maintain written programs. It does not reference
24 follow the program, although we strive to follow the

1 program, but that's not what's stated here.

2 Q. So the rule doesn't require the company
3 to follow its own programs that are filed with the
4 Commission; is that correct?

5 A. 27(E)(1), that is what -- that is
6 correct.

7 Q. Now, if the company does not follow its
8 programs and procedures for inspection, maintenance,
9 repair, and replacement, do you consider that a
10 violation of any ESS rule?

11 A. No, I do not consider that a violation of
12 an ESS rule. I do consider that a violation of our
13 program.

14 Q. And it is true that the company's free to
15 file revisions to its programs annually; is that
16 correct?

17 A. Yes.

18 Q. Let's move to page 6 of your testimony.

19 EXAMINER PRICE: One minute. In (E)(1)
20 it says these programs shall establish preventive
21 requirements. You're saying there's a requirement,
22 that you don't have to follow it; it's a requirement
23 advisory in that sense?

24 THE WITNESS: No, I'm saying that it says

1 preventive requirements for the electric utility to
2 maintain safe and reliable service.

3 EXAMINER PRICE: And you don't have to
4 follow those requirements?

5 THE WITNESS: We follow the requirements
6 to maintain safe and reliable service.

7 EXAMINER PRICE: And if you don't follow
8 the requirements, that's not a violation of the rule?

9 THE WITNESS: Which requirements are you
10 speaking of?

11 EXAMINER PRICE: Any of them.

12 THE WITNESS: The program is set forth to
13 perform inspection and maintenance of our equipment
14 as prescribed --

15 EXAMINER PRICE: And those are
16 requirements, are they not, those inspections are
17 requirements? Those are preventive requirements.

18 THE WITNESS: They are our program.

19 EXAMINER PRICE: It says the programs
20 shall require preventive requirements. Does it not?
21 "Shall establish preventive requirements," does it
22 not?

23 THE WITNESS: Yes, it does.

24 EXAMINER PRICE: And you don't think you

1 have to follow a preventive requirement? You don't
2 think it's a violation of the rule if you don't
3 follow a preventive requirement?

4 THE WITNESS: I'm reading the entire
5 sentence and in the entire sentence it's to maintain
6 safe and reliable service, so for example, if there's
7 a storm and there are thousands of customers out of
8 service and we need to direct our attention to
9 getting customers back on service, back on line, and
10 that means that we have to take some people away from
11 a maintenance program, I'm going to put the people on
12 getting the service back on because I am required by
13 this rule to maintain safe and reliable service.

14 EXAMINER BOJKO: But isn't that in your
15 plan? Isn't an emergency-type situation in your
16 plan?

17 THE WITNESS: Not in our inspection and
18 maintenance plan, no.

19 EXAMINER PRICE: If you do not perform a
20 single recloser inspection, you're saying that that's
21 not violating Rule 27(E)(1).

22 THE WITNESS: That would be a violation
23 of our program.

24 EXAMINER PRICE: That's not what I asked.

1 You have to answer my questions.

2 THE WITNESS: Okay.

3 EXAMINER PRICE: You're saying that would
4 not violate the Administrative Code provision, if you
5 do not perform a single recloser inspection, even
6 though it was listed in your program that you were
7 going to do it on a quarterly basis; if you failed to
8 do that, you're saying that would not violate the
9 Administrative Code rule.

10 THE WITNESS: That's correct.

11 EXAMINER PRICE: Thank you.

12 EXAMINER BOJKO: I guess then are you
13 saying that your programs are targets and that the
14 only ones that you're required to meet are those to
15 maintain safe and reliable service? Is that what
16 you're saying?

17 THE WITNESS: No. I am not saying that
18 they are strictly targets. We make every effort to
19 perform and achieve, follow our programs, but what
20 you're asking me is in this 27 do I read -- is it my
21 interpretation that this 27(E)(1) indicates that we
22 have to follow the program.

23 We do follow the program, and I don't
24 want it to sound as though we don't, we absolutely

1 are committed to our programs, we're committed to
2 continuous improvement, but does this 27(E)(1) state
3 that if we don't follow the program, that it's not in
4 compliance with the rule, and I'm saying that it is
5 not noncompliance with the rule.

6 It would be completely inappropriate if
7 we did not follow our inspection and maintenance
8 program.

9 EXAMINER BOJKO: But in response to some
10 of the questions you were saying -- you kept saying
11 I'm reading it in context of the whole sentence. Are
12 you trying to tell us that there are other items that
13 go beyond maintaining safe and reliable service that
14 you wouldn't deem a necessity or a requirement, so to
15 speak, under that sentence?

16 THE WITNESS: Can you repeat that?

17 EXAMINER BOJKO: Why did you keep
18 referring back -- when it says these programs shall
19 establish preventative requirements, and then you
20 kept saying, well, I'm reading it in the context of
21 the whole sentence which includes the last part, to
22 maintain safe and reliable service. Are you saying
23 that there's things that you have in your program
24 that go beyond merely maintaining safe and reliable

1 service? Is there a minimum threshold in your
2 program and then above-and-beyond requirements in
3 your program?

4 THE WITNESS: No. The requirements or
5 the program is the program. Let me -- I don't know
6 if this will help but let me give an example. A
7 capacitor, if there's a problem with a capacitor,
8 that's not going to affect reliable service. It has
9 no affect on reliability. So what we are committed
10 to is establishing the preventive requirements for
11 electric utility to maintain safe and reliable
12 service.

13 EXAMINER BOJKO: Mr. Reese.

14 Q. (By Mr. Reese) Miss Lettrich, on page 8
15 of your testimony at lines 7 to 11 you discuss
16 FirstEnergy's four-year tree trimming cycle.

17 A. I'm sorry, what page again?

18 Q. I'm sorry. Page 8, lines 7 to 11.

19 A. Yes.

20 Q. Does this mean that FirstEnergy fully
21 trims trees in the right-of-way every four years?

22 A. We maintain a four-year cycle, trimming
23 cycle for distribution circuits.

24 Q. When you say "four years," does that mean

1 48 months?

2 A. It can be longer and it can be shorter.

3 Q. So what is FirstEnergy's definition of a
4 four-year cycle?

5 A. The way that we establish a four-year
6 cycle is we record the last scheduled date of --
7 excuse me, the last maintained date of a circuit, we
8 then go four years beyond that and say this is the
9 established next scheduled date for the tree trimming
10 of that circuit. So, for example, if a circuit was
11 trimmed in 2004, the next scheduled date would be
12 2008.

13 It could, however, extend beyond 48
14 months if the circuit was done in 2004 in January and
15 the next trim was November or December of 2008. So
16 that would extend beyond 48 months. At the same
17 time, because we need to address critical needs of
18 circuits, it may be well under 48 months. An example
19 of that would be if a circuit was trimmed December of
20 2004 and it was trimmed again then in January of
21 2008, that's less than 48 months. So it can vary.

22 Q. So a four-year cycle means -- strike
23 that.

24 Could your four-year cycle mean that a

1 circuit doesn't get trimmed for 59 months?

2 A. It could. And in that case that would be
3 because the circuit doesn't have a critical need. If
4 the circuit had a critical need, it would likely be
5 less than 48 months.

6 Q. Now, as part of the plan you have filed
7 with the Commission, though, your tree trimming or
8 vegetation management program, you're committed to a
9 four-year cycle.

10 A. That is correct.

11 Q. Let me call your attention to ESS Rule
12 27(D)(1). Can you read the section on distribution
13 there for me, please, (D)(1)?

14 A. "Distribution - at least one-fifth of all
15 distribution circuits and equipment shall be
16 inspected annually. All distribution circuits and
17 equipment shall be inspected at least once every five
18 years."

19 Q. So this would mean all distribution
20 circuits and equipment shall be inspected at least
21 once every 60 months; is that correct?

