

1 BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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3 In the Matter of the :

Application of Ohio Edison:

4 Company, The Cleveland :

Electric Illuminating :

5 Company, and The Toledo :

Edison Company for :

6 Approval of a Market Rate : Case No. 08-936-EL-SSO

Offer to Conduct a :

7 Competitive Bidding :

Process for Standard :

8 Service Offer Electric :

Generation Supply, :

9 Accounting Modifications :

Associated with :

10 Reconciliation Mechanism :

and Tariffs for Generation:

11 Service. :

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PROCEEDINGS

13

14 before Ms. Christine Pirik and Mr. Gregory Price,

15 Attorney Examiners, at the Public Utilities

16 Commission of Ohio, 180 East Broad Street, Room 11-C,

17 Columbus, Ohio, called at 10:30 a.m. on Monday,

18 September 22, 2008.

19 VOLUME V

20 - - -

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1 INDEX

2 - - -

3 WITNESS PAGE

4	William R. Ridmann	
	Direct Examination by Mr. Burk	8
5	Cross-Examination by Mr. Lavanga	10
	Cross-Examination by Mr. Kurtz	30
6	Cross-Examination by Mr. Petricoff	46
	Cross-Examination by Ms. Royer	53
7	Cross-Examination by Mr. Porter	60
	Cross-Examination by Mr. Small	70

8
- - -

9

10 INDEX

11 - - -

12 COMPANY EXHIBITS IDFD ADMTD

13	9 Rebuttal Testimony of	
	William R. Ridmann	8 76

14
- - -

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1 Monday Morning Session,

2 September 22, 2008.

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

5 Good morning. This is our fifth day of hearing in

6 Case No. 08-936-EL-SSO.

7 Before we take our first witness this

8 morning do we have any preliminary matters?

9 Hearing none, Mr. Burk.

10 MR. BURK: Thank you, your Honor. At

11 this time the company would call Mr. William R.

12 Ridmann to the stand.

13 (Witness sworn.)

14 EXAMINER PRICE: Please be seated and

15 state your name and address for the record.

16 THE WITNESS: My name is William R.

17 Ridmann. My address is 76 Main Street -- South Main

18 Street, Akron, Ohio.

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1 WILLIAM R. RIDMANN

2 being first duly sworn, as prescribed by law, was

3 examined and testified as follows:

4 DIRECT EXAMINATION

5 By Mr. Burk:

6 Q. And, Mr. Ridmann, by whom are you

7 employed?

8 A. I'm employed by FirstEnergy.

9 Q. And have you filed testimony -- rebuttal

10 testimony in this case?

11 A. Yes, I have.

12 MR. BURK: At this time, your Honor, I

13 would request that Mr. Ridmann's rebuttal testimony

14 be marked as Company's Exhibit 9.

15 EXAMINER PRICE: It will be so marked.

16 (EXHIBIT MARKED FOR IDENTIFICATION.)

17 Q. Mr. Ridmann, I will hand you now what has

18 been marked as Company Exhibit 9. Could you identify

19 this briefly.

20 A. Yes. That's my written rebuttal

21 testimony.

22 Q. And do you have any corrections or

23 modifications that you need to make with that

24 rebuttal testimony?

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1 A. Yes, I do.

2 Q. Would you please identify and describe
3 those changes for the record.

4 A. Turning to page 9, lines 8 and 9,
5 eliminate the sentence "The costs associated with the
6 CBP are expected to be in the range of 300" --
7 "\$300,000 to \$450,000 as discussed by Companies'
8 Witness Dr. Reitzes."

9 Q. Do you have any further changes or
10 modifications to your rebuttal testimony?

11 A. One additional change, page 11, line 14,
12 should be a period at the end of "costs" at the end
13 of that line.

14 Q. And with that do you have any further
15 changes?

16 A. No, I do not.

17 MS. McALISTER: Your Honor, we didn't
18 hear the last change.

19 EXAMINER PRICE: Could you repeat the

20 change, please.

21 THE WITNESS: The last change is on page

22 11, line 14, there is a period at the end of the line

23 after the word "cost."

24 MS. McALISTER: Thank you.

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1 MR. ROYER: Remember, you are under oath.

2 Q. And I would ask Mr. Ridmann to please
3 remember to speak directly into the microphone.

4 A. Okay.

5 Q. And with those changes if I were to ask
6 you the same questions as they are set forth in your
7 rebuttal testimony, would all of your responses be
8 the same?

9 A. Yes, they would.

10 MR. BURK: At this time, your Honor, I
11 tender Mr. Ridmann for cross-examination.

12 EXAMINER PRICE: Thank you. Mr. Yurick?

13 MR. YURICK: No questions at this point.

14 Thank you.

15 EXAMINER PRICE: Mr. Lavanga.

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17 CROSS-EXAMINATION

18 By Mr. Lavanga:

19 Q. Good morning, Mr. Ridmann.

20 A. Good morning.

21 Q. My name is Mike Lavanga. I am an

22 attorney for Nucor Steel Marion. Mr. Ridmann, the

23 CBP product in this MRO proceeding is an hourly load

24 following, full requirements tranche of SSO load for

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1 the aggregate system load of the companies, correct?

2 A. It's a full requirements CBP that is

3 basically bid on on an energy only basis.

4 Q. An hourly load following, full

5 requirements means that the supplier will supply

6 energy and capacity, ancillary services, transmission

7 services, and MISO resource adequacy requirements; is

8 that correct?

9 MR. BURK: Your Honor, I guess I am going

10 to object. I think this is beyond the scope. I know

11 it's probably preliminary questions, but it's beyond

12 the scope of Mr. Ridmann's rebuttal testimony. We

13 took some pains to limit it to very narrow areas, and

14 testimony about the makeup or the CBP process itself

15 really is not part of it.

16 EXAMINER PRICE: Mr. Lavanga.

17 MR. LAVANGA: Your Honor, this is my

18 second question. These are just preliminary

19 questions to lay out Mr. Ridmann's opinions on the --

20 the MRO and why it's different for -- why he has
21 seasonal factors included in this rate design and if
22 it's possible to include other factors.

23 EXAMINER PRICE: Overruled.

24 THE WITNESS: Could you repeat the

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1 question, please.

2 (Record read.)

3 A. I am merely here to testify how to take
4 the results of CBP and apply it to retail rates.

5 EXAMINER PRICE: I'm sorry. That was not
6 responsive. If you could please respond to the
7 question, I would appreciate it.

8 A. Basically the CBP is a full requirements,
9 includes energy, capacity, transmission, ancillary
10 services.

11 Q. Okay. Now, in formulating its bid a
12 supplier has to factor in the cost of generation and
13 transmission capacity, the cost of on-peak power,
14 cost of off-peak power into its price, and since it
15 has to supply the capacity, it has to supply both on-
16 and off-peak power even if he does combine it into a
17 single price; is that correct?

18 A. I don't know what a marketer or what a
19 supplier would provide as part of the CBP. The CBP

20 includes all the items. What a particular bidder

21 puts into it, how it's derived, I have no idea.

22 Q. So you don't know how a supplier would

23 possibly formulate its bid?

24 A. I would think each supplier would

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1 formulate it differently.

2 Q. Okay. Mr. Ridmann, if the load is being
3 served -- I'm sorry. If the load being served is
4 more off-peak -- or more on-peak than off-peak,
5 wouldn't it be reasonable to expect the price would
6 reflect this difference?

7 A. It's not reasonable under the companies'
8 proposal that a retail rate should reflect that
9 difference because the CBP basically looks at an
10 energy only rate differentiated by seasonality and
11 voltage.

12 Q. Mr. Ridmann, I didn't ask about the rate.
13 I asked about the price, the bid that a supplier
14 would make. The question was if the load being
15 served is served at more -- is more of an on-peak
16 load than an off-peak, wouldn't it be reasonable for
17 the price to reflect this difference?

18 MR. BURK: I will now renew my objection.
19 He has now asked what happens to get to the wholesale

20 price as part of the competitive bid process and
21 that's beyond the scope of Mr. Ridmann's rebuttal
22 testimony.

23 EXAMINER PRICE: Mr. Lavanga.

24 MR. LAVANGA: Your Honor, Mr. Ridmann

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1 testifies that it's fine to incorporate seasonal
2 pricing into the rates, but it's impossible to
3 incorporate time of day pricing or any other kind of
4 pricing mechanism.

5 MR. BURK: Yeah, he is talking about what
6 to do in the retail rates, not what happened at the
7 wholesale level.

8 MR. LAVANGA: No. The question is
9 referring to the price that you would -- that a
10 supplier would be expected to bid.

