

## BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to § 4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan.	) ) ) )	Case Nos. 11-346-EL-SSO 11-348-EL-SSO	PUCO
In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of Certain Accounting Authority.	)	Case Nos. 11-349-EL-AAM 11-350-EL-AAM	

## FIRSTENERGY SOLUTIONS CORP.'S NOTICE OF FILING DEPOSITION TRANSCRIPTS

FirstEnergy Solutions Corp. ("FES"), pursuant to O.A.C. 4901-1-24, hereby provides notice to all parties that it is filing the following deposition transcripts:

- Exhibit A- Thomas S. Lyle
- Exhibit B- Laura J. Thomas (non-confidential portion only, confidential portion filed under seal with FES Motion for Protective Order)
- Exhibit C- Anil K. Makhija
- Exhibit D- Chantale LaCasse
- Exhibit E- Joseph Hamrock
- Exhibit F- Stephen J. Baron
- Exhibit G- Philip J. Nelson .
- Exhibit H- David Rousch

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Respectfully submitted,

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## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing FirstEnergy Solutions Corp.'s Notice of Filing Deposition Transcripts was served this day of August, 2011, via e-mail upon the parties below.

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	11
DEPOSITION	12
of Philip J. Nelson, taken before me, Maria DiPaolo	13
Jones, a Notary Public in and for the State of Ohio, at the offices of Porter, Wright, Morris & Arthur,	14
LLP, 41 South High Street, Columbus, Ohio, on	15 16
Wednesday, August 24, 2011, at 10:03 a.m.	17
	18
ARMSTRONG & OKEY, INC.	19
222 East Town Street, 2nd Floor	20
Columbus, Ohio 43215	21
(614) 224-9481 - (800) 223-9481	22
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1 APPEARANCES:	1 PHILIP J. NELSON
Porter, Wright, Morris & Arthur, LLP By Mr. Daniel R. Conway	2 being by me first duly sworn, as hereinafter
3 41 South High Street	3 certified, deposes and says as follows:
Columbus, Ohio 43215-6194	4 EXAMINATION
On behalf of the Applicants.	I
5	5 By Mr. Stahl:
Jones Day 6 By Mr. David Kutik	6 Q. Good morning, Mr. Nelson. Can you please
North Point	7 state your full name for the record.
7 901 Lakeside Avenue Cleveland, Ohio 44114	8 A. Philip J. Nelson.
8	9 Q. And according to your prefiled testimony
On behalf of FirstEnergy Solutions	10 in this case number 11-346 you are the managing
9 Corporation. 10 Eimer, Stahl, Klevorn & Solberg, LLP	1
By Mr. David M. Stahl	director of Regulatory Pricing and Analysis in the
and Mr. Arin C. Aragona	12 Regulatory Services department of American Electric
224 South Michigan Avenue, Suite 1100 12 Chicago, Illinois 60604	Power Service Corporation; is that correct?
On behalf of Exelon Generation Company,	14 A. That's correct.
LLC.	Q. How long have you held that position?
ADDEAD ANCIC VIA CDEACED DIONE.	16 A. That position, about a year.
15	
1.6 By Mr. Philip B. Sinenene	Q. What was your position prior to that?
41 South High Street, Suite 1700	18 A. I was Director of Financial Forecasting
17 Columbus, Ohio 43215 18 On behalf of Duke Energy Retail.	in the Corporate Planning and Budgeting department.
18 On behalf of Duke Energy Retail.	Q. How long have you worked for the Service
By Mr. Joseph E. Oliker	21 Corporation?
20 First Tittu Center, State 1700	1
21 Columbus Obio 43215.4288	A. Service Corporation, about 14 years.
22 On behalf of Industrial Energy Users.	Q. What was your employment prior to being
23 ALSO PRESENT VIA SPEAKERPHONE: 24 Mr. Pat Lawrence.	24 employed by the Service Corporation?

1 A. I was employed by Wheeling Power Company. 2 Q. Wheeling Power Company? 3 A. Yes. 4 Q. Is that in West Virginia? 5 A. That is. 6 Q. Is that an investor-owned utility? 7 A. It's a subsidiary of AEP. 8 Q. Oh, I see. And how long had you been 9 with Wheeling Power? 10 A. Seventeen years. 11 Q. And you are an accountant by training; is 12 that correct? 13 A. I have my degree in accounting, yes. 14 Q. What are your responsibilities in your 15 position as Managing Director of Regulatory Pricing 16 A. No. 17 Q. What are your responsibilities in your 18 position as Managing Director of Regulatory Pricing 19 and Analysis? 10 A. Well, I have responsibility for the group 21 that participates in rate proceedings related to rate 22 design, class jurisdictional cost-of-service studies, 23 as well as I have a group under me that's responsible 24 for certain analysis of contracts including the AEP  1 power pool contract and other affiliate agreements. 2 Q. Laura Thomas was deposed in this case about two weeks ago and she testified that he is the 4 managing director of Regulatory Projects. Do you 5 have, in your day-to-day activities, any reporting 6 relationship with Laura Thomas? 7 A. She does not report to me, and I do not 8 report to her. 9 Q. That's a separate division, is it, or 10 department, Regulatory Projects? 11 title, but Senior Vice President, I'm not sure. 12 (Discussion off the record.) 14 (Discussion off the record.) 15 Pressident, I'm not sure. 16 (Discussion off the record.) 20. Tell me, Mr. Nelson, what did you do to prepare for this deposition today? 21 A. I read my direct filed testimony as well as my supplemental testimony. 22 D. Did you review any other documents? 23 Q. Did you review any other documents? 24 L read my direct filed testimony. 25 A. I ve reviewed documents in the course of preparing for the hearing coming up and so forth, including discovery. 26 Did you review any other documents? 27 A. Yes. 28 Q. Did you meet with counsel before your deposition? 29 A. Yes. 20 Q. Approximately how long	_		Γ	
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8 Q. Oh, I see. And how long had you been 9 with Wheeling Power? 10 A. Seventeen years. 11 Q. And you are an accountant by training; is 12 that correct? 13 A. I have my degree in accounting, yes. 14 Q. Have you ever been a certified public 15 accountant? 16 A. No. 17 Q. What are your responsibilities in your 18 position as Managing Director of Regulatory Pricing 19 and Analysis? 20 A. Well, I have responsibility for the group 21 that participates in rate proceedings related to rate 22 design, class jurisdictional cost-of-service studies, 23 as well as I have a group under me that's responsible 24 for certain analysis of contracts including the AEP 25 power pool contract and other affiliate agreements. 26 Q. Laura Thomas was deposed in this case 27 a have, in your day-to-day activities, any reporting 28 relationship with Laura Thomas? 29 Q. That's a separate division, is it, or 20 Q. That's a separate division, is it, or 30 department, Regulatory Projects? 31 as my supplemental testimony. 4 A. I've review any other documents? 4 In I vereview any other documents? 4 In I vereviewed documents in the course of preparing for the hearing coming up and so forth, including discovery. 4 Q. Did you meet with counsel before your deposition? 4 A. Yes. 4 Person 4 Perhaps an hour. 4 Page 6 4 Page 6 5 Page 6 6 Page 6 7 Q. Just seemed like an hour. 9 Q. Just seemed like an hour. 9 Q. Just seemed like an hour. 9 Q. Anyone else present? 9 A. Yeah. 9 Q. Anyone else present? 9 A. Yeah. Matt Satterwhite was there for part of it just at the very end. 9 Q. And who is that? 9 A. Matt Satterwhite is an attorney for AEP.	6		6	
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	10	department, Regulatory Projects?	10	A. Matt Satterwhite is an attorney for AEP.
1 A. 103. [11 Q. On, 1 know min. Banciwine. I didn't	11	A. Yes.	11	Q. Oh, I know him. Satterwhite. I didn't
Q. In the hierarchy you are both managing 12 quite hear the last name.	12	Q. In the hierarchy you are both managing	12	quite hear the last name.
directors; is that correct? Both you and Laura 13 Okay. Have you, in the course of	13	directors; is that correct? Both you and Laura	13	Okay. Have you, in the course of
14 Thomas. 14 reviewing documents to prepare for the hearing, di	14	Thomas.	14	reviewing documents to prepare for the hearing, did
15 A. Yes. 15 you review the testimony of Michael Schnitzer file	15	A. Yes.	15	you review the testimony of Michael Schnitzer filed
16 Q. And who do you report to? 16 on behalf of FirstEnergy Corporation?	16	Q. And who do you report to?	16	on behalf of FirstEnergy Corporation?
17 A. Richard Munczinski. 17 A. Yes, I read through his testimony.	17		17	A. Yes, I read through his testimony.
Q. And is that who Laura Thomas reports to? 18 Q. How long ago did you read his testimony	18	Q. And is that who Laura Thomas reports to?	18	Q. How long ago did you read his testimony?
19 A. Yes. 19 A. Oh, if you could tell me when it came	19	A. Yes.	19	A. Oh, if you could tell me when it came
20 Q. You better spell that last name for our 20 out, I could give you an idea.	20	Q. You better spell that last name for our	20	out, I could give you an idea.
21 reporter here. 21 Q. Well, it's been about a month.	21	reporter here.		Q. Well, it's been about a month.
22 A. M-u-n-c-z-i-n-s-k-i. 22 A. A month? Maybe two weeks ago.	22	A. M-u-n-c-z-i-n-s-k-i.	22	A. A month? Maybe two weeks ago.
Q. And what is Mr. Munczinski's position? 23 Q. Was that after the you were scheduled	23	Q. And what is Mr. Munczinski's position?		Q. Was that after the you were scheduled
A. Senior I'm not sure I have the correct 24 for deposition, as I recall, on the 11th of August.	24	A. Senior I'm not sure I have the correct	24	for deposition, as I recall, on the 11th of August.