22 A. That is correct.

23 Q. Rule 27(D)(3) states that all substations
24 and equipment shall be inspected at least once each

1 month. Do you see that?

2 A. I do.

3 Q. Does that mean that all substations shall
4 be inspected every 30 to 31 days or something else?

5 A. That would be --

6 MS. MILLER: Does that include
7 February 28th and 29th?

8 MR. REESE: Yeah, let's say 28 to 29 days
9 for February would call for (D)(3).

10 MS. MILLER: Thank you.

11 A. Yes, that's correct.

12 Q. Based on what we've talked about
13 regarding tree trimming so far referring to page 8 of
14 your testimony, lines 22 to 23, you state "Having a
15 last" year maintained -- or, "last year maintained of
16 2002 in 2007 would indicate that the circuit has
17 fallen out of the required 4-year cycle." Do you see
18 that?

19 A. I do.

20 Q. Does that mean that a circuit that was
21 trimmed in January of 2003 would not have fallen out
22 of the four-year cycle if it had still not been
23 trimmed in August of 2007? That's roughly 55 months
24 by my count.

1 A. Well, by your count, but if it was last
2 scheduled or last maintained 2002 and the next
3 scheduled year is 2007, that's the four-year cycle
4 that we've established.

5 Q. So January of 2003 was when the cycle was
6 completed for a given circuit. The next time it was
7 completed was August of 2007. That could be within
8 your four-year cycle; is that correct?

9 A. Generally a four-year cycle, but what I
10 want to distinguish here is that we have a last
11 maintained year and a next scheduled year, and we
12 don't vary from that. It's -- so in this case if
13 it's a circuit that was last maintained in 2002, the
14 next scheduled maintenance would be 2006. And we
15 would want to maintain that cycle, that four-year
16 cycle period. We don't change the cycle of the
17 circuit.

18 Q. So when you say a circuit was
19 maintained --

20 A. Trimmed. It was trimmed.

21 Q. So that is the completion of that
22 circuit's trimming is when it was last maintained?
23 Is that the end date? The start date? Completion
24 date? I'm not quite sure.

1 A. It's the cycle -- cycle date. So it's
2 the year that it was last maintained and it's the
3 next scheduled year. In addition to that we do
4 maintain start and end dates of the circuits. And
5 they're two separate data pieces.

6 EXAMINER BOJKO: Now I'm confused. Do
7 you maintain the cycle -- do you keep the cycle
8 always four years, or are you saying when you use the
9 word "last maintained date," that you then modify the
10 cycle based on the last maintained date?

11 THE WITNESS: No. We do not modify the
12 cycle. That's what I'm saying, we maintain --

13 EXAMINER BOJKO: In your example you said
14 if it had been trimmed in 2003, January 2003, then it
15 would be -- next scheduled maintenance would be 2006.
16 Would it depend on the cycle?

17 THE WITNESS: No, I said "2002." I'm
18 sorry, but I'm reading 2002 here. I was using the --
19 I was referring to the example that's in my testimony
20 on page 8.

21 I can go with that example, January --

22 EXAMINER BOJKO: I thought that's what
23 you did in response to Mr. Reese. Let's go with that
24 example. He used January 2003 and I thought you

1 said -- the next maintenance I wrote down would be
2 2006. Is that not right?

3 THE WITNESS: No, now I'm confused but
4 can I try to explain this?

5 EXAMINER BOJKO: Please.

6 THE WITNESS: What I was saying was that
7 if a circuit has a last maintained date of 2002, the
8 next schedule, based on the cycle, is 2006. It's the
9 four-year cycle. However, if for some reason beyond
10 our control that circuit, in your example, wasn't
11 trimmed until January of 2003, the next scheduled
12 trim is still 2006 because we maintain that four-year
13 cycle.

14 EXAMINER PRICE: Now I have a question.

15 THE WITNESS: Okay.

16 EXAMINER PRICE: If you do a cycle early
17 because of a critical need, it's last maintained
18 was -- listen carefully because I'm going to ignore
19 your example -- the last maintained date was in
20 January of 2003, it was in 2003, you needed to do it
21 again in 2005.

22 THE WITNESS: Yes.

23 EXAMINER PRICE: Would you do it again
24 now that -- when would its next schedule be?

1 THE WITNESS: It would be 2007.

2 EXAMINER PRICE: 2007.

3 THE WITNESS: Yes.

4 EXAMINER PRICE: Even if you had done it
5 in critical need, it's always going to go back to
6 that.

7 THE WITNESS: You're right. And the
8 reason for that might be that maybe that circuit has
9 a species of trees that grows faster, but we would
10 maintain that four-year cycle.

11 Q. (By Mr. Reese) Ms. Lettrich, at the top
12 of page 9 of your testimony at lines 4 to 5 you have
13 a sentence that reads "Such information is over and
14 above what the Operating Companies have historically
15 provided to Staff." Do you see that?

16 A. I do.

17 Q. Is it possible that the operating
18 companies have not been providing the adequate or
19 adequate information to the staff historically?

20 A. The companies have always provided to the
21 staff the last scheduled year and the next -- excuse
22 me, last maintained year, next scheduled year, and
23 that was sufficient up to a certain point and then
24 the staff had asked for start and end dates, so we

1 started providing then start and end dates. But we
2 started that in 2005.

3 Q. So the company is currently providing
4 staff with the start and end dates of tree trimming
5 cycles?

6 A. If they request it, we have it available.

7 Q. Is that filed with your annual reports?

8 A. No, it is not.

9 EXAMINER BOJKO: I'm sorry, I thought you
10 said you started providing it in 2005. Are you just
11 saying upon request you started providing it in 2005?

12 THE WITNESS: That's right.

13 Q. Further down on page 9 at lines 18 to 19
14 you state that "This policy is sufficient for Ohio
15 Administrative Code compliance." Do you see that?

16 A. Yes, I do.

17 Q. What does "sufficient for Ohio
18 Administrative Code compliance" mean?

19 A. It means that the Ohio Administrative
20 Code requires us to have a vegetation management
21 program and a program that is filed with the
22 Commission and approved by the Commission, and we
23 have done that. In the audits that the staff has
24 performed, we have traditionally provided the last

1 maintained year and the next scheduled year, and that
2 has been sufficient up to a certain point when the
3 staff asked can we start providing start and end
4 dates or can we provide start and end dates.

5 Q. So under your interpretation of the
6 appropriate Administrative Code provisions, who gets
7 to determine whether it's sufficient for Ohio
8 Administrative Code compliance? The company? The
9 staff? Can you elaborate?

10 A. We provide a program, whether it's veg
11 management or it's distribution inspections and
12 maintenance we provide record of our execution, if
13 you will, of that program. And the staff can say
14 "yes" or "no" whether or not they agree that that is
15 sufficient.

16 Q. And if they say it's not sufficient, does
17 that mean the program -- that FirstEnergy's program
18 is in noncompliance with the Ohio Administrative
19 Code?

20 A. I wouldn't think so, no.

21 Q. Since FirstEnergy -- each of the
22 FirstEnergy operating companies -- let me rephrase
23 that.

24 Do each of the FirstEnergy operating

1 companies in Ohio have a four-year tree trimming
2 cycle?

3 A. Yes, they do.

4 Q. And that's part of the program that you
5 filed with the Commission in I believe 2000 and that
6 you can update annually; is that correct?

7 A. If we have a change -- yes, we filed it
8 in 2000, and if we have a change, we can provide that
9 change.

10 Q. Can you give me an example of what would
11 be a noncompliance with your vegetation management
12 program as filed with the Commission staff?

13 A. Well, if we didn't have a program
14 altogether, if we didn't submit a program, that would
15 be noncompliance with the OAC.

16 Q. Can you give me an example of what a
17 noncompliance with your program would be relative to
18 vegetation management?