11 MR. BURK: Exactly.

12 EXAMINER PRICE: Mr. Burk, his testimony
13 addresses why the company has only proposed seasonal
14 and cost-based differences. I don't think there is
15 any reason to preclude him from cross-examining the
16 underlying decision as to why they did that. He
17 testified as to the -- that's what they are doing.
18 He is simply inquiring as to why that is so
19 overruled.

20 A. Well, the question is -- repeat the

21 question, please.

22 Q. If the load being served has a high load

23 factor, you would expect that the price would be

24 different than if the load is being served at a lower

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1 load factor; is that correct?

2 A. Again, the pricing that we are getting
3 from the marketers doesn't reflect -- reflects the
4 overall profiles of the companies and doesn't get
5 into specific high load factor/low load factor rates.

6 Q. But wouldn't the overall load factor of
7 the companies' system load -- I mean, isn't that
8 going to include high load factor and low load factor
9 components?

10 A. I presume it includes that as part of the
11 overall profile of the companies.

12 Q. So if you have a load that's more on-peak
13 than off-peak, wouldn't you expect that to be
14 reflected in the price?

15 A. I think we've switched here. You were
16 talking about low load factor versus high load
17 factor, and now, you have switched to on-peak versus
18 off-peak in your line of questioning.

19 Q. Load factor.

20 A. Okay. For load factor I think the
21 individual load factors at the aggregate level are
22 included in the profile that the marketers will bid
23 on. How the marketers bid on that profile, what
24 things they put in, what things they don't put in, I

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1 don't know.

2 Q. Mr. Ridmann, the initial CBD -- I'm
3 sorry, CBP solicitation there will be three products
4 corresponding to three different supply periods, 17
5 months, 29 months, and 41 months; is that correct?

6 A. That's correct. That's what I
7 understand.

8 Q. Okay. And the CBP will result in three
9 different clearing prices, one for each of the supply
10 periods.

11 A. I believe each product will have a price
12 associated with it.

13 Q. And under the proposed master SSO supply
14 agreement the payments from the companies to the
15 suppliers will be calculated by multiplying the
16 clearing price by seasonal factors; is that correct?

17 A. That's correct. There are seasonal
18 factors built into it.

19 Q. And the reason why the clearing price is

- 20 multiplied by seasonal factors is to more closely
- 21 match the SSO payment to their seasonal costs and
- 22 more closely align the companies' revenues and
- 23 expenses; is that correct?
- 24 A. It's to reflect the payment schedules

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1 basically the company would be making to the
2 suppliers.

3 Q. But doesn't it also reflect the
4 differences in the suppliers' costs in the summer and
5 winter periods?

6 A. I think to the extent there are different
7 prices between -- on a seasonal basis it reflects
8 that.

9 Q. And these seasonal factors will be known
10 to the bidders at the time of the solicitations; is
11 that correct?

12 A. Well, since the seasonal factors are
13 built into this case, I presume they know it. And I
14 presume they will know if they are modified.

15 Q. Now, moving from the procurement of the
16 MRO product to the design of the retail rates, the
17 companies will blend each clearing price for a
18 particular product to develop a blended CBP price; is
19 that correct?

20 THE WITNESS: Would you repeat that.

21 (Record read.)

22 A. They will combine the providing of the
23 products to develop an overall energy rate.

24 Q. And this blended price will be multiplied

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1 by a seasonal factor to come up with different rates

2 for its summer and winter, correct?

3 A. That's correct.

4 Q. Okay. Would you agree that it generally

5 costs more to supply power in the summer than in the

6 winter?

7 A. Based on the seasonality factors we built

8 in, that's correct as a general proposition.

9 Q. Okay. And would you agree that the

10 seasonal differentiation in the rate matches the

11 difference in the seasonal costs to the supplier, in

12 other words, the rates are higher in the summer when

13 the suppliers' costs are higher, and the rates are

14 lower in the winter when the suppliers' costs are

15 lower?

16 A. If you are talking about the market --

17 wholesale market rate, I believe the -- there is

18 seasonality in those rates.

19 Q. Okay. And would you agree that having

- 20 seasonal pricing, the rates will send more
- 21 appropriate price signals to customers and will
- 22 encourage customers to reduce usage during summer
- 23 months when the prices are higher?
- 24 A. I don't know that.

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1 Q. Do you have a copy of the application
2 with you?

3 A. Yes, I do.

4 Q. Could you turn to page 6.

5 A. Yes.

6 Q. Paragraph 10. Can you read that, please.

7 A. "Conservation components are also
8 included in the companies' proposal. Seasonal
9 pricing will apply to all residential and general
10 service tariffs and will set more appropriate cost
11 signals to customers thereby encouraging customers to
12 reduce usage currently during higher priced summer
13 periods."

14 Q. Thank you. Mr. Ridmann, would you agree
15 that it generally costs more to purchase power in
16 on-peak periods than in off-peak periods in the
17 wholesale market?

18 A. In the wholesale market I would say it's
19 generally higher on-peak than off-peak.

20 Q. And wouldn't it be reasonable to expect
21 that the supplier would reflect these time of day
22 differences based on the expected characteristics in
23 the loads even if the bidded price is a single price?

24 A. Again, I don't know what the marketers or

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1 what the suppliers would base their bid on.

2 Q. Okay. If you can have a seasonally
3 adjusted rate that reflects the cost of differentials
4 for suppliers, why can't you do the same thing by
5 establishing on-peak/off-peak rates that reflect a
6 higher cost to suppliers and the lower cost -- the
7 higher on-peak costs to suppliers and the lower
8 off-peak costs?

9 A. That's really not what our proposal is --
10 I am taking our companies' proposal and developing
11 retail rates.

12 Q. I understand it's not your proposal,
13 Mr. Ridmann. I am asking why can't it be designed
14 that way.

15 A. I don't know.

16 EXAMINER PRICE: Mr. Ridmann, are you
17 saying you don't know of any reason they cannot be
18 designed that way?

19 THE WITNESS: I don't know why it could

20 or why it couldn't. It seems like it would
21 complicate basically how you would evaluate bids and
22 that type of thing. Basically it's beyond my area of
23 expertise to determine how you would take various
24 bids based on different criteria and develop an

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1 overall winning bid of the various products we offer.

2 I don't know what criteria you would use basically.

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

4 I said are you saying you don't know of any reason

5 they could not be designed that way?

6 THE WITNESS: I don't know of any reason

7 why they couldn't be designed that way, but I don't

8 know how you evaluate that.

9 EXAMINER PRICE: That's all I need.

10 Thank you.

11 Q. (By Mr. Lavanga) Mr. Ridmann, couldn't

12 you do the same thing you are proposing to do with

13 seasonal rates, apply an on-peak or off-peak factor

14 to calculate payments to the suppliers and then apply

15 a time of day application factor to develop on-peak

16 and off-peak rates?

17 MR. BURK: I object, your Honor. If he

18 is asking him about how to define the CBP process,

19 that's beyond the scope of Mr. Ridmann's testimony.

20 He is not here to testify about the design of the CBP

21 process.

22 EXAMINER PRICE: Could I have the

23 question read back, please.

24 We will ask Mr. Lavanga to rephrase the

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1 question.

2 Q. Well, the question was why couldn't you
3 do the same thing you are proposing to do with the
4 seasonal rates, apply a factor to the price you paid
5 to the supplier and then apply the same factor --
6 time of day factor to the retail -- or to the price
7 to develop the rate for retail customers?

8 MR. BURK: Yeah, I renew my objection.
9 He has asked him to design a wholesale product and
10 that's clearly beyond the scope of his testimony on
11 rebuttal.

12 EXAMINER PRICE: Mr. Lavanga?

13 MR. LAVANGA: This to me seems right in
14 line with what Mr. Ridmann is testifying on. He is
15 here to support the rate design, why you can have
16 seasonal factors, but you can't design the rates to
17 include time of day factors or any other kinds of
18 differentiation in the rates.

19 MR. BURK: That mischaracterizes

20 Mr. Ridmann's testimony. He gives no testimony in
21 his rebuttal talking about how to design the
22 wholesale product. He is talking about the
23 difficulty of designing the retail rates based on the
24 wholesale product proposed by the companies.

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1 EXAMINER PRICE: The problem is,
2 Mr. Burk, page 4, line 9, he says "difference" -- he
3 says that the -- actually prior to line 9, go back to
4 line 7 "Inclusion in retail rates of cost components
5 other than the seasonal and voltage based cost
6 differences proposed by the companies would be
7 arbitrary in that it cannot be designed to match the
8 costs incurred by the companies." He's introduced
9 the factor here "costs incurred by the companies"
10 exploring why it cannot be done. Your objection is
11 overruled.