	Page 9		Page 11
1	Do you recall that?	1	your normal business obligations as Managing Director
2	A. Yes.	2	of Regulatory Pricing and Analysis?
3	Q. Did you review that testimony before the	3	A. Yes. I would do that in the normal
4	11th of August?	4	course of my practice, business practice.
5	A. I don't remember.	5	Q. Tell me what your responsibilities are
6	Q. How long did you spend reviewing	6	with respect to review of market pricing in Ohio or
7	Mr. Schnitzer's testimony?	7	other jurisdictions.
8	A. Half an hour.	8	A. Well, I'm required to be informed of
9	Q. Is it fair to say you skimmed it as	9	those things. Certain people rely on my expertise in
10	opposed to having read it thoroughly?	10	certain areas and, of course, with the structure in
11	A. That's a fair characterization.	11	Ohio, you know, with the possibility of MROs and
12	Q. In the course of your review of	12	going to a market, it's more important to keep up to
13	Mr. Schnitzer's testimony did anything leap out at	13	speed on those type of issues.
14	you that you thought was incorrect?	14	Q. And how do you keep yourself up to speed
15	A. Well, certainly his overall premise that	15	on those types of issues? What do you do
16	market rates would tend to be more stable than ESP	16	specifically?
17	rates certainly seemed to me to be incorrect.	17	A. I review publications including SNL
18	Q. Anything else as you sit here?	18	articles and such. And I also review periodically,
19	A. No. I didn't read it in that detail that	19	you know, testimonies filed, follow proceedings in
20	I could pinpoint, you know, certain flaws in his	20	other jurisdictions, and of course we were, AEP's a
21	testimony.	21	player in Texas and we no longer have generation
22	Q. You can?	22	there but we were very involved in the market in
23	A. I can not	23	Texas for a number of years.
24	Q. You can not.	24	Q. And you say people rely on you for your
	Page 10		Page 12
1	A at this point,	1	expertise on market pricing. Who are those people?
2	Q. All right.	2	A. Well, I'd say I'd characterize it as
3	A. Specific flaws,	3	rely on my expertise in general, whether they rely on
4	Q. What is it about the assertion that	4	my expertise in market pricing I don't know, but I'd
5	market pricing would be more stable than ESP pricing	5	say my boss, Rich Munczinski, would be one.
6	that you would take issue with?	6	Q. And does Mr. Munczinski rely on you
7	A. The fact that my experience would not	7	specifically for your expertise in market pricing to
8	prove that out and, you know, I look at history, I	8	the best of your knowledge?
9	look at, you know, for example Texas, they're paying	و ا	A. No.
10	\$3,000 a megawatt-hour this summer for power, you	10	Q. You have no formal, ongoing requirements
11	know, that's quite a variation from the normal price.	11	that you report to Mr. Munczinski on market pricing;
12	AEP-East zone, I think we've experienced	12	is that correct?
13	market prices of, day-ahead market I believe for	13	A. I do not.
14	several hundred dollars for an extended period of	14	Q. And how did you learn this fact that you
15	time this summer. So the volatility of the market is	15	testified to about the \$3,000 a megawatt-hour in
16	a fact, I believe.	16	Texas this summer? How did you become acquainted
17	Q. What portion of your professional	17	with that?
18	responsibilities are devoted to analyses of market	18	A. It may have been an article in SNL but I
19	pricing?	19	don't recall specifically.
20	A. I wouldn't say a great deal of my	20	Q. And, for the record, what is SNL?
21	responsibility is devoted to that.	21	A. It's an industry publication. Energy
22	Q. You commented on the experience in Texas	22	industry publication.
23	this summer. Did you become familiar with what you	23	Q. It's available to the public, if the
24	testified to earlier about Texas pricing as part of	24	public were so interested?