19 A. An example of noncompliance with a
20 program might be not following the specifications,
21 the veg management specifications for trimming.

22 Q. What type of specifications are you
23 referring to?

24 A. The specifications that we use to

1 determine whether or not a circuit has been trimmed
2 appropriately.

3 Q. So do you believe it is a good practice
4 to provide the staff with the start and end dates of
5 the tree trimming cycles moving forward?

6 A. I agree with the companies recording
7 start and end dates. If the staff wants to have
8 those dates, then that's fine. I don't know
9 necessarily that that is a way to measure the
10 program, but we are recording those dates, we have
11 them available if staff wants them.

12 Q. I'd like to refer you now to page 67 of
13 the CEI Staff Report. Approximately the sixth or
14 seventh line down from the top of the page there's
15 reference to a CEI response to a staff data request,
16 the response is cited "For the purposes of data
17 retention, tree trimming records are maintained for
18 one cycle or three years, whichever is longer." Do
19 you see that?

20 A. I know that that's true, but I don't see
21 it yet. Okay, yes, I do. I see it. Yes.

22 Q. So tree trimming records are maintained
23 for one cycle or three years, whichever is longer.
24 Wouldn't the company, in this case CEI, need to

1 maintain their records for a full four-year trim
2 cycle in order to be in compliance with the ESSS?

3 MS. MILLER: Objection, your Honor. Do
4 you have the direct data request so we can confirm
5 whether or not --

6 MR. REESE: No, I'm just referring to the
7 cite in the Staff Report.

8 EXAMINER BOJKO: Objection overruled.
9 Ms. Miller, please address your objections or
10 comments to the Bench, not to opposing counsel.

11 MS. MILLER: Sorry, your Honor.

12 EXAMINER BOJKO: I think he's referencing
13 the Staff Report on page 67.

14 MS. MILLER: I understand, I just
15 didn't -- it was my understanding that he indicated
16 it referred to a specific data request and if the
17 data request was available, I would like to be able
18 to see the specific data request.

19 EXAMINER BOJKO: You can look for the
20 data request later. I think the question is
21 self-explanatory.

22 Could you please answer the question?

23 THE WITNESS: Could you please repeat the
24 question?

1 (Record read.)

2 A. Yes, that is correct.

3 Q. At the bottom of page -- again I'm still
4 on the CEI Staff Report, at the bottom of page 67
5 carrying over to the top of page 68 is the following
6 statement "The start date/end date data for a total
7 population of 2,170 FE operating companies
8 distribution circuits was requested. The provided
9 data covered only 29.68 percent of the circuits." Do
10 you see that?

11 A. Yes, I do.

12 Q. Is that statement correct?

13 A. The statement -- we had started to record
14 start and end dates in 2005, and not in the beginning
15 of 2005, but it was started within 2005. Prior to
16 that the only way to get start and end dates are to
17 piece together the time sheets associated with the
18 work that was performed for that circuit.

19 So what we provided, and it was
20 understood that this is what the staff wanted, what
21 we provided was the start and end dates that we had
22 readily available and we said that the start and end
23 dates or the circuits, other circuits, would be very
24 voluminous to provide the start and end dates for.

1 Q. So does this mean that FirstEnergy
2 eventually provided all the data that staff
3 requested?

4 A. Not prior to 2005 and not for the -- only
5 for the circuits that we had start and end dates in
6 2005.

7 Q. So that same answer would apply to item 2
8 on page 68 of the CEI Staff Report where it talks
9 about 20.49 percent of the FE circuits?

10 A. It's the same situation. I cannot
11 confirm the numbers and how staff got these
12 percentages, but I understand that that was the
13 situation, yes.

14 Q. Under item 2 of the recommendations
15 section that begin at the bottom of page 68 staff has
16 included four recommendations concerning tree
17 trimming records. Do you see that?

18 A. Yes.

19 Q. Do you agree or disagree with the
20 recommendations?

21 A. I agree that it's a good practice to
22 record the start and end dates. When we talk about
23 hard copy time sheets and other records associated
24 with tree trimming, it could be very voluminous to

1 maintain all of the hard copy records.

2 For example, for each circuit that is
3 trimmed there's approximately 100 hard copy papers
4 associated -- of records associated with that one
5 circuit. There's 300 circuits that are trimmed in a
6 year of the Ohio companies, and that's 30,000 papers,
7 hard copies of records that I don't agree provides
8 any benefit, especially when we're maintaining the
9 start and end dates in addition to the last
10 maintained and the next scheduled date.

11 Q. Aren't some of these recommendations
12 regarding hard copies related to a way to show
13 compliance with your previous tree trimming plan or
14 your existing tree trimming plan?

15 A. I'm not sure why they're asking for the
16 hard copy records, but the start and end dates are
17 appropriate. Let me specify or explain, an end date
18 for a tree trimming circuit or for a circuit is only
19 achieved when we, FirstEnergy, have gone out and
20 inspected the circuit and ensured that the circuit
21 was trimmed per our specifications.

22 If it was not trimmed per our
23 specifications, we go back or that contractor has to
24 go back out and redo it per our specifications, and

1 that could delay the end date because until we deem
2 that circuit trimmed according to our specifications,
3 it does not get an end date.

4 EXAMINER PRICE: Can you explain again
5 why you didn't provide the staff 2003 and 2006 start
6 and end dates? I keep hearing you say generally we
7 maintained them but then you didn't give them to the
8 staff. Can you explain why --

9 THE WITNESS: We gave what was available.
10 As I understand it, and this is just my understanding
11 of the situation, we said we can piece it together,
12 start and end dates, going through a number of hard
13 copy records. And I don't think that they ever asked
14 for us to continue with that. That's my
15 understanding.

16 EXAMINER PRICE: You provided what you
17 had.

18 THE WITNESS: We provided what we had
19 readily available.

20 EXAMINER PRICE: And the staff did not
21 ask for the records which were not readily available.

22 THE WITNESS: I'm not familiar with if
23 they asked for more, I just understand that that's
24 the way it was left. That's the way the situation

1 was left.

2 Q. (By Mr. Reese) Ms. Lettrich, on page 12
3 of your testimony, lines 9 and 10, you state that
4 Staff's recommendation to require retention of data
5 for FirstEnergy's tree trimming program to include
6 two cycles is excessive.

7 A. I'm sorry, what page?

8 Q. Page 12.

9 A. Okay.

10 Q. Lines 9 and 10.

11 A. Yes.

12 Q. What additional work activities and/or
13 costs do you believe FirstEnergy will incur if
14 Staff's recommendation were adopted?

15 A. Well, again, I have not quantified the
16 cost, but the additional cost, and if we were
17 maintaining records, those 30,000 a year pieces of
18 paper, that would require additional labor costs, IT
19 costs to somehow store that information, make it
20 readily available. That's just a lot of information
21 to provide.

22 The start and end dates and the last
23 maintained and next scheduled is very simple for us
24 to provide and maintain.

1 EXAMINER PRICE: It's simple now.

2 THE WITNESS: Now it is, yes.

3 EXAMINER PRICE: In the time period
4 covered by the Staff Report it was not so simple.
5 2003 to 2006 it was not so simple.

6 THE WITNESS: Parts of 2005 we provided,
7 2006 it is available, yes, we provided --

8 EXAMINER PRICE: 2003, 2004, and parts of
9 2005 it was not so simple.

10 THE WITNESS: Yes, that's correct.

11 Q. (By Mr. Reese) On page 13 of your
12 testimony you state that the operating companies
13 object to the staff's recommendation that the
14 companies utilize more computer database records for
15 the substation ITM practices. Do you see that?

16 A. Yes, I do.

17 Q. So the operating companies are opposed to
18 the recommendation only because the Commission needs
19 to include a mechanism to recover the associated
20 costs?