12 You can answer the question.

13 THE WITNESS: Could you repeat the
14 question after all the dialogue.

15 (Record read.)

16 A. I don't know why you couldn't or why you
17 could basically. As I said before, I think you get
18 into severe complications about basically awarding
19 bids based on numerous factors.

20 Q. Why don't you run into the same problems

21 with your seasonal proposal?

22 A. You know, I didn't design basically the

23 CBP rate or the proposal.

24 Q. Mr. Ridmann, would you agree that

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1 on-peak/off-peak rates would send more appropriate
2 price signals to customers and would encourage
3 customers to reduce usage during on-peak periods when
4 prices are higher?

5 A. Not based on the costs the customers
6 would incur through the CBP proposal.

7 Q. Well, I am not asking under the CBP
8 proposal because on-peak/off-peak rates aren't
9 included in the CBP proposal. What I am asking if
10 they were included, wouldn't you agree such rates
11 would send more appropriate price signals to
12 customers?

13 A. I guess where I have a disconnect is
14 basically our proposal isn't based on that and if --
15 as I stated before, I don't know if a CBP could be
16 developed with time of day built into it or not
17 adequately.

18 MR. LAVANGA: Your Honor, could you
19 direct the witness to answer that question.

20 EXAMINER PRICE: Could I have the answer

21 back.

22 (Record read.)

23 EXAMINER PRICE: I think that's the

24 answer we are going to get from him.

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1 Q. Mr. Ridmann, if FirstEnergy set up its
2 auction for separate on-peak and off-peak products,
3 could it then set an on-peak and off-peak price in
4 rates?

5 A. Again, I don't -- I don't know based on
6 what the bids would come -- what -- based on what the
7 marketers would bid, how you would set the winning
8 bidder price.

9 Q. If the Commission decides that time of
10 day rates must be included in the MRO, is it your
11 opinion that the Commission would have to reject your
12 proposed auction and require that you would acquire
13 time of day wholesale products in order to establish
14 such rates or would another reasonable alternative be
15 that you simply provide the time of day rates and
16 reconcile them through the CRT?

17 A. Well, I think it would be inappropriate
18 to develop the time of day rates on a retail basis,
19 have the companies' proposed CBP process in place.

20 Because of the large swings you would get in the CRT

21 I think that would be very inappropriate.

22 Q. But it would be possible to design the

23 rates and simply recover the differentials in the

24 costs through the CRT.

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1 A. I don't know because what happens is you
2 develop basically potentially large swings in the
3 CRT, and depending on what customers are shopping
4 versus not shopping, I am not sure you would recover
5 all the costs.

6 Q. Even if there were fluctuations in the
7 reconciliation costs, I mean big fluctuations,
8 couldn't the CRT be designed to smooth out the
9 fluctuations for cost of recovery purposes?

10 A. Could it be smoothed out? What do you
11 mean by that exactly?

12 Q. Well, couldn't you design it to recover
13 the reconciliation costs over a longer period of
14 time, like maybe a year like some fuel clauses are
15 designed?

16 A. You know, basically that puts more
17 pressure on the companies' financials to do that and
18 particularly if the -- if the difference between the
19 revenue and the costs are such that the revenues are

20 not adequate to recover the costs, the company would
21 have to bare those financials, and I don't think
22 under state -- under -- as I read at least 221, we
23 have an obligation, or we have a right to recover our
24 generation costs in a timely manner so spreading it

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1 out would not provide for that recovery in a timely
2 manner.

3 Q. Spreading it out over a year wouldn't?

4 A. No. I don't think that's timely. That's
5 why the company has recommended the quarter.

6 Q. Mr. Ridmann, are you familiar with the
7 FirstEnergy's 2007 competitive bidding proposal in
8 case 07-796?

9 A. I am aware the company made one.

10 Q. Do you know whether the 2007 CBP proposal
11 was designed so suppliers would bid on full
12 requirements tranches in -- as in this proposal?

13 A. I am not that familiar with that
14 offering. I was -- at the time that was done I was
15 fully engaged in the companies' distribution rate
16 case.

17 Q. Mr. Ridmann, on page 5 of your testimony,
18 you refer to the risk of customers shopping. Would
19 you agree that customers who shop are likely to find

- 20 time of day rates, interruptible rates, and rates
- 21 designed for their load characteristics out in the
- 22 market somewhere?
- 23 A. I would think there would be marketers
- 24 who would offer various products, and those products

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1 could be one of the products they would offer.

2 Q. On page 5 you claim the customers might
3 engage in shopping based on rate design. You suggest
4 low load factor customers might shop if the class
5 incorporated demand charges. But isn't the opposite
6 also possible, if higher load factor customers or
7 customers who use more off-peak or can be
8 interruptible can get cheaper power in the market
9 because of the lack of differentiation in the MRO
10 rates, wouldn't those customers be driven to shop?

11 A. I think you are confusing two concepts
12 there. One is a load factor concept, and one is an
13 on-peak/off-peak. It's really hard to answer on that
14 basis. You would have to separate it.

15 Q. I'm sorry, Mr. Ridmann. Let's take just
16 one. If high load factor customers can get a cheaper
17 product in the market because there isn't a rate in
18 the MRO rates that reflect the differentiation based
19 on load factor, wouldn't those customers be driven to

20 shop?

21 A. I presume if a customer could find a

22 lower rate from a marketer, that would be one item

23 that would lend them to shop.

24 Q. And if a customer can be interruptible

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1 but there is no interruptible rate in the MRO,

2 wouldn't that customer be driven to shop?

3 A. I would think if they could find that

4 product in the marketplace, they would shop.

5 Q. Wouldn't this also be a case of shopping

6 being influenced by rate design rather than cost?

7 A. No. I think it's being driven by

8 basically what's being offered in the marketplace.

9 Q. Well, isn't it being driven by what's

10 being offered by the company in its MRO because it

11 doesn't have these rates?

12 A. I think the difference is it's not being

13 driven by an artificial rate design at the retail

14 level. It's being driven basically by what's being

15 offered in the marketplace.

16 Q. Why?

17 A. My point is that you can't -- you can't

18 artificially have a retail rate design based on the

19 companies' CBP that drives people to -- where you

20 have a disconnect basically between the retail rate

21 design and CBP price.

22 Q. Why is it artificial to have time of day

23 rates, but it's not artificial to have seasonal

24 rates?

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1 A. Because the CBP's proposal that the
2 companies have has a seasonality factor.

3 Q. So what you are saying is the reason --
4 the reason is that that's the way the company
5 designed it, they designed it with seasonality
6 factors, but they didn't design it with time of day
7 factors so that's why -- that's the difference?

8 A. Given the CBP proposal the company has,
9 basically doing any other alternative rate design
10 which doesn't reflect the cost structure of that CBP
11 results in arbitrary rate design.

12 MR. LAVANGA: That's all I have. Thank
13 you, Mr. Ridmann.

14 EXAMINER PRICE: Mr. Kurtz.

15 MR. KURTZ: Thank you, your Honor.

16 - - -

17 CROSS-EXAMINATION

18 By Mr. Kurtz:

19 Q. Good morning, Mr. Ridmann.

20 A. Good morning.

21 Q. A little bit of background just to get on

22 the same page, as I understand your last question and

23 answer, one of the basic premises of your testimony

24 is that because the wholesale procurement auction is

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1 on a straight kilowatt hour basis, any -- any retail
2 rate design other than a straight kWh basis, in other
3 words, time of day, would be arbitrary?

4 A. Yes, that's correct. I believe the
5 retail rate design has to match basically what is
6 coming out of the CBP process.

7 Q. If the Commission ordered a competitive
8 bid process that reflected on-peak and off-peak
9 pricing, wouldn't it be arbitrary to have anything in
10 the retail rates other than what came out of the
11 wholesale bids, straight on-peak and off-peak
12 pricing, in other words, the same symmetry?

13 A. Once again, that's not the companies'
14 proposal and I believe that the retail rates have to
15 reflect basically what the pricing is coming out of
16 the CBP process.

17 Q. Okay. What I asked you though was if the
18 wholesale pricing was done on an on-peak/off-peak
19 basis and you flowed that straight through to retail

20 rates on-peak/off-peak, wouldn't that be

21 nonarbitrary? Wouldn't that be the only nonarbitrary

22 way to do it?

23 A. If there was a way to design the CBP

24 process with those guidelines and it was developed,

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1 you would have the opportunity to design different
2 retail rates possibly.

3 Q. Are you familiar with the testimony of
4 Witnesses Jones and Graves in the ESP case where they
5 developed or were part of the ESP/MRO comparison what
6 they determined the MRO pricing would be?