		,	
	Page 13		Page 15
1	A. If the public were so interested, there	1	MR. STAHL: Sure.
2	might be a subscription price.	2	Q. Setting aside Mr. Schnitzer for now.
3	Q. Do you review SNL as part of your	3	A. Well, I was in the forecasting group and
4	business obligations or business duties?	4	we had done some sensitivity analysis around market
5	A. Yes.	5	prices and, obviously, when you're forecasting market
6	Q. And tell me everything you know about	6	prices, you're looking at certain projections which I
7	that \$3,000 a megawatt-hour price that you testified	7	know over time have changed dramatically, you know,
В	to in Texas. What was the context in which that	8	from one study to another. One forecast to another.
9	price prevailed?	9	So from that experience I can say that, you know,
10	A. Well, the context was that it was a	10	market prices are quite volatile compared to a
11	disruption in the energy markets in Texas and that,	11	regulated price.
12	you know, market prices had been extraordinary down	12	Q. What about market prices well, strike
13	there. Of course the history of Texas is they've had	13	that.
14	several periods like that in Texas where the market	14	You know, Mr. Schnitzer has testified
15	_	15	that he believes that the kind of market prices that
	price has been rather substantial and they've had a	16	he believes might prevail in Ohio would, in fact, be
16	lot of volatility in market prices down there.	17	· · · · · · · · · · · · · · · · · · ·
17	Q. How long did that \$3,000 a megawatt-hour	1	more stable than the ESP price proposed by AEP. What
18	price prevail in Texas this past summer?	18	is it about Mr. Schnitzer's analysis that you think
19	A. I don't recall the article saying how	19	is wrong?
20	long it prevailed.	20	A. The conclusion.
21	Q. Was it for an hour?	21	Q. And that's based on just what you tell
22	A. Don't know.	22	me what you understand Mr. Schnitzer was assuming for
23	Q. A day?	23	market pricing in Ohio during the ESP period. Do you
24	A. I don't know.	24	know?
	Page 14		Page 16
1	Q. You don't know.	1	MR. CONWAY: Could I have that question
2	It's not an annual price for any customer	2	read back, please.
3	in Texas, is it, to the best of your knowledge?	3	MR. STAHL: Well, let me reask the
4	A. I would hope not.	4	question.
5	Q. Have you, in the course of your career	5	Q. What kind of assumptions did
6	with the Service Corporation, conducted any studies	6	Mr. Schnitzer make about market pricing in Ohio
7	or analyses comparing the volatility of market	7	during the ESP period?
8	pricing with regulated pricing in the electric	8	A. I don't recall his assumptions.
9	industry?	9	Q. Mr. Schnitzer also testified that the ESP
10	A. I'm not sure specifically with respect to	10	as proposed by AEP was likely to be less favorable in
11	volatility of market prices.	11	the aggregate than the MRO by between 7 and 9 dollars
12	Q. Or said another way, how about the	12	a megawatt-hour over the ESP period. Do you recall
13	relationship between the stability of market pricing	13	that?
		1	
14	and regulated pricing in the electric industry, have	14	A. Yes.
	and regulated pricing in the electric industry, have you done any such analyses as those?	1	
15	you done any such analyses as those?	15	Q. Do you have any basis upon which to
15 16	you done any such analyses as those?  A. Not specifically addressing that, any	15 16	Q. Do you have any basis upon which to disagree with that conclusion?
15 16 17	you done any such analyses as those?  A. Not specifically addressing that, any sort of report on that volatility, no.	15 16 17	Q. Do you have any basis upon which to disagree with that conclusion?  A. Yes.
14 15 16 17 18	you done any such analyses as those?  A. Not specifically addressing that, any sort of report on that volatility, no.  Q. Have you seen any such reports or	15 16 17 18	<ul><li>Q. Do you have any basis upon which to disagree with that conclusion?</li><li>A. Yes.</li><li>Q. And what is that basis?</li></ul>
15 16 17 18 19	you done any such analyses as those?  A. Not specifically addressing that, any sort of report on that volatility, no.  Q. Have you seen any such reports or analyses or studies comparing the stability or	15 16 17 18 19	<ul> <li>Q. Do you have any basis upon which to disagree with that conclusion?</li> <li>A. Yes.</li> <li>Q. And what is that basis?</li> <li>A. The company's testimony.</li> </ul>
15 16 17 18 19 20	you done any such analyses as those?  A. Not specifically addressing that, any sort of report on that volatility, no.  Q. Have you seen any such reports or analyses or studies comparing the stability or volatility of market pricing and regulated pricing in	15 16 17 18 19 20	<ul> <li>Q. Do you have any basis upon which to disagree with that conclusion?</li> <li>A. Yes.</li> <li>Q. And what is that basis?</li> <li>A. The company's testimony.</li> <li>Q. And when you say "the company's</li> </ul>
15 16 17 18 19 20 21	you done any such analyses as those?  A. Not specifically addressing that, any sort of report on that volatility, no.  Q. Have you seen any such reports or analyses or studies comparing the stability or volatility of market pricing and regulated pricing in the electric industry in the last ten years?	15 16 17 18 19 20 21	<ul> <li>Q. Do you have any basis upon which to disagree with that conclusion?</li> <li>A. Yes.</li> <li>Q. And what is that basis?</li> <li>A. The company's testimony.</li> <li>Q. And when you say "the company's testimony," whose in particular?</li> </ul>
15 16 17 18 19 20 21	you done any such analyses as those?  A. Not specifically addressing that, any sort of report on that volatility, no.  Q. Have you seen any such reports or analyses or studies comparing the stability or volatility of market pricing and regulated pricing in the electric industry in the last ten years?  MR. CONWAY: Are you asking in addition	15 16 17 18 19 20 21 22	Q. Do you have any basis upon which to disagree with that conclusion?  A. Yes. Q. And what is that basis? A. The company's testimony. Q. And when you say "the company's testimony," whose in particular? A. Laura Thomas's.
15 16 17 18 19 20	you done any such analyses as those?  A. Not specifically addressing that, any sort of report on that volatility, no.  Q. Have you seen any such reports or analyses or studies comparing the stability or volatility of market pricing and regulated pricing in the electric industry in the last ten years?	15 16 17 18 19 20 21	<ul> <li>Q. Do you have any basis upon which to disagree with that conclusion?</li> <li>A. Yes.</li> <li>Q. And what is that basis?</li> <li>A. The company's testimony.</li> <li>Q. And when you say "the company's testimony," whose in particular?</li> </ul>