21 A. I would say that's part of it, but the
22 other part is we feel very strongly that what we have
23 today is sufficient. So it would be going over and
24 above and it would be part of continuous improvement

1 if we implemented staff's recommendation. If we
2 implement staff's recommendation, we need a mechanism
3 to recover those additional costs.

4 Q. Have you done any analysis of what those
5 associated costs might be?

6 A. No, I have not, but I can only give an
7 example, and I can only interpret what I think the
8 staff meant. Currently today with substation
9 inspections the inspectors have paper copies of the
10 inspection sheets and then they go back and they put
11 the results of those inspections in our SAP system so
12 we have a -- I mean SAP is our database.

13 In order to, if I understand what the
14 specific recommendation is, because this is general,
15 the investment would be a replacement of the hard
16 copy records and so we'd have to go to, I think they
17 call it like a Tough Book where it's all electronic
18 and the inspector actually goes out in the field and
19 doesn't have a paper inspection form, but they have a
20 hand-held device where they actually record what they
21 have found. That's an example of a cost, and I don't
22 know how much that would cost, I've not quantified
23 that, but I believe that would be a pretty healthy
24 investment.

1 EXAMINER PRICE: Why couldn't you recover
2 that through your next base rate case? Why do you
3 need an additional mechanism beyond typical
4 rate-making?

5 THE WITNESS: I believe that that is an
6 example of how we could recover it.

7 EXAMINER PRICE: So you don't need a
8 mechanism. You can just recover it in your next base
9 rate case.

10 THE WITNESS: I would consider that part
11 of a mechanism, but . . .

12 EXAMINER BOJKO: Is there any initiative,
13 I understand going to computers, but is there any
14 initiative to reduce the number of a hundred pieces
15 of paper per circuit that you keep records on?

16 THE WITNESS: Well, that is in relation
17 to the veg management, not the substations.

18 EXAMINER BOJKO: Okay. Well, in relation
19 to the vegetation management is there any way to
20 reduce the hundred pieces of paper per circuit
21 versus -- other than a computer?

22 THE WITNESS: I'm sorry.

23 EXAMINER BOJKO: You keep referencing a
24 hundred pieces of paper per circuit. I'm just

1 wondering if there's a way to reduce the 100 to 10,
2 20.

3 THE WITNESS: The reference to 100 pieces
4 of paper per circuit is in reference to the veg
5 management and, no, I'm not aware of circumstances,
6 an initiative to reduce the numbers of paper.

7 Q. (By Mr. Reese) Ms. Lettrich, on page 17
8 of your testimony, lines 4 to 6, in reference to the
9 National Electric Safety Code you state that the
10 Staff may not have applied the appropriate version of
11 the code. Do you see that?

12 A. Again, I'm sorry, I'm not as quick. What
13 page?

14 Q. Page 17.

15 A. Okay.

16 Q. Lines 4 to 6.

17 A. Yes.

18 Q. You state that the staff may not have
19 applied the appropriate version of the code. Do you
20 see that?

21 A. I do.

22 Q. Let's take a look at ESS Rule 6. I
23 believe that's on page 6 of the handout I gave you
24 that has the ESS rules.

1 A. Yes, I have it.

2 Q. Can you read the first sentence of that
3 standard for me?

4 A. Yes. "Each electric utility shall comply
5 with the 2002 edition of the American National
6 Standard Institute's National Electric Safety Code."

7 Q. Does the review of this rule change your
8 answer as you set forth in lines 6 to 10 of your
9 testimony?

10 A. No. No, it does not. There is a section
11 in the 2002 NESC that indicates that if for equipment
12 that was installed prior to 2002, that it does not
13 need to be modified in accord with that NESC unless
14 it poses a safety risk. And I'm not quoting it
15 exactly, but that's what I remember of it.

16 Otherwise, we would be rebuilding --
17 consistently rebuilding our facilities every time
18 they make a change in the National Electric Safety
19 Code.

20 MR. REESE: One moment, please.

21 Q. Let's move on to page 19 of your
22 testimony.

23 EXAMINER BOJKO: Mr. Reese, before you
24 move on let's go off the record for a minute.

1 (Discussion off the record.)

2 EXAMINER BOJKO: Let's come back at 2:15.

3 (At 1:00 p.m., a lunch recess was taken
4 until 2:15 p.m.)

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Monday Afternoon Session,
February 11, 2008.

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EXAMINER BOJKO: Let's go on the record.
Mr. Reese, would you like to continue your
cross-examination?

MR. REESE: Sure.

- - -

CROSS-EXAMINATION (Continued)

By Mr. Reese:

Q. Ms. Lettrich, referring to page 19 of
your testimony, referring to the outages coded as
"unknown," can you tell me what the costs associated
with providing the yearly report concerning outages
coded as "unknown" are?

A. Well, I have not quantified those costs.
I can make some assumptions on what might be
additional costs. And the reason I have to make some
assumptions is that I am not sure what staff means by
a staff approved report. But examples of additional
costs would be labor costs, it might be some IT
system costs, it might be some additional vehicle
costs associated with the staff approved report on
unknown causes.

1 Q. You also state at line 6 and 7 that such
2 a report may not aid in improving overall
3 reliability. Does that mean that it would have, in
4 your opinion, no impact on improving reliability, or
5 you're not sure?

6 A. Well, again, I used the word "may"
7 because I'm not sure what the Commission staff is
8 referring to and what extent they mean by a staff
9 approved report. So I don't know if it would or
10 would not, but I can say that with every unknown --
11 or, with every outage that is coded "unknown," we not
12 only have the troubleshooter go out and investigate
13 and try to determine a cause other than "unknown," we
14 also -- all unknown outages are sent to our regional
15 engineering group and they also perform an analysis
16 to determine whether or not a cause other than
17 "unknown" can be attributed to the outage.

18 And it's important to note that we make
19 capital expenditure decisions based on these codes,
20 so we prefer to have the code -- the cause code be
21 listed as "unknown" rather than having our
22 troubleshooters or dispatchers guess. We don't want
23 to make expenditure decisions based on guesses, but
24 we do feel that we make every effort to try to find a

1 cause other than an unknown cause.

2 Q. So outages coded as "unknown" could still
3 assist you in making capital expenditure decisions?

4 A. No. They do not assist. What I am
5 saying is I don't want dispatchers and
6 troubleshooters to guess at the code, and let's say
7 instead of an unknown code it is animal caused when
8 they don't have any evidence that it was animal
9 caused.

10 Q. Referring to page 19, lines 17 and 18 of
11 your testimony, can you give me some of the
12 additional costs associated with enhanced vegetation
13 clearance?

14 A. I can give you examples of types of
15 additional costs, and this would be labor, would be
16 contractor costs, potentially equipment costs, costs
17 associated with extending the right-of-way.

18 Q. When you used the term "enhanced
19 vegetation clearance," can you tell me what you mean
20 by that?

21 A. Enhanced vegetation clearance would be
22 anything that goes over and above what our current
23 vegetation practice is.

24 Q. Is removing overhang from healthy trees

1 an enhanced vegetation clearance activity?

2 A. If the overhang is within the
3 right-of-way, we will take the overhang off. We will
4 trim it to the main stem.

5 Q. So is that enhanced -- an enhanced
6 activity?

7 A. I do not believe it's enhanced.

8 Q. Can you give me some examples of what
9 enhanced vegetation clearance would be?

10 A. An expansion of the right-of-way would be
11 enhanced.

12 Q. Anything else?

13 A. I can't think of anything right now.

14 Q. Okay. On page 21 of your testimony at
15 lines 19 to 21, you state that CEI objects to three
16 of the, quote/unquote, additional UMS recommendations
17 that staff endorses on page 79 of the CEI Staff
18 Report. Do you see that?

19 A. Yes, I do.

20 Q. Just for administrative clarity, aren't
21 the recommendations that you are referring to
22 specifically 1, 2, and 5? Aren't those
23 recommendations at the bottom of page 78 of the Staff
24 Report?