7 MR. BURK: I'm sorry, your Honor. Is he
8 familiar with their testimony?

9 MR. KURTZ: Yes.

10 EXAMINER PRICE: I believe that's his
11 question.

12 A. I am generally familiar with. I have
13 read their testimony when we filed it.

14 Q. Okay. Are you -- where in the -- are you
15 in charge of the regulatory functions of the three
16 operating companies?

17 A. No. Mr. Blank is.

18 Q. Okay. So you work for Mr. Blank, report
19 to Mr. Blank?

20 A. Yes.

21 Q. Okay. Now, in developing the wholesale

22 bids, do you recall that both Mr. Graves and

23 Mr. Jones, company witnesses, testified that the

24 supplier would start off with the on-peak pricing and

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1 off-peak pricing and then shape that into a straight

2 kilowatt hour charge?

3 MR. BURK: I object, your Honor.

4 EXAMINER PRICE: Grounds?

5 MR. BURK: He is now cross-examining

6 Mr. Ridmann on Mr. Graves and/or Mr. Jones' prefiled

7 testimony in a separate proceeding.

8 MR. KURTZ: I will withdraw it and start

9 again.

10 Q. Are you familiar how pricing is set up on

11 the wholesale markets in terms of there is a separate

12 on-peak pricing product and separate off-peak pricing

13 product?

14 A. Well, I am aware that there is different

15 pricing based on different LNP rates that are done on

16 an hourly basis. I am not sure it necessarily goes

17 to specifically on-peak/off-peak.

18 Q. Oh, you are not aware -- aren't you aware

19 LNP is, in fact, on-peak and off-peak?

20 A. There are LNPs that are calculated on an
21 hourly basis.

22 Q. On-peak and off-peak, when we go to the
23 MISO website, for example, look at the FirstEnergy
24 hub, we can get the on-peak pricing, the 5 by 16

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1 strips Monday through Friday, 16 hours, 80 hours a
2 week, and then the 86 or 88 hours off-peak, we can
3 get separate numbers for each of those products,
4 don't we?

5 A. You can get on-peak and off-peak rates
6 base -- off the MISO website.

7 Q. And that is the standard product in the
8 wholesale markets period, isn't it?

9 A. I don't know that.

10 Q. Okay. Well, if it were and if the
11 auction request was for instead of give me -- instead
12 of giving me a blended on-peak and off-peak 1
13 kilowatt hour price, give me two products, on-peak
14 and off-peak, if the auction was designed that way,
15 then you could simply flow that through into the
16 retail rates in on-peak and off-peak, couldn't you?
17 A. If -- if some type of mechanism could be
18 set up to do that, I presume that could be done, but
19 I am not sure it could be done --

20 Q. Let me --

21 A. -- basically at the wholesale level, do

22 that under a CBP approach.

23 Q. You also testified that you think it

24 would be inappropriate to adopt the OCC witness's

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1 proposal to put a demand charge in the rate for
2 nonshoppers?

3 A. Yes.

4 Q. Now, are you aware that MISO has a
5 proposed rule to require load serving entities to
6 demonstrate that they have capacity including a
7 reserve margin to serve load including auction load?

8 A. I am aware that a capacity charge is
9 being considered.

10 Q. Are you aware that Mr. Jones included a
11 capacity charge in his -- let me start that question
12 again.

13 If MISO did require a capacity charge
14 as -- in order to be a load serving entity to bid on
15 an auction, wouldn't it be very straightforward,
16 simply pass that demand charge through as it's
17 incurred by the suppliers?

18 A. Again, I don't know. I am not really in
19 charge of the CBP wholesale prices.

20 Q. All right. Let me turn to the CEI

21 contract issue. Are you familiar with that?

22 A. Yes.

23 Q. The CEI contracts at issue run through

24 the end of 2010; is that correct?

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1 A. I believe there are contracts that run
2 through the end of 2010, yes. I don't know if all of
3 them do or not, but I believe most of them do.

4 Q. Okay. Those contracts were extended as
5 part of the RCP stipulation in late 2005; isn't that
6 correct?

7 A. I think the RSP and RCP stipulations.

8 Q. The RSP stipulation extended them through
9 the end of the extended RTC period, and it was never
10 clear when that date would be because there was
11 true-ups, and so the RCP put a hard wired date on
12 those contracts at 12-31, 2010; is that your
13 recollection?

14 A. That's my general recollection.

15 Q. Okay. Now, the company agreed -- CEI
16 agreed to extend those special contracts to 2010,
17 didn't it?

18 A. I presume in entering into the
19 stipulation it agreed to that.

20 Q. And there were various -- there were many

21 elements of that RCP stipulation; isn't that true?

22 A. There were many elements of it, yes.

23 Q. Do you recall any of the beneficial

24 elements for CEI?

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1 MR. BURK: Well, I guess I am going to
2 object, your Honor.

3 MR. KURTZ: I will be more specific.

4 Q. Do you recall that CEI was allowed to
5 defer -- well, the three operating companies were
6 allowed to defer over \$200 million of fuel costs as
7 part of that stipulation, and you have a separate
8 proceeding --

9 MR. BURK: Well, again, I am going to
10 object, your Honor. This is far beyond the scope of
11 his rebuttal testimony. We are not even talking
12 about CEI contracts any more.

13 MR. KURTZ: Well, your Honor, if I could
14 respond, the companies' testimony -- Mr. Ridmann's
15 testimony is essentially it would be unfair not to
16 give them delta revenue recovery for contracts that
17 CEI had previously agreed to extend to 2010. What I
18 am exploring is the consideration already received by
19 CEI in the RCP stipulation. And, in fact, the line

20 of questioning I want to get to is that giving CEI
21 delta revenue recovery in addition to all the
22 consideration that it has already received would be
23 double recovery.

24 EXAMINER PRICE: Mr. Burk.

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1 MR. BURK: Well, I think if Mr. Kurtz can
2 point to something in those stipulations that
3 addresses delta revenues, then it may be relevant.
4 If he can't, it's irrelevant and totally outside the
5 scope of his rebuttal testimony.

6 EXAMINER PRICE: He discusses the severe
7 financial consequences to the company if you don't
8 allow delta revenue.

9 MR. BURK: Yes.

10 EXAMINER PRICE: Surely the company had
11 some plan what was going to happen after December 31,
12 2008. He is simply exploring what that plan was.

13 MR. BURK: Well, that wasn't how I
14 understood his question, your Honor.

15 EXAMINER PRICE: That's how I understood.
16 Overruled.

17 Q. Isn't it true that CEI was allowed to
18 defer -- the three operating companies were allowed
19 to defer over \$200 million of fuel expenses as part

20 of the RCP plan; isn't that true?

21 A. The companies were permitted to

22 recover -- or to defer fuel costs on, I believe, the

23 2002 baseline.

24 Q. And the application to get that deferred

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1 recovery is in excess of \$200 million; isn't that

2 true?

3 A. I don't remember the exact number,

4 Mr. Kurtz.

5 Q. Do you remember any other consideration

6 that CEI received as part of the RCP stipulation?

7 A. What I do remember is that there is no

8 agreement basically of how to handle delta revenue

9 included in that.

10 EXAMINER PRICE: Mr. Ridmann.

11 THE WITNESS: Yes.

12 EXAMINER PRICE: You said there was no

13 agreement how to handle delta revenue. In fact,

14 there was no provision for recovery of delta revenue

15 after December 31, 2008, was there?

16 THE WITNESS: There was no provision nor

17 was there anything that disallowed that. There is no

18 agreement that you couldn't --

19 EXAMINER PRICE: Let's start answering my

20 questions yes or no. There was no provision in the
21 RCP stipulation for the recovery of delta revenues
22 after December 31, 2008; is that not correct?
23 THE WITNESS: There was nothing in the
24 stipulation.

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1 EXAMINER PRICE: Thank you.

2 Q. (By Mr. Kurtz) Let's talk a little bit
3 for the period 2006 through 2008. Those -- those CEI
4 contracts were -- are in effect today on September
5 22, 2008; isn't that true?

6 A. Yes.

7 Q. And they were in effect all during the
8 2006 -- they were effective January 1, 2006,
9 through -- through today and, in fact, they run
10 through the end of 2010; is that correct?

11 A. Yes, I believe that to be correct.

12 Q. And CEI owns no generation?

13 A. CEI owns no generation.

14 Q. So CEI purchases power on the wholesale
15 market to supply those contracts today; isn't that
16 true?

17 A. They purchase power today to supply all
18 their entire load.

19 Q. Purchase it from FES on an all

20 requirements basis pursuant to the RCP.

21 A. Correct.

22 Q. And there is no delta revenue recovery

23 today for the difference between the tariff and those

24 contract rates, is there?

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1 A. I don't know.