	Page 17		Page 19
1	else that addresses it.	1	succinctly. Are you aware of anybody within AEP
2	Q. You're aware that Mr. Schnitzer testified	2	having quantified in any way any of the qualitative
3	that Laura Thomas made several errors and incorrect	3	aspects of the proposed ESP?
4	assumptions in her testimony. Do you recall that?	4	A. Did you say quantified the qualitative
5	A. I believe Mr. Schnitzer said that, yes.	5	aspects?
6	Q. Yes. And am I correct in assuming that	6	Q. That's what I said.
7	you disagree with Mr. Schnitzer on those issues?	7	A. Okay. I don't believe qualitative
8	A. I haven't analyzed the MRO versus the ESP	8	aspects lend themselves to a quantitative analysis.
9	test myself.	9	Q. So the answer is "no"?
10	Q. Do you have a personal opinion whether	10	A. The answer is "no."
11	the ESP as proposed by AEP would be more favorable in	11	Q. Okay. So no one has said here's the
12	the aggregate than an MRO during the proposed ESP	12	dollar extent to which AEP-Ohio customers would
13	period?	13	benefit from the economic development aspects of the
14	A. Yes.	14	ESP as opposed to the MRO, for example; is that
15	Q. And what is that opinion?	15	correct?
16	A. My opinion is that it would be more	16	A. I'm not aware of any.
17	favorable.	17	Q. And that's all I can ask you today, what
18	Q. And is that based on the testimony of	18	you know of your own personal knowledge. Fair?
19	Laura Thomas?	19	A. Fair.
20	A. Laura Thomas and Joe Hamrock, yes.	20	Q. Okay. Do you know whether since
21	Q. And what was it in Mr. Hamrock's	21	Ms. Thomas was deposed on August 10th that any
22	testimony that led you to reach that conclusion?	22	changes have been made to the AEP-Ohio ESP versus MRO
23	A. Well, the test of course is in the	23	comparison?
24	aggregate. Mr. Hamrock addressed more than, I'll	24	A. I'm not aware of any.
-	Page 18		Page 20
] _	<del>-</del>	,	
1	call it the qualitative aspects of the ESP. Laura	1	Q. I want to ask you about a number of the
2	Thomas, of course, dealt with more the quantitative	2	riders that you address in your testimony,
3	aspects of the ESP versus MRO test.	3	Mr. Nelson, and the first one is the phase-in
4	Q. Do you recall what those qualitative	4 5	recovery rider, and you testify at page 9 of your
5	aspects of the MRO test are that Mr. Hamrock testified to that lead you to believe that the ESP is	6	prefiled testimony beginning at line 4 that "The
6	•	7	Company believes it may be in the best interest of
7	more favorable in the aggregate?  A. I recall at least one of them which	ł	customers to securitize the phase-in balance and collect the balance over a period longer than seven
8	struck on with me is once you go down the MRO path,	8 9	years, a provision in the current ESP, and to start
10	you can't return to an ESP.	10	the collection of the deferred balance at a later
11	Q. Anything else that you recall?	11	time." Do you see that?
12	A. Also the economic development aspects of	12	A. Yes.
13	it, as well as, you know, certain flexibility in an	13	Q. What are the factors that led the company
14	ESP versus an MRO.	14	to reach that conclusion?
15	Q. I believe Ms. Thomas testified that as	15	A. The factors are that the securitization
16	far as she knows no one within the AEP group of	16	can allow us to finance that balance at a lower cost.
17	companies has ever quantified the benefits of either	17	Q. And that would be at a cost lower than
18	the avoidance of, what we've called the avoidance of	18	the, which I think is \$2.86 a megawatt-hour set forth
19	MRO land or economic development or any of the other	19	on page 11 in your yeah, page 11 right above line
20	qualitative aspects of the ESP. Do you have any	20	3? I guess it is line, yeah, right above line 3. Do
21	different information from that?	21	you see that?
22	THE WITNESS: Could I have that read	22	A. Yes.
23	back?	23	Q. And is the \$2.86 a megawatt-hour in fact
24	Q. Yeah, let me just ask you more	24	the amount that would be recovered under the proposed
	July 10 miles 10 mile		The second secon

	Page 21	Ι	Page 23
1	ESP for the phase-in recovery rider?	1	_
2	A. It's an estimate based on the merged	2	Q. You can't point me to anything in any
3	company view.	3	Commission precedent or rule or statute or anything
4	<del>-</del> •	4	else that you are aware of as you sit here that
5	Q. This testimony was filed in January and I	_	supports that conclusion, can you?
,	didn't see anything in your supplemental testimony	5	A. As far as the nonbypassability of a
6	that changed that number in any way. Is that still	6	charge? I can certainly point
7	the best estimate that the company is proposing for	7	Q. No. As far as the recoverability of a
8	the PIRR?	8	nonbypassable charge under an MRO.
9	A. That's still the best estimate at this	9	A. That's more of a legal question. I don't
10	time.	10	know that I can answer that. But I don't think I can
11	Q. If the company were able to securitize	11	point you at the moment, I don't have the statute in
12	the phase in balance and collect it over a longer	12	front of me, to anything in particular.
13	period of time and start the collection at a later	13	Q. Let's turn to the environmental
14	date, has the company estimated what the amount would	14	investment carrying cost recovery rider. You testify
15	be recoverable through the ESP?	15	that the EICCR as proposed for the ESP differs from
16	A. Well, the amount recoverable through the	16	the current EICCR in several ways; is that correct?
17	ESP is the total amount.	17	A. That's correct.
18	Q. Right. On a dollar per megawatt-hour	18	Q. The first respect is that the company is
19	basis.	19	now proposing that it be permitted to forecast the
20	A. I don't recall. We may have. It might	20	amounts to be recovered and then have a later trueup;
21	be in someone else's testimony, but I haven't done	21	is that correct?
22	that.	22	A. Yes.
23	Q. Am I correct in assuming it would be	23	Q. And is the purpose of that to eliminate
24	somewhat less than \$2.86 a megawatt-hour?	24	the delay in recoveries that the company presently
	Page 22		Page 24
1	A. Yes.	1	experiences?
2	Q. Is it your understanding that this \$2.86	2	A. Yes. That's one of the primary reasons.
3	a megawatt-hour would be recovered under either an	3	Q. Are there other reasons?
4	MRO or under the ESP?	4	A. There might be. It might allow for, you
5	A. Yes.	5	know, the staff of the Commission to review the
6	Q. And why would it be recovered under the	6	proposed projects on a forecast basis and have more
7	MRO?	7	time for audit.
8	A. Well, it's a nonbypassable charge.	8	Q. Do you think that would be desirable for
9	Q. Is it your understanding that everything	9	the staff?
10	that the company would be authorized to recover as a	10	A. I think it would, yes.
11	nonbypassable charge under the ESP would also be	11	Q. Has anybody at AEP talked to AEP-Ohio
12	recoverable under an MRO?	12	or the service company talked to anybody at the staff
13	A. It's kind of a broad question. I'm not	13	to see if the staff thinks that's a good idea and
14	sure if I've thought through everything, but	14	would support that notion of a forecast?
15	generally that would be the case.	15	A. I don't know if anybody has. I haven't
16	Q. Generally that would be the case?	16	personally.
17	A. Yes.	17	Q. There's no prohibition about talking to
18	Q. And is it simply because they are	18	- · · · · · · · · · · · · · · · · · · ·
19		19	the staff about that, is there, as far as you know?  A. As far as I know, no.
20	nonbypassable riders that lead you to that	20	
1	conclusion?	•	Q. So you don't know as you sit here whether
21	A. Yes, that's my assumption, that	21	the staff would think that's a good idea or a bad
22	customers, whether they shop or don't shop or whether	22	idea; is that correct?
23	we have auctions, are responsible for paying that	23	MR. CONWAY: What idea are we talking
24	particular charge.	24	about here?