1 EXAMINER BOJKO: Mr. Reese, which page in
2 the testimony are you referencing?

3 MR. REESE: I'm referring to the Staff
4 Report right now, your Honor. From her testimony I'm
5 looking at page 21, lines 19 to 21. She refers to --
6 Ms. Lettrich refers to certain recommendations in the
7 CEI Staff Report. I just wanted to confirm that I
8 have the right set of recommendations. I believe
9 they're on page 78.

10 A. Yes, it is the second -- on page 78 of
11 the CEI, it's the second set of recommendations 1, 2,
12 and 5.

13 Q. Okay. You state that recommendations
14 Nos. 1, 2, and 5 were considered not cost-effective
15 by UMS; is that correct?

16 A. That is correct.

17 Q. At the top of page 22 of your testimony
18 you have a quote from -- I believe it's the first
19 three lines on page 22, you have a quote from the UMS
20 report. Can you read that for me?

21 A. "Because of the economics, and the
22 existence of other programs that could help CEI
23 achieve its goals, [UMS] would not expect a second
24 tier of this program to be implemented."

1 Q. Now, can you tell me where that quote
2 appears in the UMS report?

3 A. No, offhand I cannot.

4 Q. Can I refer you to the top of page --
5 wait just a moment.

6 MR. REESE: Your Honor, I'd like to mark
7 the UMS report as OCC Exhibit 20.

8 EXAMINER BOJKO: It will be so marked for
9 identification purposes.

10 (EXHIBIT MARKED FOR IDENTIFICATION.)

11 MR. WHITT: Your Honor, the companies
12 would object to the introduction of the UMS report.

13 EXAMINER BOJKO: Grounds? Right now it's
14 just been marked for identification.

15 MR. WHITT: Well, I just wanted to bring
16 the objection to the attention of the Bench because
17 to the extent portions of it are attempted to be read
18 into the record that we're going to have to raise the
19 objection at that time.

20 EXAMINER BOJKO: What's your objection?

21 MR. WHITT: There's no foundation for it.
22 There's no -- the authors of the report aren't here
23 to authenticate that the document is what it purports
24 to be; moreover, it's hearsay. It's a statement.

1 The statements were made out of court. The persons
2 that made those statements aren't here and available
3 for cross-examination.

4 EXAMINER BOJKO: I think it's a bit
5 premature, we haven't even heard a question or heard
6 any foundation laid. Why don't we give OCC some
7 leeway and see if we can't get to that foundation
8 that you would like to see.

9 MR. WHITT: Okay.

10 MR. REESE: This just died.

11 EXAMINER PRICE: Let's go off the record.
12 (Off the record.)

13 EXAMINER BOJKO: Let's go back on the
14 record.

15 Q. (By Mr. Reese) Ms. Lettrich, I'd like to
16 direct your attention to page 113 of the UMS report.
17 At the top of the page, 113, right before the box
18 that's labeled SI-8, the last sentence before that
19 box, can you read that for me?

20 A. The one that starts with "Because of the
21 economics"?

22 Q. That's correct.

23 A. "Because of the economics, and the
24 existence of other programs that could help CEI

1 achieve its goals, we would not expect a second tier
2 of this program to be implemented."

3 Q. Does this appear to be the same quote as
4 from your testimony at the top of page 22?

5 A. It does appear to be the same quote,
6 however, I don't know if that quote is anywhere else
7 in this -- I don't recall where I found the quote for
8 the testimony, but yes, it does sound similar.

9 Q. Well, let's refer for now to the quote
10 that appears at the top of page 113. Doesn't the
11 quote or the sentence at page 113 of the Staff Report
12 only refer to SI-7 on page 112 of the UMS report
13 which deals with the 4 kV exit cable?

14 MS. MILLER: Just a clarification, that
15 was 113 of the UMS report?

16 MR. REESE: Yes.

17 A. The placement of this particular quote
18 does seem to be supporting SI-7, however, the same
19 argument can be used for the other two
20 recommendations.

21 Q. But UMS doesn't make that argument, do
22 they?

23 A. I don't know where the other
24 recommendations are in accord -- in this book, in

1 this report. I'd have to go find them.

2 Q. So the -- I'm sorry, go ahead.

3 A. I believe that UMS made this statement
4 based on the expected SAIFI improvement of the
5 recommendation and the additional cost of the
6 recommendation. So the other two recommendations or
7 all three, 1, 2, and 5 in that second set, have the
8 same issues, very little SAIFI improvement when
9 compared to the magnitude of costs associated with
10 the recommendation.

11 Q. But the quote at the top of page 113 --
12 I'm sorry, the quote at the top of page 22 of your
13 supplemental testimony is not necessarily UMS's
14 position regarding two of the three recommendations
15 that you take issue with; is that correct?

16 A. I don't know that. I'd have to find the
17 quote if it was used somewhere else in the report, I
18 don't recall offhand.

19 EXAMINER PRICE: Now is the time to find
20 that quote. We'll give you a few minutes.

21 A. On page 31 at the top of the page, note
22 1, "Our initial recommendation acknowledges that the
23 cost-benefit trade-offs for these tier 2 actions do
24 not warrant CEI action at this time."

1 Q. Can you tell me, does note 1 refer to
2 everything in this table?

3 A. I believe it refers to everything in the
4 tier 2 actions.

5 Q. That's not the same as the quote from
6 page 113 of the UMS report, though, is it?

7 A. No, it's not exactly the same. No.

8 EXAMINER BOJKO: I'm going to have to
9 stop. When I said -- when I overruled Mr. Whitt's
10 objection to allow you to lay some foundation, I
11 wanted you to lay the foundation. I haven't heard
12 the foundation, we're just reading from a report.
13 Could you please go back and start laying some
14 foundation?

15 MR. REESE: Yes, your Honor.

16 Q. Ms. Lettrich, you mention in your
17 testimony that CEI objects to recommendations 1, 2,
18 and 5.

19 A. That is correct.

20 Q. Does that mean that the company considers
21 the other 22 recommendations on pages 77 to 79 of the
22 CEI report to be appropriate?

23 A. It means we're simply not objecting, and
24 my testimony covers the 12 additional recommendations

1 that staff put forth in the CEI report, not 27.

2 Q. Those recommendations are all taken from
3 the UMS report, right?

4 A. That is correct.

5 Q. So the company is accepting 9 out of the
6 12 additional recommendations?

7 A. Yes, they are.

8 Q. There are recommendations mentioned, I
9 believe there are 8 at the top of page 77.

10 A. Of what?

11 Q. Of the CEI Staff Report.

12 A. I'm sorry, is there a question?

13 Q. Yes.

14 A. Okay.

15 Q. There are 8 on page 77, and there are an
16 additional 5 on the top of page 78, correct?

17 A. Yes. That's correct.

18 Q. And in your testimony you're not taking a
19 position on those staff-endorsed UMS recommendations;
20 is that true?

21 A. In my testimony -- my testimony is
22 addressing only the 12 additional recommendations.
23 And that 3 out of the 12 we're objecting to. I don't
24 address the others.

1 EXAMINER BOJKO: So does that mean the
2 company supports the others?

3 THE WITNESS: We don't object to them.

4 EXAMINER BOJKO: You're not saying that
5 there's another witness that would speak to the
6 others, are you? I'm asking you as the witness, not
7 your counsel. Are you suggesting that there would be
8 another FirstEnergy witness that would object to the
9 other --

10 THE WITNESS: No, I am not. I am not
11 suggesting that there's another witness that would
12 support or object. I'm just clarifying my testimony.