2 Q. You don't know -- you don't know the
3 answer to that?

4 A. I know rate levels that were established,
5 and I know the cost structure. That's what I know.
6 And the revenue recovered covers the cost structure
7 of the utilities.

8 Q. You don't know if CEI is booking delta
9 revenue as we speak for those contracts?

10 A. I think the question you had was is it
11 recovering delta revenue. What I am saying the rates
12 were established to recover -- to cover the costs the
13 utilities were incurring.

14 Q. Right.

15 A. Whether delta revenue is in those rate
16 levels or not I don't know.

17 Q. There is no separate account, regulatory
18 asset account, the company is booking delta revenue
19 in today for those contracts, is there?

20 A. I don't know what you mean by separate
21 regulatory.

22 Q. Well, you are not tracking the difference
23 between the contract rate and the tariff rate for
24 future recovery, are you?

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1 A. Again, because the retail rates were
2 established to recover the cost the companies are
3 incurring there wasn't a need to do that.

4 Q. Okay. So there's two rates from FES to
5 CEI, one is sort of the standard tariff rate and one
6 in a separate wholesale rate that is lower to cover
7 the contracts; is that what you are referring to?

8 MR. BURK: Well, I will object, your
9 Honor. Now, he is cross-examining him about the
10 wholesale contract that's in effect today between FES
11 and the utilities. Our proposal was only for 1-1-09
12 going forward, and he didn't really address in his
13 rebuttal testimony the power supply agreement between
14 FES and any of the utilities today.

15 EXAMINER PRICE: I disagree. He
16 testifies there is severe financial consequences to
17 the utility if they are not allowed to recover delta
18 revenue. Mr. Kurtz is simply testifying as to the
19 status quo what happens today versus what will happen

20 tomorrow after 12-31-08. Overruled.

21 A. I don't know the details under which CEI

22 purchases power from FES under the PSA. What I do

23 know is the retail rates that we are collecting

24 currently covers the costs CEI is incurring. And

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1 what I do know is that going into the future
2 beginning January 1, 2009, that if delta revenue is
3 not included in the CRT, that basically the company
4 would not be -- would not be recovering through its
5 retail rates what the costs are that CEI would be
6 incurring through the CBP process.

7 Q. You don't disagree that the contracts
8 that we are discussing are valid, legally binding
9 contracts, do you?

10 A. No.

11 Q. Last issue, the CRT -- were you finished?

12 A. Uh-huh.

13 Q. Okay. The CRT where you discuss
14 Mr. Fortney's proposal that the CRT be bypassable and
15 your proposal that it be nonbypassable by shoppers --
16 did I summarize that correctly?

17 A. Between whether it's bypassable,
18 nonbypassable, correct. There's a difference.

19 Q. First of all, do you agree with Staff

20 Witness Mr. Fortney and Company Witness Mr. Norris

21 that the cost in the CRT are generation related?

22 A. I believe they are for the most part

23 generation related. I would argue that the

24 uncollectible has some basically universal service

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1 type provisions associated with it.

2 Q. Do you believe that a third-party
3 marketer who supplies a shopper has to take into
4 account for its own business purposes bad debt,
5 uncollectibles, and factor that into its cost of
6 doing business?

7 A. I guess what -- the problem I have with
8 that is the marketer has many options in terms of
9 trying to avoid taking on bad debt. And my
10 experience has been they do a -- they are very
11 careful basically on how their credit criteria is
12 developed in terms of taking on new customers. And
13 then under the situation if they happen to take on
14 someone with poor credit, that they would basically
15 once the customer -- if the customer developed an
16 arrear, they would basically ship that customer back
17 to the utility.

18 Q. If the companies' concern -- is it true
19 that the companies' primary concern with respect to

20 the CRT is getting paid for it regardless of who

21 pays?

22 A. We're indifferent in terms of shopping

23 versus nonshopping. The company really just wants to

24 be made whole from the generation part of this. They

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1 don't make money; they don't lose money. So our
2 primary concern is getting recovery of our costs.

3 Q. As I understood your testimony, one of
4 your concerns along that way is sort of a death
5 spiral argument in the sense of more and more people
6 shopping, there is a lesser pool of customers to pay
7 these CRT expenses, therefore, thereby increasing the
8 companies' risk of non-recovery; is that one of the
9 arguments?

10 A. That's one of the arguments, yes.

11 Q. Right now, how many of the companies'
12 customers are shopping?

13 A. I don't know offhand. I do know in the
14 past up to 50 percent of the customers have shopped,
15 and at CEI actually I think it's over 70 percent at
16 one time shopped.

17 Q. If -- if the -- if the death spiral type
18 argument and the risk of non-recovery from a
19 shrinking pool of customers became a concern,

20 couldn't the Commission revisit this issue, revisit

21 Mr. Fortney's proposal if and when that actually

22 became a problem?

23 A. Well, I don't think necessarily

24 revisiting it would allow for timely recovery of our

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1 costs.

2 Q. Well, I am assuming you get recovery
3 at -- of your costs. My only question is if the
4 Commission initially said, no, it's generation
5 related, we agree with the staff, we are going to
6 make that bypassable, and then at some point in the
7 future there was a problem because so many people are
8 shopping and these CRT costs were so great there was
9 a -- too much of a burden being placed on
10 nonshoppers, couldn't the Commission revisit that
11 issue if those facts actually did develop?

12 A. The Commission can always revisit
13 anything, I presume, that they want to, but I would
14 say that I am not sure it would allow us for timely
15 recovery of our costs which the Senate Bill provides
16 for.

17 MR. KURTZ: Thank you, your Honor.

18 EXAMINER PRICE: Mr. Petricoff.

19 MR. PETRICOFF: Thank you, your Honor.

20 - - -

21 CROSS-EXAMINATION

22 By Mr. Petricoff:

23 Q. I want to continue on that subject,

24 Mr. Ridmann. If you would, could you turn to page 9

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1 of your testimony. And I want to look at starting on
2 line 13 there, there is a question that you are
3 asked. Then from 16 to 22 you respond to that
4 question. Have you located the answer?

5 A. Yes, I have.

6 Q. On line 14 you will see there is the term
7 "purchase power expenses." Could you list for me the
8 costs that are in the purchase power expenses as you
9 understood that term when you answered the question.

10 A. I would include all the costs that the
11 company incurs for providing the standard service
12 offer.

13 Q. Let's be a bit more specific. Would that
14 include generation?

15 A. Yes. Generation from the standpoint of
16 what's being provided under the CBP proposal were
17 being purchased.

18 Q. And capacity?

19 A. Presume -- well, the full requirements

20 includes capacity.

21 Q. And ancillary services from the RTO?

22 A. Yes, it includes ancillary services.

23 Q. Would it include distribution expenses?

24 A. No, not specifically distribution

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1 expenses.

2 Q. If a customer was purchasing their
3 generation from a competitive retail electric
4 supplier, which we will call CRES, would the -- would
5 a customer who is buying from a CRES buy any
6 generation from the company?

7 A. I specifically -- power from the company?

8 Q. That's correct.

9 A. No.

10 Q. And the same would be true for ancillary
11 services from the RTO and capacity?

12 A. At the time they shopped they would not.
13 However, these services are being provided for
14 customers who have the opportunity to come back with
15 the company based on either the CRES supplier
16 deciding not -- to no longer provide power to them or
17 the shopper coming back on their own.

18 Q. At the time they are shopping they would
19 be getting their power capacity and ancillary

20 services from the CRES as opposed to the utility;

21 isn't that correct?

22 A. They would be getting those items from

23 the CRES provider.

24 Q. And if the CRT rider was nonbypassable,

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1 wouldn't they then have to pay for generation and
2 capacity and RTO ancillary services that were used
3 basically by other customers?

4 A. Well, again, I think the SSO is being set
5 up -- or the -- to benefit all customers basically.
6 And all customers ought to share in those costs to
7 allow -- to allow the company to get recovery.

8 EXAMINER PRICE: That is not being
9 responsive. Could you answer his question, please.

10 THE WITNESS: Would you repeat the
11 question.

12 (Record read.)

13 A. The issue I have with that is if a
14 customer during a period of time is a customer of the
15 company --

16 MR. PETRICOFF: Your Honor, I object.
17 The issue I have with it is not answered --

18 EXAMINER PRICE: Sustained. Answer the
19 question, please.

20 A. If the customer shopping but at some

21 point was a customer of the company --

22 EXAMINER PRICE: Mr. Ridmann, I am sure

23 that Mr. Burk will be happy to ask you questions

24 related to how you want to answer this question

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1 later, but Mr. Petricoff has asked you a question
2 which lends itself to a yes or no answer, so at this
3 point I am going to direct you to answer the question
4 yes or no.