	Page 25		Page 27
1	MR. STAHL: About allowing the staff to	1	just described.
2	get a look at the forecast and then perhaps that	2	A. Yes, the O&M associated with that
3	would help it in its trueup analysis.	3	equipment.
4	MR. CONWAY: Okay.	4	Q. Whether it's fixed or variable.
5	A. I'm sorry. I missed the question part of	5	A. Whether it's fixed or variable, if not
6	that.	6	recovered somewhere else.
7	Q. Well, I think you said one of the other	7	Q. Understood.
8	potential advantages of the move to a forecast would	8	And, finally, the company proposes to
9	be to allow you to preview, and I'm characterizing	9	make the EICCR nonbypassable; is that correct?
10	this a little bit, preview this with the staff and	10	A. That's correct.
11	run the forecast by them and that may assist them in	11	Q. Would you agree with me that whether the
12	their analysis and in the trueup. And my question	12	EICCR can be made nonbypassable is largely a legal
13	is, as far as you know, you don't know if the staff	13	conclusion to be drawn from the statute?
14	regards that as a potential benefit for it or not, do	14	A. There's certainly a legal element in it.
15	you?	15	I also think it may be a judgment on the part of the
16	A. I don't know.	16	Commission as well.
17	Q. The second change in the proposed EICCR	17	Q. Would you also agree that whether O&M
18	is that the company will now include certain	18	costs can be recovered through the EICCR is largely a
19	operating and maintenance expenses within the rider;	19	legal question to be determined from the statute?
20	is that correct?	20	A. I think it will be debated legally.
21	A. That's correct.	21	Again, I would think the Commission would have that
22	Q. And when you say "certain operating and	22	discretion under the ESP statute.
23	maintenance expenses," what kinds of O&M expenses do	23	Q. What makes you think, if the statute
24	you have in mind?	24	doesn't allow O&M costs, just for the sake of
	Page 26		Page 28
1	A. I would expect that we would request the	1	discussion, if the statute doesn't allow O&M costs to
2	O&M associated with major environmental equipment,	2	be recovered through the EICCR, that the Commission
3	for example, FGDs and SCRs. In particular, FGDs	3	would nonetheless have the discretion to allow
4	require a lot of maintenance and operating expense.	4	recovery of those costs?
5	Q. So that would be the annual O&M costs	5	MR. CONWAY: Objection. That
6	associated with those kinds of equipment?	6	mischaracterizes what he said. He said it was a
7	A. Yes. Now, there may be things that come	7	factor. He said it would be a legal debate and also
8	up in new environmental rules and regulations that	8	a matter of the Commission's discretion. It's
9	require additional O&M expenditures and, of course,	9	conjunctive, not disjunctive.
10	we don't feel we're precluded from bringing those in,	10	Q. Would you agree that if it's not legal,
11	but I gave you the example.	11	the Commission would not have discretion to allow
12	Q. Sure. I understand. Would that be both	12	recovery of those charges through the rider?
13	the fixed O&M and variable O&M related to those kinds	13	A. If it were not legal.
14	of equipment?	14	Q. Yes.
15	A. No, I'd characterize it more off the top	15	A. Then I assume the Commission would be
16	of my head as the fixed O&M because some of the	16	not have that discretion, but I don't see anything in
17	variable O&M is already in the fuel clause. For	17	the statute that would make it illegal.
18	example, when you talk about what some call	18	Q. You're not here testifying as a legal
19	consumables or chemicals to operate an FGD, that	19	expert on behalf of
20	would be in the fuel clause.	20	A. No, I'm not.
21	Q. To the extent that the O&M is not in the	21	Q AEP or anybody else, right?
22	fuel clause would it be the company's intent to	22	A. That's correct.
23	recover the O&M through the EICCR? The O&M	23	Q. Now, your testimony was filed in January
24	associated with the kind of equipment that you've	24	and you supplemented it in July. Let's just talk