13 EXAMINER BOJKO: Okay.

14 Q. (By Mr. Reese) Ms. Lettrich, have you
15 read the entire UMS report?

16 A. I have read parts that were germane to my
17 testimony.

18 Q. So what parts have you read?

19 A. I have read sections of the report.

20 Q. Can you tell me what sections?

21 A. No. I cannot. I've read parts of the
22 report.

23 EXAMINER BOJKO: How did you determine
24 what was pertinent to your testimony?

1 THE WITNESS: I had read the
2 recommendations, for one.

3 EXAMINER BOJKO: So you read the Staff
4 Report recommendations and then you went back to the
5 report to find where they talked about --

6 THE WITNESS: I did not -- I'm sorry. I
7 apologize.

8 EXAMINER BOJKO: I'm just trying to
9 figure out what you're recommending, and I'm trying
10 to figure out what part of this final report you've
11 read or not read. Are you saying you looked at the
12 Staff Report's recommendation, you looked at these 12
13 on pages 78 and 79, and then you went back through
14 the UMS final report to find those subject matters
15 and just read that portion or those portions of the
16 final report?

17 THE WITNESS: I read various portions. I
18 don't want to say that I read it cover to cover
19 because that wouldn't be accurate, and I want to be
20 accurate. I didn't read it cover to cover, but I
21 read portions.

22 EXAMINER BOJKO: How did you determine
23 which portions --

24 EXAMINER PRICE: Did you review the

1 entire document?

2 THE WITNESS: I reviewed.

3 EXAMINER PRICE: But you didn't read it
4 all word for word.

5 THE WITNESS: I did not read it word for
6 word, and I'm trying to be precise in my response.

7 EXAMINER BOJKO: So did you look at the
8 table of contents --

9 THE WITNESS: Yes.

10 EXAMINER BOJKO: -- and go to the section
11 where you thought it was germane?

12 THE WITNESS: Yes. Yes.

13 Q. (By Mr. Reese) Ms. Lettrich, I want to go
14 back to the ESS rules for a minute, please.
15 Specifically right now Rule 10.

16 EXAMINER BOJKO: Are we off the report?
17 Are you done with the report?

18 MR. REESE: Yes, your Honor.

19 Q. Ms. Lettrich, in accordance with ESS Rule
20 10(B)(2) each EDU is required to submit performance
21 targets and supporting justification to the staff; is
22 that correct?

23 A. Yes, that is correct.

24 Q. Isn't it true that CEI has had the same

1 SAIFI targets since 1992 and failed to meet those
2 targets for the years 2003 to 2006?

3 A. I am not aware of exactly when the CEI
4 targets were established, and I know that when I was
5 manager of regulatory reporting, that they did miss
6 their targets in 2004, '5, and '6.

7 Q. Looking at the CEI Staff Report, the
8 bottom of page 75, chart 1 reflects CEI's performance
9 relative to SAIFI from 2000 through 2006. Does that
10 appear to be accurate to you?

11 A. Yes, it does appear to be accurate.

12 Q. And do you see note 1 under the chart,
13 second sentence, "CEI had previously adopted these
14 same targets in Appendix B of a joint agreement filed
15 on October 5th, 1992?

16 A. I do see that.

17 Q. Okay. You're just not sure if they were
18 the same since '92, do you agree with that note,
19 or --

20 A. I agree with the note. I've not seen
21 case No. 92-1747 and it's my nature to verify and so
22 I've not seen that document.

23 Q. Ms. Lettrich, you intimated that CEI
24 failed to meet its CAIDI targets for the last seven

1 years.

2 A. Again, my knowledge goes back to when I
3 became Manager of Regulatory Reporting in 2003, but I
4 do see the graph on page 76 and that would be -- seem
5 to be the case, yes.

6 Q. Isn't it true that CEI didn't meet its
7 interim targets in 2006?

8 A. That is correct.

9 Q. Isn't it true that CEI's SAIFI and CAIDI
10 targets as filed with the staff have not changed for
11 the last seven years?

12 A. I would deduce that from the footnotes
13 here that since it says that it was since 1992 that
14 they've not changed. Am I understanding your
15 question correctly?

16 Q. Yeah, if you know, has CEI met its SAIFI
17 and CAIDI targets --

18 A. I'm sorry, I thought you were asking if
19 they had the same targets.

20 Q. Excuse me, strike. That is what I asked.

21 A. Oh.

22 Q. Let's start over.

23 A. Yeah, could we.

24 Q. Let me go back to my previous question.

1 Isn't it true that the targets haven't changed for
2 the last seven years for both SAIFI and CAIDI?

3 A. It would appear so as noted in the Staff
4 Report.

5 Q. And isn't it true that CEI did not meet
6 its SAIFI and CAIDI targets for the last seven years?

7 A. From the graph on page 75 it looks as
8 though they did meet their SAIFI target in 2000 and
9 2001 and 2002.

10 Q. So it's just CAIDI that the company has
11 missed for the last seven years?

12 A. It appears so from the graph, yes.

13 Q. Okay. Did CEI meet its reliability
14 targets for 2007?

15 A. CEI did not meet its reliability targets
16 in 2007.

17 Q. And that applies to both SAIFI and CAIDI?

18 A. They met their CAIDI interim target but,
19 yes, if you're talking about the targets, not the
20 interim targets, then they missed both SAIFI and
21 CAIDI.

22 Q. Can you tell me what an interim target
23 is?

24 A. It was a target set forth in a Rule 10

1 action plan.

2 EXAMINER PRICE: That Rule 10 action plan
3 was approved by the staff?

4 THE WITNESS: Yes.

5 EXAMINER PRICE: Okay.

6 Q. But you failed to meet the annual target;
7 is that correct?

8 A. If you mean the target that's been in
9 place since -- for the last seven years, yes, they
10 did miss that.

11 MR. REESE: That's all I have.

12 EXAMINER BOJKO: IEU?

13 MR. NEILSEN: No questions, your Honor.

14 MR. BREITSCHWERDT: Schools have no
15 questions, your Honor.

16 MR. K. BOEHM: No questions, your Honor.

17 MR. YURICK: No questions on behalf of
18 the City of Cleveland, your Honor.

19 MR. RINEBOLT: No questions, your Honor.

20 EXAMINER BOJKO: Staff?

21 MR. WRIGHT: We might have a few.

22 Hopefully this won't take too long.

23 - - -

24

CROSS-EXAMINATION

By Mr. Wright:

Q. Good afternoon.

A. Good afternoon.

Q. Let's pick up one of the last areas of questioning from Mr. Reese, dealt with enhanced vegetation control; do you recall that?

A. Yes, I do.

Q. And you indicated one example that might be the need by the company to go outside or to procure additional right-of-way; is that right?

A. That's correct.

Q. And that would be done -- would one reason that would be done to address vegetation problems that might otherwise be outside the right-of-way?

A. That was strictly an example of enhanced vegetation management.

Q. So my question is -- you gave one example.

A. Yes.

Q. And that was -- it was the need to perhaps acquire additional right-of-way, right?

A. That is correct.

1 Q. Okay. And I assume that would be done
2 pursuant to a decision by the company to be able to
3 reach additional vegetation that posed a threat to
4 the company's equipment; is that right?

5 Let me ask it a little differently if
6 that would help you. You indicated that would be
7 part of your enhanced vegetation program. Why would
8 the company acquire additional right-of-way as part
9 of that program?

10 A. Well, they would have to -- they would
11 have to acquire additional right-of-way if that was
12 what was expected. If that was part of an enhanced
13 vegetation management program, they would have to
14 acquire the expanded right-of-way.

15 Q. And the purpose for that would be to be
16 able to reach vegetation that would otherwise be
17 outside the right-of-way to maintain that, correct?

18 A. Yes.

19 Q. Okay. Staying on that same line in your
20 testimony at page 19 you refer to objection 14. This
21 would be question and answer beginning on line 10.
22 What exactly do you understand the staff's
23 recommendations to be in this regard?

24 A. In this particular regard it's removing

1 overhang from healthy trees.