5 Please reread the question for the
6 witness.

7 (Record read.)

8 A. The answer is no because the customer who
9 was on the -- taking SSO service during a period of
10 time and ultimately switched and the CRT then came
11 into place to recover costs during the period of time
12 in which they were a customer of the company under
13 the SSO, they -- they took basically power or
14 generation costs from not only a CRES supplier for a
15 period of time but also from the company under the
16 SSO.

17 Q. Let's take the example then -- well, let
18 me ask you this question, would your answer then be
19 yes if the customer was a shopping customer for the

20 full period of the MRO?

21 A. Yes, in that situation.

22 Q. As long as there were shopping customers,

23 if the CRT was bypassable, wouldn't the company have

24 all of its purchase power expenses met by the sum of

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1 the retail generation revenue plus the CRT?

2 A. If all of our customers were shopping,
3 then I don't see anyone under -- where -- if the CRT
4 was bypassable, I don't see where that was recovered.

5 Q. You misunderstood the question or maybe I
6 misspoke so let me try again. Assuming there are
7 customers who are taking standard service, standard
8 service offer, under the CRT even if it was
9 bypassable, wouldn't the company receive all of the
10 money necessary to pay the purchase power expenses by
11 summing the retail generation revenue and the CRT
12 rider?

13 A. You know, it depends basically -- not
14 necessarily and the answer because customers if
15 you -- if you are left with a small pool of customers
16 upon which to recover the reconciliation factor under
17 the CRT, those customers may be poor credit
18 customers, poor paying customers, at risk customers,
19 then you may not get that recovery from those

20 customers.

21 Q. Not from those customers but wouldn't the
22 company be made whole as long as there were standard
23 service offer customers who were paying the CRT?

24 A. I think it depends because if the

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1 reconciliation goes on and if there are one time --
2 they are subject to the CRT and you don't get full
3 recovery, then in a later period they switch to a
4 supplier -- to a CRES supplier no longer, I am not
5 sure basically as a CRT or reconciliation can just
6 build up that you are going to get recovery.

7 Q. You will agree with me though the way the
8 CRT is designed whatever the difference is between
9 the purchase power expenses and the retail generation
10 revenue that the company receives is going to be paid
11 by customers through the CRT.

12 A. Assuming there are customers that are
13 able to pay for that -- for that rider.

14 Q. So as long as there are customers who are
15 able to pay and there are -- as long as there are SSO
16 customers, standard service offer customers, who are
17 able to pay, then the company will be made whole
18 whether the CRT is bypassable or nonbypassable; isn't
19 that correct?

20 A. Again, as I stated, because there are --
21 because there are customers of the SSO at one point
22 in time doesn't mean that you are going to get
23 complete recovery as the CRT goes onward and you have
24 a difference.

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1 Q. Okay. Assume for this hypothetical that
2 there are paying SSO customers for the entire period
3 of the MRO, and wouldn't the company be whole under
4 the design of the CRT whether it was bypassable or
5 nonbypassable?

6 A. They are paying their entire bill?

7 Q. That's right.

8 A. That's correct. We would get recovery if
9 they continue to be member -- if they continue to
10 be -- to take service under the SSO.

11 MR. PETRICOFF: I have no further
12 questions. Thank you.

13 EXAMINER PRICE: Ms. McAlister.

14 MS. McALISTER: No questions, your Honor.

15 ATTORNEY EXAMINER: Mr. Royer.

16 MR. ROYER: Thank you, your Honor.

17 - - -

18 CROSS-EXAMINATION

19 By Mr. Royer:

20 Q. Turn back to page 9, Mr. Ridmann. The
21 second question and answer on that page I'm little
22 confused. You state that you disagree with
23 Mr. Fortney's position that the competitive bidding
24 process expenses should be bypassable. But as I read

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1 the answer, you suggest that those fees will be --
2 the tranche fees paid by the SSO suppliers will
3 collect a majority of such costs. What costs --
4 what's leftover that's not going to be collected
5 through that -- through the tranche fee?

6 A. Well, I think if the Commission or -- for
7 instance, hires a consultant subsequent to
8 establishing of the tranche fees, that those costs
9 probably wouldn't have been the tranche fees as they
10 were developed.

11 EXAMINER PRICE: Will the tranche fees be
12 designed to check the CBP costs to the best of your
13 ability?

14 THE WITNESS: To the best of our ability,
15 they would be, but one never knows -- you don't know
16 what you don't know in terms of costs out there that
17 you may incur. That's what it is trying to recover.

18 EXAMINER PRICE: You need to speak into
19 the microphone.

20 THE WITNESS: Basically you don't know
21 what you don't know in terms of costs you may incur.
22 Q. I missed the first part of your answer to
23 the Examiner's question. Sorry.
24 EXAMINER PRICE: Read back the first part

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1 of his answer.

2 (Record read.)

3 Q. Now, you spoke in terms of the SSO being
4 a benefit to all customers as the rationale for
5 requiring shopping customers to pay certain costs
6 related to the program, correct?

7 A. Yes. I believe there are benefits to all
8 customers.

9 Q. Okay. But, in fact, the actual benefit
10 of the wholesale competitive bidding process is to
11 produce -- or is the thought that this may produce a
12 lower generation price than if the company simply
13 continues under the current paradigm and purchases
14 power from a -- on its own for its customers,
15 correct?

16 THE WITNESS: Could you repeat the
17 question, please.

18 (Record read.)

19 A. I don't know. I mean, basically the CBP

20 is set up to provide standard service offers for its
21 customers. Whether that results in something lower
22 or higher under a different paradigm I don't know. I
23 presume we are trying to minimize costs.

24 Q. All right. Turn to page 10, if you

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1 would, please. And this answer you suggest that
2 competitive suppliers are better placed to protect
3 themselves from risk of bad debt than the company,
4 correct?

5 A. Yes. This is meant to protect the
6 company from the risk of bad debt.

7 Q. Okay. With respect to the first
8 consideration you cite where you state "the arrears
9 of alternative suppliers are paid first in the
10 partial payment posting priority in the companies'
11 service territories." Is that the companies -- or is
12 that the FirstEnergy companies' policy or is that
13 part of the current Commission rule?

14 MR. BURK: Well, I guess I will object to
15 the form of the question because there may be more
16 than the two options laid out by Mr. Royer.

17 EXAMINER PRICE: Sustained.

18 Q. Do the Commission's current rules require
19 FirstEnergy companies to give priority to the

20 competitive suppliers in posting?

21 A. I am not exactly sure what the rules

22 prescribe. I know an order came out that basically

23 prescribed for FirstEnergy companies this would be

24 the order of payment.

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1 Q. That's FirstEnergy specific; is that
2 right?

3 A. I don't know if there are companies
4 included in it or not.

5 Q. Does FirstEnergy provide consolidated
6 billing services to suppliers?

7 A. Could you define consolidated?

8 Q. Well, fair. Do you bill on behalf of
9 competitive suppliers?

10 A. We do at times bill on behalf of
11 competitive suppliers.

12 Q. Do any competitive suppliers bill
13 distribution charges on behalf of FirstEnergy
14 companies?

15 A. I don't know, not that I am aware of.

16 Q. Do you purchase the receivables of the
17 competitive suppliers for whom you bill?

18 A. No, we do not.

19 Q. Now, under the current electric PIPP

20 rules the company is made whole for -- for arrearages

21 of PIPP customers; is that true?

22 A. Under today's rules we are made whole for

23 PIPP -- PIPP-related costs.

24 Q. So any of these risks you describe

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1 nonrecovered would not related to PIPP customers,

2 correct?

3 A. Not unless there was a change in the PIPP

4 criteria.

5 Q. Understood. And there are changes being

6 considered, correct?

7 A. That's correct.

8 Q. All right. So that leaves us with

9 non-PIPP customers who can take advantage of the

10 Commission's winter reconnect order, correct? And

11 that's the group you are concerned about here, right?

12 A. Customers who are subject to the

13 reconnect/disconnect in the moratoria orders.

14 Q. And what happens to those customers at

15 the conclusion of the moratorium period?

16 A. They get -- continue to get service from

17 the company.

18 Q. They are required to be offered payment

19 plans; is that correct?

20 A. That's correct.

21 Q. What's the companies' experience with

22 respect to those customers that are on a payment

23 plan?

24 A. What do you mean by experience?

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1 Q. Well, I guess what I am trying to explore
2 is is this really a pervasive problem that these
3 customers then go off the payment plan?

4 A. I don't know specifically, but I think
5 there is always the potential there.

6 EXAMINER PRICE: Historically do you know
7 the percentage of accounts receivable the company
8 collects from its customers?