about the forecast of costs that would be put into the EICCR in 2012 if the ESP is proposed, okay? Are you waver that Ms. Thomas included a dollar per megawatt number in her testimony?  A. Dellar per megawatt number for what?  Q. For costs to be flowed through the EICCR.  A. She included in one of her schedules the EICCR costs for 2011.  Q. Okay. Regardless of what Ms. Thomas did of of dight do, what is the estimate at the present inne, to the best of your knowledge, of the costs that AEP-Ohio would flow through the EICCR rider in 2012 if the ESP is approved as proposed?  A. They would be contained in AEM-1.  Exhibit AEM-1.  Q. And do you recall har stating that AEP with the EICCR would be between \$2.17 and \$4.20 angeawatt-hour?  A. They would flow through the EICCR rider in 2012 if the ESP is approved as proposed?  A. They would be contained in AEM-1.  Exhibit AEM-1.  Q. And do you recall him stating that AEP.  A. They would flow through the EICCR.  A. It are the stated that a mount from AEM-1.  It is still the current forecast of costs that would be flowed through the EICCR.  A. Yes. That's the latest forecast Ive seen on 2012 for that particular charge.  Q. Is it your understanding that the dollar amount, whatever it is, that would go through the EICCR.  A. Yes. That's the latest forecast Ive seen on 2012 for that particular charge.  Q. Is it your understanding that the dollar amount, whatever it is, that would go through the EICCR.  Q. Well, I characterize it more as whether the seen on 2012 for that particular charge.  Q. Well, I characterize it more as whether the whoph or don't shop.  Q. Uwell, would allow you to either agree or disagree with his conclusion, correct?  A. Thaven't though the EICCR.  A. That's the latest forecast Ive seen on 2012 for that particular charge.  Q. Is that would go be passed through the EICCR.  A. That's the latest forecast Ive seen on 2012 for that particular charge.  Q. Is that would go be passed through the EICCR would allow you to either agree or disagree with his conclusi		Page 29	Ī	Page 31
base estimated the compilance with new regulations may require expenditures between 2.1 and 2.8 billion  A. Dollar per megawatt number in her testimony?  A. Dollar per megawatt number for what?  Q. For costs to be flowed through the EICCR.  A. She included in one of her schedules the BECCR costs for 2011.  G. Okay. Regardless of what Ms. Thomas did or didn't do, what is the estimate at the present time, to the best of your knowledge, of the costs that APP-Ohio would flow through the EICCR rider in 1 2012 if the ESP is approved as proposed?  A. They would be contained in AEM-1.  C. Q. And do you recall that's a dollar 52 a megawatt-hour?  A. It might be considered a weighted type rate, but the schedule speaks for itself. We design rates by class, not—Q. I understand. To the best of your  Page 30  I knowledge, though, that estimate in the AEM-1 is still the current forecast of costs that would be passed through to eustomers as part of an MRO?  A. Yes. That's the latest forecast I've seen on 2012 for that particular charge. Q. Is it your understanding that the dollar annount, whatever it its, that would go through the EICCR would about the EICCR would be texteren \$2.17 and \$4.20 a megawatt-hour?  Bage 30  A. It might be considered a weighted type rate, but the schedule speaks for itself. We design rate by class, not—Q. I understand. To the best of your  Page 31  knowledge, though, that estimate in the AEM-1 is still the current forecast of costs that would be EICCR under the proposed ESP, correct?  A. Yes. That's the latest forecast I've seen on 2012 for that particular charge. Q. Is it your understanding that the dollar annount, whatever it its, that would go through the EICCR.  A. They free inder in AEM-1.  Experimental throught too much about the EICCR would be passed through the customers as part of an MRO?  A. That's the latest forecast I've seen on 2012 for that particular charge. Q. Is it your understanding that the dollar annount, form AEM-1.  A. They would also be passed through the customers as part of a	1		1	O. And do you recall him stating that AEP
you aware that Ms. Thomas included a dollar per megawatt number in her testimony?  A. Dollar per megawatt number for what?  Q. For costs to be flowed through the EICCR. A. She included in one of her schedules the EICCR costs for 2011.  Q. Okay. Regardless of what Ms. Thomas did or didn't do, what is the estimate at the present time, to the best of your knowledge, of the costs that AFP-Ohio would flow through the EICCR roll.  A. The polito would flow through the EICCR rider in 2012 if the ESP is approved as proposed?  A. They would be contained in AEM-I.  Exhibit AEM-I.  Q. And do you recall that's a dollar 52 a megawatt-hour?  A. If most sure the dollar 52 appears on the present of an AFM-I.  A. If might be considered a weighted type rate, but the schedules speaks for itself. We design rates by class, not  Q. It can be derived from that schedule.  A. If might be considered a weighted type rate, but the schedule speaks for itself. We design rates by class, not  Q. I understand. To the best of your  Page 30  1 knowledge, though, that estimate in the AEM-I is still the current forecast of costs that would be flowed through the EICCR would also be passed through to customers as part of an MRO?  A. That's the latest forecast I've seen on 2012 for that particular charge.  Q. Is it your understanding that the dollar amount, whatever it is, that would go through the EICCR would also be passed through to customers as part of an MRO?  A. Haven't thought too much about the they rough or not, you haven't done, whether it's thorough or not, you haven't done any analysis to the extent necessary that would allow you to either agree or disagree with his estimates for the EICCR.  Q. Well, I characterize it more as whether they poor of on't shop, or or of shop, or of on't shop, or or of shop,			2	·
megawatt number in her testimony?  A. Dollar per megawatt number for what?  6. Q. For costs to be flowed through the EICCR. A. She included in one of her schedules the BICCR costs for 2011.  9. Q. Okay. Regardless of what Ms. Thomas did 10. or didn't do, what is the estimate at the present 11. time, to the best of your knowledge, of the costs 12. that AEP-Ohio would flow through the EICCR rider in 13. 2012 if the ESP is approved as proposed? 14. A. They would be contained in AEM-1. 15. Exhibit AEM-1. 16. Q. And do you recall that's a dollar 52 a 17. megawatt-hour? 18. A. Then not sure the dollar 52 appears on 18. there, but 20. Q. It can be derived from that schedule. 21. A. It might be considered a weighted type 22. rate, but the schedule speaks for itself. We design 23. rates by class, not 24. Q. It understand. To the best of your  Page 30  1 knowledge, though, that estimate in the AEM-1 is 21 still the current forecast of costs that would be 22 flowed through the EICCR under the proposed ESP, 23 or mega. 24  Q. Is it your understanding that the dollar amount, whatever it is, that would go through the 25 EICCR would also be passed through to customers as part of an MRO? 26  A. Thay's understanding that the dollar amount, whatever it is, that would go through the 26 EICCR would also be passed through to customers as part of an MRO? 27  A. Thay's understanding that the dollar amount, whatever it is, that would go through the 28 EICCR would also be passed through to customers as part of an MRO? 38 A. Yes. That's the latest forecast Ive 39 are found through to much about the 310 A. They or don't shop. 311 A. They or the proposing, all customers would pay that particular charge. 312 A. Well, I characterize it more as whether 313 the dollar 52 or that the amount from AEM-1 314 the dollar 52 or that the amount from AEM-1 315 the dollar 52 or that the amount from AEM-1 316 the dollar 52 or that the amount from AEM-1 317 A. Well, I characterize it more as whether 318 the dollar 52 or that the amount from AEM-1 3		· · · · · · · · · · · · · · · · · ·	ŀ	= · · · · · · · · · · · · · · · · · · ·