2 Q. Now, you note that that might not be a
3 prudent use of operating resources, correct?

4 A. That's correct.

5 Q. Would your answer be the same if you were
6 dealing with diseased or dead trees?

7 A. No, it would not.

8 Q. That then would be a prudent use of
9 operating resources?

10 A. Yes, if we deemed that the decayed tree
11 in your example poses a risk, yes, we would take care
12 of the overhang.

13 Q. Okay. Miss Lettrich, you're not an
14 attorney, are you?

15 A. I am not.

16 Q. So any testimony relative to
17 interpretations of the Ohio Administrative Code would
18 not be of a legal nature, correct?

19 A. That is correct.

20 Q. Now, I believe you testified today that
21 as a result of staff audits and recommendations, that
22 the company has done a complete review of its
23 inspections and maintenance programs including
24 practices and record-keeping; is that accurate?

1 A. We did a complete assessment of the
2 process associated with execution of the
3 distribution, inspection, and maintenance practices,
4 and that's where I refer to the cradle to grave, you
5 know, from the start of a maintenance plan,
6 development of a maintenance plan, where is the data,
7 how do you obtain the data, how do you put together a
8 maintenance plan, how do you communicate it, how do
9 you track records, reporting internally, reporting
10 externally, there's several steps that we took a
11 close look at.

12 Q. And I believe you referred to that as an
13 evolving process.

14 A. Oh, absolutely.

15 Q. Okay. You're always looking for
16 something better, a better way to do it; is that
17 correct?

18 A. We're committed to continuous
19 improvement.

20 Q. Okay. Let's talk about that for a
21 minute. In your testimony you were asked several
22 questions earlier today about start and end dates for
23 vegetation management. Do you recall that?

24 A. Yes, I do.

1 Q. And I believe you testified, did you not,
2 that using the start and end dates was, in fact, a
3 good thing. Was that your testimony here today?

4 A. Today I said recording the start and end
5 dates I think is a good practice, yes.

6 Q. And I believe as per your testimony that
7 would be to add, quote, additional precision to the
8 process?

9 A. What page are you referencing?

10 Q. I will tell you in one moment.

11 Page 10. I apologize for not having that
12 available. Page 10 of your testimony. It's the
13 answer that would begin at line 5.

14 A. Yes.

15 Q. Yes to my question? Is that responding
16 to my question?

17 A. I'm sorry. I found it.

18 Q. And you state, do you not, there that
19 using the specific start and end dates since 2005
20 would provide additional precision to the process?
21 That's your testimony, is it not?

22 A. That is correct.

23 Q. And would I be correct that you're not
24 arguing that that's a bad thing. Adding precision to

1 the process, that is.

2 A. That's correct.

3 Q. And, again, this would be part of this --
4 presumably part of this continuing cradle to grave
5 look at what you do, the processes you utilize to
6 execute these kinds of programs, correct?

7 A. That's correct.

8 Q. Now, are you doing this currently for all
9 three operating companies?

10 A. Doing it for all operating companies,
11 yes.

12 Q. All right. Now, I believe you testified
13 earlier, and correct me if I'm wrong, that you
14 understood that the staff had not been asking the
15 company, I'm using that generically now, FirstEnergy,
16 to try to go back before 2005 and I believe you
17 indicated that would require piecing together work
18 orders to try to determine start and end dates prior
19 to 2005; is that right?

20 A. That prior to 2005, yes, we would have to
21 piece together a lot of paperwork and data within
22 that paperwork in order to provide the start and end
23 dates.

24 Q. What was the basis for your understanding

1 that the staff was not interested in obtaining that
2 type of information predating 2005?

3 A. I don't believe I said that they weren't
4 interested. It's my understanding that they had
5 requested the information, and I don't know what
6 happened after that, but I understood that we
7 responded that it would be very voluminous in nature
8 and that's the extent --

9 Q. So at that point it just wasn't provided
10 then.

11 A. To my knowledge it was not provided.

12 Q. Okay. That's fine.

13 Let's talk for a moment about four-year
14 trimming cycles. You use an example in your
15 testimony, I believe it's at the bottom of page 8,
16 this is the answer beginning at line 15, and I'm
17 referring really to the last two lines. Do you
18 recall some questioning about that portion of your
19 testimony?

20 A. I do.

21 Q. Now, I want to make sure I understand
22 this because I think I heard a couple of different
23 things today. All right, we have a four-year
24 trimming cycle. Now, as per your testimony here, if

1 a circuit was last maintained in 2002, again this is
2 as per your example here, if a circuit was last
3 maintained in 2002, it's possible, perhaps quite
4 likely that trimming actually began on that circuit
5 in 2001; is that right?

6 A. No, I wouldn't say that. If the last
7 happened -- the start and end date could be anytime
8 within that time frame. I mean, circuits are
9 different distances, if you look at the records, you
10 can see sometimes the circuit's completed within the
11 same month. Sometimes it takes more than one month,
12 and especially in the example that I used earlier, if
13 we go back and we inspect the circuit and we find
14 that it was not done in accord with our
15 specifications, we go back and we have the contractor
16 go back and retrim and we then go back and reinspect
17 and that end date will reflect the date at which we
18 are satisfied that our vegetation specifications have
19 been met.

20 Q. You anticipated a couple of my questions.
21 So a circuit is not complete until all trimming is
22 done on that circuit and the company has inspected
23 and signed off on all the work, is that what --

24 A. That's correct.

1 Q. Okay. Now, back to my original question,
2 understanding circuits are different lengths and
3 understanding that may cause different time required
4 to complete the circuit, completion of the circuit is
5 done when the last portion of work and inspection's
6 done on that circuit; that's what you just testified
7 to, correct?

8 A. That is correct.

9 Q. Okay. So it is entirely possible, is it
10 not, that, in your example here, the trimming may
11 actually have begun in a prior year; that's possible,
12 is it not, in 2001 in this case?

13 A. That is possible, but I would say it's
14 possible because -- not because of what you're
15 describing, but more so because the circuit might
16 have had a need -- a critical need and that's why it
17 was scheduled ahead of time, to address a critical
18 need.

19 Q. I apologize if we're passing in the night
20 here. I'm not talking about the reason for trimming
21 the order of a particular circuit, I'm just saying
22 that in your example it's possible that a circuit
23 having a last maintained year of 2002, and again last
24 maintained would mean when work was completed on that

1 circuit and the company had inspected it, correct?

2 A. (Witness nods head.)

3 Q. That work could actually have begun
4 sooner.

5 A. Oh, I see.

6 Q. That's -- yeah --

7 A. Typically, no. The last maintained year
8 is -- and the next scheduled year, those straight
9 four-year cycles, those years are set. So we would
10 typically, if it had a last maintained year of 2002,
11 it's more than likely we would have started in 2002
12 on that circuit unless the circuit had a critical
13 need and it necessitated trimming prior to its next
14 scheduled date.

15 EXAMINER BOJKO: Why don't you base your
16 hypothetical on the cycle date being 2002, not 2001.
17 I think that's where the confusion is.

18 MR. WRIGHT: I'm sorry, your Honor, I
19 wasn't basing my hypothetical with a cycle date of
20 2001.

21 EXAMINER BOJKO: Let me try. If it is
22 due to be maintained in 2002, you start work in 2002,
23 but say it takes a year to go through your process
24 and you don't get that done, say you started in

1 November of 2002, you don't get that done until
2 January of 2003.

3 THE WITNESS: Okay.

4 EXAMINER BOJKO: So isn't your last
5 maintained date the 2003 date, is that the end date?

6 THE WITNESS: No. The last maintained
7 year is still going to be 2002, the end date. The
8 end date would be reflective that it's January --

9 EXAMINER BOJKO: So the end date is not
10 the same as the last maintained and that's where the
11 confusion -- I thought they were the same as I think
12 Mr. Wright thought they were the same.