9 THE WITNESS: Percent of receivables.

10 EXAMINER PRICE: What percentage of your
11 billings are uncollectible?

12 THE WITNESS: I don't know offhand, and I
13 know we have the number in the distribution case.

14 MR. BURK: Mr. Ridmann, you have to speak
15 up.

16 THE WITNESS: I'm sorry. I don't know
17 offhand. I know it was presented in the distribution
18 case, but I don't know the numbers offhand.

19 Q. (By Mr. Royer) I am not asking you for a

20 specific number, but they would be in excess of 95

21 percent, right?

22 A. We would recover receivables in excess of

23 95 percent. Again, I don't know the specific number.

24 That doesn't sound unreasonable. It's easy to get

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1 the specific numbers.

2 MR. ROYER: That's all I have. Thank
3 you.

4 EXAMINER PRICE: Mr. Porter.

5 MR. PORTER: Yes, just a few questions.

6 - - -

7 CROSS-EXAMINATION

8 By Mr. Porter:

9 Q. Mr. Ridmann, just moving back to your
10 testimony beginning on page 6 at line 10, you are
11 addressing a question or response from Mr. Courtney
12 at the bottom of that answer at line 15 going forward
13 to line 17, you state that you -- in moving forward
14 to line 19 you disagree with Mr. Courtney's statement
15 that 100 percent of the delta revenues are actually
16 not recoverable under this SSO; is that -- is that my
17 understanding?

18 A. I'm sorry. Can you use the microphone?
19 You were dropping off there.

20 Q. Can you hear me? What I am looking to do

21 is to move you to line 15 of your testimony.

22 A. Right.

23 Q. Beginning at line 15 you disagree with

24 Mr. Courtney's statement that 100 percent of the

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1 delta revenues are not recoverable, Mr. Courtney
2 states they are not recoverable. You state you
3 disagree with his statement. Is it your testimony
4 that 100 percent of the delta revenue in connection
5 with the special contracts are, in fact, recoverable?

6 A. Yes.

7 Q. That is your testimony?

8 A. That's correct.

9 Q. What is -- did you review Senate Bill 221
10 in preparation for your testimony?

11 A. Yes, I did.

12 Q. What other documents did you review?

13 A. Several documents.

14 Q. And you don't know the entire list --

15 A. I reviewed testimony of the individuals
16 that I am rebutting. I reviewed the application.

17 Q. Okay. Well, within Senate Bill 221 was
18 there a basis within 221 for full 100 percent
19 recovery of the delta revenues and if there was --

20 A. Senate Bill 221 allows us to recover all

21 of our generation costs.

22 Q. Do you have a copy of Senate Bill 221 in

23 front of you?

24 A. I do.

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1 Q. If you could, we could move to the

2 section --

3 MR. PORTER: -- if you wouldn't mind,

4 your Honor.

5 Q. We could move to the section on page 19

6 of that bill, and I believe hopefully we will be on

7 the same version of the bill. 4928.142(D) of Senate

8 Bill 221.

9 A. I'm sorry. What was the page reference?

10 Q. I am on page 19 of the bill, if we are

11 looking at the same version. I will provide you with

12 a copy of the same version if we don't have the same

13 version.

14 MR. PORTER: Would you mind if I give the

15 witness a copy of the version I have?

16 ATTORNEY EXAMINER: Not at all.

17 MR. WRIGHT: What's the reference again?

18 MR. PORTER: I was looking at

19 4928.142(D). Yeah, 142(D).

20 Q. I will give you a few seconds to review

21 that, and then I will ask you if you have had a

22 chance to review this previously.

23 MR. BURK: Your Honor, I will just note

24 for the record 4829.142(D) applies to only utilities

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1 that own generation.

2 EXAMINER PRICE: Thank you.

3 Q. Does FirstEnergy own generation?

4 A. The distribution companies, CEI, Ohio

5 Edison, and Toledo Edison, do not own their own

6 generation.

7 Q. Okay. What I am looking for is for -- is

8 to have you point me to the section within section

9 (D) or even section (C) which is directly above that

10 section (D) that I highlighted for you that provides

11 the basis for the full 100 percent recovery, and if

12 they are not within those sections, tell me where

13 they are.

14 A. I think under (C) basically there is a

15 provision that states "all costs incurred by the

16 distribution electric utility."

17 Q. Tell me where -- yeah. Go ahead.

18 A. Section (C). "All costs incurred by the

19 electric distribution utility as a result of or

20 related to the competitive bidding process or in
21 procuring generation service to provide standard
22 service offer including the cost of energy and
23 capacity and the cost of all other products and
24 services procured as a result of the competitive

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1 bidding process shall be timely recovered in the
2 standard service offer price."

3 Q. What I am looking for -- I understand. I
4 have had a chance to review that section. I am
5 looking for authority for full 100 percent recovery
6 for delta revenue as a result of special contracts.
7 I don't see the "special contracts" mentioned within
8 this section. Do you have an additional -- is there
9 anything else that you can point me to outside of the
10 statute because that section would possibly be the
11 only section? There is no mention there of special
12 contracts.

13 A. Well, I think 49 --

14 MR. BURK: I think, your Honor, what's --
15 I am not sure I know what the question is.

16 MR. PORTER: I would like to get just
17 an -- the explanation from the witness as to how and
18 what the basis for full recovery of delta revenue
19 from the -- as a result of the special contracts

20 would be. The witness has disagreed with the City of
21 Cleveland's witness statement that the delta revenues
22 are not recoverable. I just want to get the complete
23 answer, and I will leave it at that.

24 MR. BURK: Yeah. I wasn't objecting. I

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1 just wanted to clarify what he was asking. In
2 addition to what he just read is there something else
3 in the statute?

4 EXAMINER PRICE: Yes.

5 Q. I will clear it up. Is there anything in
6 addition to this section of the statute?

7 A. Basically the way I read 4905.31 allows
8 the company to enter into the devices -- financial
9 devices in connection with any economic development,
10 job retention program.

11 Q. Is there a section in 4905.31?

12 A. Yes, paragraph (E).

13 Q. And this section is -- is it your
14 understanding it governs the costs recoverable under
15 the MRO as a result of this current standard service
16 offer?

17 A. It provides for the ability to enter into
18 contracts.

19 Q. Okay.

20 A. And if the contracts are entered into
21 under the provisions provided under (E), then in
22 conjunction with paragraph (C), it basically talks
23 about recovery of all generation costs that the --
24 basically the reduction of rate due to economic

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1 development reasons needs to be covered in order to
2 recover all your generation costs.

3 EXAMINER PRICE: Mr. Ridmann, are you
4 characterizing the statute correctly? Doesn't the
5 statute say "the costs for procuring generation
6 service to provide the standard service offer"?

7 THE WITNESS: Yes, that's what it says.

8 EXAMINER PRICE: Are the CEI contracts
9 part of a special service offer?

10 THE WITNESS: Yes, I would think so.
11 Basically they are included in the CBP process
12 that -- the load profiles to those customers.

13 EXAMINER PRICE: Your testimony is the
14 contracts that CEI entered into previous to this case
15 are part of the standard service offer in this case?

16 THE WITNESS: I am talking about going
17 forward that basically the only place for CEI to get
18 those -- to get the generation for that power is
19 under the CBP -- CBP process.

20 EXAMINER PRICE: I am not asking about

21 the power. I am asking are the special contracts

22 part -- is it your understanding the special

23 contracts are part of the standard service offer?

24 THE WITNESS: To the extent they are

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1 being provided by power from the CBP, they are.

2 EXAMINER PRICE: So if these contracts
3 were entered into at some point previously and they
4 extend through December 31, 2010, and your testimony
5 is those contracts in particular are part of the
6 standard service offer from the companies?

7 THE WITNESS: Again, I don't know where
8 else they get the power from to serve those
9 customers. They have to be part of the bid process.

10 EXAMINER PRICE: That's not what I said,
11 not part of the bid process, part of the standard
12 service.

13 THE WITNESS: The bid process covers the
14 standard service offer of the utilities.

15 EXAMINER PRICE: Okay. Thank you.

16 Q. (By Mr. Porter) Mr. Ridmann, you also
17 state on -- continuing on to page 7 of your
18 testimony, you indicate that very first line there
19 that these costs -- on line No. 1 there of your

20 testimony cost --

21 A. I'm sorry. What page?

22 Q. We are on page 7 of your testimony, line

23 No. 1. Continuing from the prior page you indicate

24 "the costs will be identified and will be available

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1 for review" by the Commission.