A Dollar per megawatt number for what? Q. For costs to be flowed through the EICCR. A She included in one of her schedules the EICCR costs for 2011. Q. Chay. Regardless of what Ms. Thomas did or didn't do, what is the estimate at the present time, to the best of your knowledge, of the costs that AEP-Ohio would flow through the EICCR rider in 12 2012 if the ESP is approved as proposed? 14 A. They would be contained in AEM-1. 15 Exhibit AEM-1. Q. And do you recall that's a dollar 52 a prears on 16 megawatt-hour? 17 A. I m not sure the dollar 52 appears on 18 there, but - 19 Q. It can be derived from that schedule. A. It might be considered a weighted type 19 rate, but the schedule speaks for itself. We design 19 arate by class, not 20 Q. I understand. To the best of your  Page 30 1 knowledge, though, that estimate in the AEM-1 is still the current forecast of costs that would be 10 flowed through the EICCR under the proposed ESP, 11 correct? 22 A. Yes. That's the latest forecast I've 23 seen on 2012 for that particular charge. Q. Is it your understanding that the dollar 24 amount, whatever it is, that would go through the 25 EICCR would also be passed through to customers as 26 part of an MRO? 27 A. I haven't hought too much about the 28 page 30 29 page 32 30 part of an MRO? 31 A. I haven't thought too much about the 32 part of an MRO? 33 part of an MRO? 34 A. Thaven't hought too much about the 35 part of an MRO? 36 A. Thaven't done at horough analysis to the 36 extent necessary that would allow you to either agree or 37 of sagree with his estimates for the EICCR, 38 of the service of Mr. Schnitzer's 39 disagree with a manual, whatever it is, that would go indrough the 39 Ecclication. 30 A. I haven't veicwed the calculations of 1 30 A. I haven't veicwed the calculations of 1 30 A. I haven't twicked the sandysis to the 39 Ecclication. 30 A. I haven't veicwed the calculations of 1 30 A. No, I haven't done at horough analysis of the 30 A. I haven't done at horough analysis to the 30 A. I haven't done at horough a		- · · · · · · · · · · · · · · · · · · ·	l .	• •
6 Q. For costs to be flowed through the EICCR. A. She included in one of her schedules the 8 EICCR costs for 2011. Q. Okay, Regardless of what Ms. Thomas did or didn't do, what is the estimate at the present time, to the best of your knowledge, of the costs that AEP-Ohio would flow through the EICCR rider in 1 2012 if the ESP is approved as proposed? A. They would be contained in AEM-1. 16 Q. And do you recall that's a dollar 52 a regawatt-hour? 17 megawatt-hour? 18 A. The mot sure the dollar 52 appears on 19 there, but Q. It can be derived from that schedule. 21 A. It might be considered a weighted type 22 rate, but the schedule speaks for itself. We design 23 rates by class, not Q. I understand. To the best of your 24 Q. I understand. To the best of your 25 A. Yes. That's the latest forecast I've seen on 2012 for that particular charge. Q. Is it your understanding that the dollar 8 amount, whatever it is, that would go through the EICCR would also be passed through to customers as part of an MRO? 11 A. I haven't thought too much about the 12 MRO/ESP distinction. I'll stick with it's a 13 nonbypassable charge as we're proposing, all 14 customers would pay that particular charge. Q. Understeap through too much about the 15 they shop or don't shop. Q. Did you review that part of 16 mR. CONWAY: Off the record. (Recess taken.) Q. Now, you also say beginning at the bottom of page 16 of your January testimony beginning at the dollar 52 or that the amount from AEM-1 understates the namounts that are likely to be flowed through the EICCR would labe between \$2.17 and \$4.20 a megawatt-hour? A. I don't recall that a more defensible number to be included through the EICCR would able between \$2.17 and \$4.20 a megawatt-hour? A. I don't recall that a more defensible number to be included through the EICCR would able syeve so the casts of the sequence of the sequ	5	<del>-</del>	5	
A. She included in one of her schedules the B EICRC costs for 2011.  Q. Okay. Regardless of what Ms. Thomas did or didn't do, what is the estimate at the present time, to the best of your knowledge, of the costs that AEP-Ohio would flow through the EICCR rider in 12 2012 if the ESP is approved as proposed? A. They would be contained in AEM-1. 15 Exhibit AEM-1. Q. And do you recall that's a dollar S2 a megawatt-hour? A. Then not sure the dollar S2 appears on the there, but Q. It can be derived from that schedule. A. It might be considered a weighted type rates by class, not Q. I understand. To the best of your  Page 30  1 knowledge, though, that estimate in the AEM-1 is still the current forecast of costs that would be seen on 2012 for that particular charge. Q. Is it your understanding that the dollar amount, whatever it is, that would go through the EICCR would also be passed through to customers as part of an MRO? A. I haven't thought too much about the B. EICCR would also be passed through to customers as part of an MRO? A. I most sure the dollar S2 appears on the secondary of the costs of the costs of the cost of the c			l	·
EICCR costs for 2011.  Q. Okay. Regardless of what Ms. Thomas did or didn't do, what is the estimate at the present time, to the best of your knowledge, of the costs that AEP-Ohio would flow through the EICCR rider in 2012 if the ESP is approved as proposed?  A. They would be contained in AEM-1.  Exhibit AEM-1.  Q. And do you recall that's a dollar 52 a megawatt-hour?  A. If most sure the dollar 52 appears on there, but —  Q. It can be derived from that schedule.  A. It might be considered a weighted type rate, but the schedule speaks for itself. We design rate, but the schedule speaks for itself. We design rate, but the schedule speaks for itself. We design rate by class, not —  Q. I understand. To the best of your  Page 30  knowledge, though, that estimate in the AEM-1 is still the current forecast of costs that would be flowed through the EICCR would also be passed through to customers as part of an MRO?  A. Yes. That's the latest forecast I've seen on 2012 for that particular charge.  Q. Is it your understanding that the dollar samount, whatever it is, that would go through the EICCR would also be passed through to customers as part of an MRO?  A. I haven't reviewed the calculations so I can't agree or disagree. His assumptions I would agree with.  Q. Fageralless of whether you recall the specifically.  Q. Regardless of whether you ceall the specifically.  Q. Regardless of whether you ceal the specifically.  Q. Regardless of whether you class from a per geavetifically.  Q. Regardless of whether you call the specifically.  Q. Regardless of whether you call the specifically.  Q. Regardless of whether you call the specifically.  Q. It all the All the stated that amove defensible unables to co			i .	-
9 Q. Okay. Regardless of what Ms. Thomas did or didn't do, what is the estimate at the present time, to the best of your knowledge, of the costs that AEP-Ohio would flow through the EICCR rider in 2012 if the ESP is approved as proposed?  14 A. They would be contained in AEM-1. 15 Exhibit AEM-1. 16 Q. And do you recall that's a dollar 52 a megawatt-hour? 17 M. I'm not sure the dollar 52 appears on the they but 18 Q. It can be derived from that schedule. 19 A. It might be considered a weighted type rate, but the schedule speaks for itself. We design rates by class, not Q. I understand. To the best of your  Page 30  1 knowledge, though, that estimate in the AEM-1 is still the current forecast of costs that would be fowed through the EICCR under the proposed ESP, correct?  A. Yes. That's the latest forecast I've seen on 2012 for that particular charge. Q. Is it your understanding that the dollar amount, whatever it is, that would go through the EICCR would also be between \$2.17 and \$4.20 a megawatt-hour? A. I dor treall those numbers specifically. Q. Regardless of whether you recall the specific numbers or not, either on a per megawatt-hour? A. I haven't reviewed the calculations so 1 can't agree with that piece of Mr. Schnitzer's testimony? A. I haven't reviewed the calculations so 1 haven't - I'd have to review because I'm not sure his assumptions I would agree with.  15 knowledge, though, that estimate in the AEM-1 is still the current forecast of costs that would be fowed through the EICCR under the proposed ESP, correct?  A. Yes. That's the latest forecast I've seen on 2012 for that particular charge. Q. Is it your understanding that the dollar amount, whatever it is, that would go through the EICCR would also be passed through to customers as part of an MRO?  A. I haven't done a thorough analysis of his testimony. Q. Well, you haven't done an analysis to the extent necessary that would allow you to cither agree or disagree with his conclusion, correct? A. No, I haven't done a thorough analysis of the e			1	· · · · · · · · · · · · · · · · · · ·
or didn't do, what is the estimate at the present time, to the best of your knowledge, of the costs that AFP-Ohio would flow through the EICCR rider in 2012 if the ESP is approved as proposed?  A. They would be contained in AEM-1.  15 Exhibit AEM-1.  16 Q. And do you recall that's a dollar 52 a megawatt-hour?  17 A. If most sure the dollar 52 appears on there, but				