13 MR. WRIGHT: I did.

14 THE WITNESS: No. There are really two
15 sets of dates and I'm sorry if I didn't make that
16 understandable.

17 MR. WRIGHT: We've clarified that, that's
18 helpful. Thank you, your Honor, for that question.

19 Q. (By Mr. Wright) The company takes issue
20 with the staff's recommendation for cycles going back
21 eight years; is that correct? More than one cycle,
22 in other words.

23 A. Are you referring to records --

24 Q. Yes.

1 A. -- retention?

2 Q. Yes, I'm sorry, records.

3 A. So we object to maintaining more than the
4 four-year cycle of records.

5 Q. Okay. Are you aware of whether or not
6 other electric distribution utilities in the state of
7 Ohio have records going back multiple cycles?

8 A. I am not.

9 Q. You never talk shop with any of the other
10 utilities on things like that?

11 A. I have not.

12 Q. Okay. On page 5 of your testimony, lines
13 16 and 17, the answer begins on line 16.

14 A. I'm sorry, I was coughing.

15 Q. Page 5 --

16 A. Yes.

17 Q. -- of your testimony, the answer
18 beginning at line 16.

19 A. Yes.

20 Q. Is your disagreement with the staff that
21 the staff is asking that more work be done, or are we
22 getting hung up on lingo here, and more specifically
23 the staff's use of the term "quality control" or
24 "QC"? I understand the term had not I believe been

1 previously used; is that right?

2 A. That it's previously been used. That the
3 QC has been --

4 Q. Yes.

5 A. I believe that what we're objecting to is
6 "additional QC" can be interpreted in many different
7 ways and if you use a broad interpretation, it could
8 be quite costly, and we would question the benefits.

9 Q. Have you -- has the company had any
10 discussions with the staff to ascertain exactly what
11 they intended by that other than what appears in the
12 Staff Report?

13 A. I'm not familiar with any, and that is
14 disturbing because we do talk frequently with the
15 Commission staff, and as I had mentioned earlier,
16 there are several audits, several opportunities, and
17 I am not personally aware of a discussion on this
18 matter.

19 MR. WRIGHT: Give me just, if I could,
20 your Honor, just a moment.

21 Q. Let's turn to page 14 of your testimony,
22 and specifically the question and answer beginning on
23 line 9, two-pole conditions.

24 A. Yes.

1 Q. Why do we have two-pole conditions?

2 A. Why do we have two-pole conditions?

3 Q. Yes.

4 A. It's a situation when a new pole is
5 installed next to an existing pole or nearby an
6 existing pole and there's equipment that is on the
7 new -- or, excuse me, on the old pole that needs to
8 be removed and there's an ownership issue, depends if
9 it's CEI or Toledo Edison and Ohio Edison, but
10 there's an issue of removal of that equipment by the
11 utility that owns the equipment.

12 Q. I apologize, I didn't ask that very
13 artfully. Why would we have the need for
14 construction or erection of a new pole was really my
15 question.

16 A. Oh.

17 Q. And your answer to that would be what?

18 A. Could be new business, you know, new
19 customers. It could be a new circuit installation.

20 Q. Condition of the pole itself?

21 A. I believe that we would replace the pole
22 and that it wouldn't be from that type of situation.
23 It wouldn't be because it's a deteriorating or
24 decaying pole.

1 Q. Well, if you found that situation and you
2 replaced the pole, I'm just trying to understand
3 here, would you erect a new pole there, and what
4 would happen to the old pole? Would it be removed at
5 that point?

6 A. It would be removed if we owned it, and
7 if all of the equipment that was installed on the old
8 pole had been removed by the respective owners.

9 Q. Would you agree with me that in a
10 situation where you have a pole that -- a utility
11 pole that has fallen into disrepair, decay, whatever
12 term you might want to use, that that could pose a
13 dangerous situation?

14 A. It could potentially.

15 Q. And how would that be? How would it pose
16 a dangerous situation?

17 A. If it's a decaying pole, it could fall
18 down.

19 Q. Could it harm your equipment as well
20 potentially?

21 A. Potentially.

22 Q. Okay. And I believe when you said
23 falling down, you were concerned there with danger to
24 people?

1 A. Potentially.

2 Q. People or property, I guess I would say.
3 Would that be accurate?

4 A. People or property, yes.

5 Q. What exactly do you understand the
6 staff's recommendation to be here?

7 A. I understand the staff recommendation is
8 regardless of who owns the equipment, that -- or the
9 pole, that the companies ought to take action and
10 remove all of the equipment and all of the poles in a
11 two-pole condition.

12 Q. Is the basis for your understanding
13 simply what you read in the Staff Report?

14 A. It's what I read in the Staff Report and
15 what I understand of the situation, yes.

16 Q. What other basis for understanding that
17 to be the case do you have other than the Staff
18 Report?

19 A. We have a Manager of Joint Use that I
20 spoke with.

21 Q. So you would have no direct knowledge
22 other than what you read in the Staff Report, your
23 own knowledge.

24 A. That's correct.

1 Q. Is the company opposed to trying to
2 implement efforts to -- when I say "company," I'm
3 referring generically, I'm talking about all the
4 operating companies. Is FirstEnergy opposed to
5 initiating efforts to try to identify, get a better
6 idea of how many of these so-called two-pole
7 situations we have out there?

8 A. Oh, absolutely not. We have no problem
9 with that. In fact, we have -- on our circuit
10 inspections sheet is there a two-pole condition here.
11 That's part -- we've made that a part of our circuit
12 inspections.

13 Q. Was that always on that form?

14 A. I don't know how long that's been on that
15 form, but it's -- you know, it's something that we
16 have on the form and we point out that it's --

17 Q. Do you know whether or not that's been
18 added just since the Staff Report filing in this
19 case?

20 A. Oh, no, it's not.

21 Q. It predated that?

22 A. Oh, absolutely. Absolutely.

23 Q. To the extent FirstEnergy identifies
24 these types of situations, does it have a process in

1 place for then trying to deal with other parties that
2 might have equipment on the pole?

3 A. As I understand it, it's in accord with
4 the agreement that we have. So if we have a
5 joint-use agreement, then we follow the steps that
6 are laid out in the joint-use agreement.

7 Q. And in the absence of a joint-use
8 agreement FirstEnergy would not act at all, is that
9 what you're saying?

10 A. I'm not aware of where we don't have a
11 joint-use agreement. When there are other utilities
12 that have equipment on a pole or where we have joint
13 ownership, I believe there's a joint-use agreement.
14 Maybe I'm not using the right terminology, but that's
15 my understanding.

16 Q. Well, your testimony indicates, does it
17 not, that you don't always have joint ownership
18 arrangements for these poles?

19 A. No, joint -- what I'm talking about is
20 joint use. CEI has a joint ownership. There's a
21 difference. There's joint ownership and there's
22 joint use. Joint ownership is when there's joint
23 ownership of the actual pole, that asset. Joint use
24 is when more than one utility is using the pole for

1 their attachments.

2 Q. If FirstEnergy identified -- and I
3 understand the difference, maybe I misheard you, I
4 thought you mixed the two together in a response, but
5 if FirstEnergy determines there is a situation, let's
6 go back to a decaying utility pole, for example, that
7 the companies and other utilities' equipment is on,
8 under -- what would FirstEnergy do about that as it
9 would relate to these other utilities? And let's
10 assume FirstEnergy does not jointly own the pole.
11 Would FirstEnergy do anything?

12 A. Well, of course, FirstEnergy would do
13 something.

14 Q. What would they do?

15 A. They would follow the joint-use
16 agreement, but if there's an issue and it's a danger
17 issue, we'd take care of it.

18 Q. Irrespective of ownership of the pole.

19 A. I would say if it's a danger situation,
20 we would take care of it.

21 Q. Okay. That's fine. So, again, as I
22 understand it, your objection to any recommendation
23 by the staff is that -- what is your objection again?
24 I apologize.