2 A. Yes.

3 Q. What would be the review process?

4 A. Whatever review the Commission wants to
5 undertake.

6 Q. Would the Commission have the ability to
7 deny the recovery of special -- of these delta
8 revenues?

9 A. I presume that the Commission has the
10 right to do whatever it has the right to do.

11 Q. Okay. Just let me take you back to
12 section -- page 3 of your testimony and there has
13 been a number of questions on this subject
14 previously. Let me just ask one question in a
15 conclusion.

16 I do apologize, Mr. Ridmann. Let me take
17 you to section -- page No. 4 of your testimony
18 beginning on line No. 7. You state, "The inclusion
19 in retail rates of cost components other than the

20 seasonal and voltage based cost differences proposed
21 by the companies would be arbitrary in that it cannot
22 be designed to match those costs" -- "designed to
23 match the costs incurred by the companies."

24 If these -- if this is an arbitrary

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1 manner, does this imply -- are you implying here the
2 company does not -- the operating companies do not
3 have the ability to track transmission-related costs?

4 A. Under the CBP bid proposal the company
5 would have no ability to basically break down the
6 cost components between transmission or any other
7 item other than what the bid is based upon which is
8 an energy price.

9 Q. Outside of the -- currently does the --
10 do the operating companies have the ability to track
11 the transmission-related costs?

12 A. Does the company currently have the
13 ability to do that?

14 Q. Answer it that way, that's fine.

15 A. Yes, the company currently -- currently
16 tracks transmission costs through -- that are billed
17 by MISO.

18 Q. And if the company can track the
19 transmission-related costs by MISO, would those costs

20 that are attached to or for the different load
21 classes the costs -- the transmission costs related
22 to those classes, if those could be tracked with
23 that -- what the -- what the companies' proposal --
24 Mr. Courtney's testimony still lead to an arbitrary

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1 application of this MRO process?

2 A. We don't track current transmission costs
3 by customer class. Basically it comes down as a bill
4 from MISO, and what MISO would bill to a supplier we
5 wouldn't know.

6 MR. PORTER: I have no further questions
7 for the witness.

8 EXAMINER PRICE: Mr. Small.

9 MR. SMALL: Thank you, your Honor.

10 - - -

11 CROSS-EXAMINATION

12 By Mr. Small:

13 Q. Mr. Ridmann, Jeff Small, OCC. Would you
14 please turn to pages 5 and 6 of your testimony. And
15 I am particularly interested in the question that
16 appears at the bottom of 5 and your -- there are two
17 responses at the top of page 6. Do you have that?

18 A. Yes, I do.

19 Q. Okay. In this portion of your testimony

20 you disagree that changing rate structures will
21 change load profiles; is that correct?
22 A. Basically I state that the elimination of
23 the demand charges as they are currently charged
24 based on our experience in New Jersey would not have

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1 an impact on the load profiles.

2 Q. Okay. Did you conduct an empirical study
3 of the Jersey Central load data controlling
4 differences in weather and other factors to arrive at
5 your conclusion?

6 A. We basically subtract for approximately
7 24,000 customers the load factors associated with the
8 customers that are -- that had demand rates before
9 this -- before their -- before they went to market.
10 They had demand rates built into the generation
11 rates. Those customers, we tracked those load
12 factors for about 24,000 customers and compared that
13 to load factors of those same customers where there
14 were no longer any demand charges for the time period
15 1996 winter, summer, and 1998, and we saw no
16 appreciable difference as a result of that.

17 Q. Okay. In answer to my question you used
18 "we" several times. Who is the "we" you are
19 referring to?

20 A. Basically myself and my staff in New
21 Jersey.

22 Q. And are you aware of studies regarding
23 the sensitivity of load to changing prices, for
24 instance, in professional journals, empirical

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1 studies, and so forth? Are you familiar with the

2 literature in this area?

3 A. I am generally familiar with it.

4 Q. I'm sorry?

5 A. I am generally familiar with it. I think

6 what you have to recognize is taking or going from

7 some theoretical issues to what are the demand

8 charges that are in place today and would the

9 elimination of that level of demand charges have any

10 impact on the load factors.

11 Q. Now, FirstEnergy tariffs also contain

12 time differentiated rates; is that correct, the

13 existing tariffs?

14 A. That's correct, they do.

15 Q. Okay. Do you reach the same conclusion

16 regarding the insensitivity of -- to these rates as

17 far as changing load profiles and, in other words, if

18 we move those time sensitive rates, do you expect to

19 have no change in the load profile?

20 A. You know, I don't know. I haven't done
21 the study. I will say that I am on a time of day
22 rate, and I don't think my wife particularly looks at
23 saving money or not saving money based on the
24 electric bill. I think there are other criteria that

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1 comes into play, at least I know in her mind. I
2 think you can't answer the question in a vacuum. You
3 really need to look at what particular rates are you
4 talking about, what's the differentials.

5 Q. And that --

6 A. But for the one case I am very familiar
7 with I don't see any shifting happening.

8 Q. Are you aware that FirstEnergy in the ESP
9 case currently pending before PUCO has a proposal for
10 a pilot study on time differentiated rates?

11 A. I am familiar that they have a study
12 associated -- that is based on basically a time
13 differentiated rate in the residential market, I
14 think smaller commercial market.

15 Q. And based on your testimony prefiled and
16 otherwise on the stand today, are you telling me that
17 that's a waste of time and money as there isn't any
18 responsiveness to price?

19 A. Oh, absolutely not. I think that study

20 will drive out other issues and what I said was
21 whether customers are responding to the pricing
22 really depends on the level of the price and what I
23 said the pricing that was in place in New Jersey is
24 comparable to the pricing that's in place currently

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1 in Ohio. And based on that cost structure we didn't
2 see any -- any shifting. I am not saying that at
3 different price levels you might not get a different
4 result nor am I saying that there are other -- that
5 there aren't other objectives of that study because
6 there are.

7 Q. In answer to questions a little bit
8 earlier posed to you by Nucor's counsel, you stated
9 that -- well, you were asked about your familiarity
10 with 07-796 where there was a CBP process proposed.
11 Do you remember that question?

12 A. Yes, I do.

13 Q. And if I recall, your answer was you were
14 involved with the D case, that the --

15 A. Correct.

16 Q. Distribution case?

17 A. Correct.

18 Q. Does that answer mean that you were not
19 very familiar with the bidding process and -- that

20 was proposed by FirstEnergy in 07-796?

21 A. That's correct. I was not part of

22 developing that filing.

23 Q. Not exactly what I asked. I asked about

24 your familiarity with the -- with the proposal, not

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1 whether you helped develop --

2 A. Subsequent to the time that filing was
3 made I -- I read the application.

4 Q. And that was the extent of your
5 involvement.

6 A. That was the extent of my involvement.

7 Q. So if I try to refresh your memory and
8 said that I met with you before the filing took place
9 with Mr. Blank, Ms. Foley, Mr. Feld up in the Marion
10 offices of the FirstEnergy -- FirstEnergy offices,
11 you don't recall having a meeting with me regarding
12 the FirstEnergy proposal on the CBP process?

13 A. In Marion?

14 Q. Marion area offices, I am not -- I don't
15 know the offices specifically.

16 A. I don't think I have ever been in Marion.

17 Q. And you have never explained the
18 technical details of the proposed CBP process to the
19 OCC personnel?

20 A. You may be getting me confused with Bill

21 Bird. Bill Bird who was in the rate department at

22 that time developed that filing.

23 Q. Were you involved in responding to OCC

24 questions about that proposal?

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1 A. No. As I said, I was not involved in

2 that case.

3 MR. SMALL: Not involved in that. All

4 right. Thank you very much.

5 EXAMINER PRICE: Staff?

6 MR. JONES: No questions, your Honor.

7 EXAMINER PRICE: Redirect?

8 MR. BURK: Could we have just one minute,

9 your Honor?

10 The companies have no redirect, your

11 Honor.

12 EXAMINER PRICE: Thank you.

13 Thank you. You are excused.

14 MR. BURK: At this time, your Honor, I

15 would move the admission of Company Exhibit 9.

16 EXAMINER PRICE: Any objection to the

17 admission of Company Exhibit 9?

18 Hearing none, it will be admitted.

19 (EXHIBIT ADMITTED INTO EVIDENCE.)

20 EXAMINER PRICE: We have already set our
21 briefing schedule, so with that absent any further
22 matters for the Bench, we're adjourned. After the
23 briefs are filed, the case will be submitted on the
24 record.

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1 (The hearing was concluded at 12:02 p.m.)

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CERTIFICATE

I do hereby certify that the foregoing is
a true and correct transcript of the proceedings
taken by me in this matter on Monday, September 22,
2008, and carefully compared with my original
stenographic notes.

Karen Sue Gibson, Registered
Merit Reporter.

(KSG-4982)

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