time, to the best of your knowledge, of the costs that AEP-Olivo would flow through the EICCR rider in 13 2012 if the ESP is approved as proposed? A. They would be contained in AEM-1. 15 Exhibit AEM-1. 16 Q. And do you recall that's a dollar 52 a pears on 17 megawatt-hour? 18 A. I'm not sure the dollar 52 appears on 19 there, but 20 Q. It can be derived from that schedule. 21 A. It might be considered a weighted type rate, but the schedule speaks for itself. We design rates by class, not 21 Q. I understand. To the best of your 22 rates by class, not 23 knowledge, though, that estimate in the AEM-1 is still the current forecast of costs that would be seen on 2012 for that particular charge. 3 G. Is it your understanding that the dollar amount, whatever it is, that would go through the EICCR would also be passed through to customers as part of an MRO? 3 part of an MRO? 4 A. How will allow you to, as you say, either agree or disagree with his conclusion, correct? 4 A. No, I haven't done a thorough analysis of the extent necessary that would allow you to either agree or disagree with his conclusion, correct? 4 A. No, I haven't done a thorough analysis to the extent necessary that would allow you to either agree or disagree with his conclusion, correct? 4 A. No, I haven't done a thorough analysis to the extent necessary that would allow you to either agree or disagree with his conclusion, correct? 4 A. No, I haven't done a thorough analysis to the extent necessary that would allow you to either agree or disagree with his conclusion, correct? 5 A. Yes. That's the latest forecast I've seen on 2012 for that particular charge. 6 Q. Is it your understanding that the dollar amount, whatever it is, that would go through the EICCR, with it's a nonbypassable charge as were proposing, all customers would pay that particular charge. 9 Q. Well, you haven't done a thorough analysis to the extent necessary that would allow you to either agree or disagree with his correct?  A. That's correct.  Excuse me. Could I get a gla		` •	l i	<del>-</del>
that AEP-Ohio would flow through the EICCR rider in 2012 if the ESP is approved as proposed?  A. They would be contained in AEM-1.  Exhibit AEM-1.  Q. And do you recall that's a dollar 52 a megawatt-hour?  A. I'm not sure the dollar 52 appears on 16 there, but 20 Q. It can be derived from that schedule.  A. It might be considered a weighted type 17 rate, but the schedule speaks for itself. We design 18 rate, but the schedule speaks for itself. We design 19 trate, but the schedule speak for itself. We design 19 trate the schedule speak for itself. We design 19 trate the schedule speak for itself. We design 19 trate the schedule speak fo		· · · · · · · · · · · · · · · · · · ·	į.	
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Exhibit AEM-1.  Q. And do you recall that's a dollar 52 a megawatt-hour?  A. I'm not sure the dollar 52 appears on there, but —  Q. It can be derived from that schedule.  A. It might be considered a weighted type rate, but the schedule speaks for itself. We design rate by class, not—  Q. I understand. To the best of your  Page 30  knowledge, though, that estimate in the AEM-1 is still the current forecast of costs that would be seen on 2012 for that particular charge.  Q. Is it your understanding that the dollar amount, whatever it is, that would go through the EICCR would also be passed through to customers as nonbypassable charge as we're proposing, all customers would pay that particular charge.  Q. Welther they're under an ESP or an MRO  A. Well, I characterize it more as whether they dough the EICCR?  Mr. Schnitzer's testimony?  1			1	•
16 Q. And do you recall that's a dollar 52 a megawatt-hour?  18 A. I'm not sure the dollar 52 appears on three, but		· · · · · · · · · · · · · · · · · · ·		
17 megawatt-hour? 18 A. I'm not sure the dollar 52 appears on 19 there, but 20 Q. It can be derived from that schedule. 21 A. It might be considered a weighted type 22 rate, but the schedule speaks for itself. We design 23 rates by class, not 24 Q. I understand. To the best of your  Page 30  1 knowledge, though, that estimate in the AEM-1 is 25 flowed through the EICCR under the proposed ESP, correct? 26 A. Yes. That's the latest forecast I've 27 seen on 2012 for that particular charge. 28 gard of an MRO? 29 A. I haven't reviewed the calculations so I 20 haven't I'd have to review because I'm not sure 21 his assumptions I would agree with. 22 you haven't conducted the analysis to that extent 23 that would allow you to, as you say, either agree or 24 A. No, I haven't done at horough analysis of 25 his testimony. 26 A. No, I haven't done, whether it's 27 thorough or not, you haven't done, whether it's 28 thorough or not, you haven't done any analysis to the 29 extent necessary that would allow you to either agree 30 or disagree with his conclusion, correct? 31 haven't eviewed the calculations so I 32 haven't I'd have to review because I'm not sure 32 his assumptions I would agree with. 32 Q. Fair enough. But as you sit here today 34 you haven't conducted the analysis to that extent 45 that would allow you to, as you say, either agree or 46 disagree with his conclusion, correct? 4 A. No, I haven't done at analysis to the 4 extent that would allow you to, as you say, either agree or 4 A. No, I haven't done an analysis to the 4 extent that would allow you to, as you say, either agree or 4 A. No, I haven't done any analysis to the 4 extent that would allow you to, as you say, either agree or 5 A. Yes. I haven't done any analysis to the 6 extent necessary that would allow you to either agree 7 Q. Yeah. Yeah. Sure. Absolutely. And 8 anytime you want to take a break, just let us know, 10 We usually go about an hour to take a break, 10 Q. Now, you also say beginning at the bottom 10 of page 16 of your January				
A. I'm not sure the dollar 52 appears on there, but  Q. It can be derived from that schedule.  A. It might be considered a weighted type rate, but the schedule speaks for itself. We design rates by class, not  Q. I understand. To the best of your  Page 30  knowledge, though, that estimate in the AEM-1 is still the current forecast of costs that would be flowed through the EICCR under the proposed ESP, A. Yes. That's the latest forecast I've seen on 2012 for that particular charge.  Q. Is it oan MRO?  A. I haven't reviewed the calculations so I can't agree or disagree. His assumptions I would agree with.  Q. Fair enough. But as you sit here today you haven't conducted the analysis to that extent that would allow you to, as you say, either agree or  Page 30  Page 30  A. No, I haven't done any sou say, either agree or  A. No, I haven't done a thorough analysis of his testimony.  Q. Well, you haven't done, whether it's thorough or not, you haven't done, whether it's thorough or not, you haven't done any analysis to the extent necessary that would allow you to either agree or disagree with his conclusion, correct?  A. No, I haven't done a thorough analysis of his testimony.  Q. Well, you haven't done, whether it's thorough or not, you haven't done any analysis to the extent necessary that would allow you to either agree or disagree with his conclusion, correct?  A. Yes. That's the latest forecast I've seen on 2012 for that particular charge.  Q. Is it your understanding that the dollar amount, whatever it is, that would go through the EICCR would also be passed through to customers as part of an MRO?  A. Thaven't heve to disagree with.  22 d. Carect?  A. No, I haven't done, whether it's thorough or not, you haven't done, whether it's thorough the EICCR would also be passed through to extent necessary that would allow you to either agree or disagree with his conclusion,				-
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12 MRO/ESP distinction. I'll stick with it's a 13 nonbypassable charge as we're proposing, all 14 customers would pay that particular charge. 15 Q. Whether they're under an ESP or an MRO 16 regime; is that correct? 17 A. Well, I characterize it more as whether 18 they shop or don't shop. 19 Q. Did you review that part of 20 Mr. Schnitzer's testimony in which he contended that 21 the dollar 52 or that the amount from AEM-1 22 understates the amounts that are likely to be flowed 23 through the EICCR?  10 anytime you want to take a break, just let us know, 10 too. We usually go about an hour to take a break, 11 too. We usually go about an hour to take a break, 12 anytime you want to take a break, just let us know, 13 too. We usually go about an hour to take a break, 14 but, you know, it's your convenience. 16 (Recess taken.) 17 Q. Now, you also say beginning at the bottom 18 of page 16 of your January testimony beginning at line 23 that "The Company believes it is in the best interests of Ohio retail ratepayers for the Company 20 to be able to recover environmental investments from the total retail customer base." Do you see that? 21 the total retail customer base." Do you see that? 22 A. Yes.		•	1	
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Q. Did you review that part of Mr. Schnitzer's testimony in which he contended that the dollar 52 or that the amount from AEM-1 understates the amounts that are likely to be flowed through the EICCR?  In 19 line 23 that "The Company believes it is in the best interests of Ohio retail ratepayers for the Company to be able to recover environmental investments from the total retail customer base." Do you see that?  A. Yes.		•	1	
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23 through the EICCR? 23 A. Yes.			1	
		situation the attourts that the livery to be nowed	,	
	22	through the EICCR?	23	A. Yes.

Page 35 Page 33 market prices? set forth in the next two sentences of your 1 1 2 testimony? 2 A. I didn't rely on any particular study for 3 A. That's support for it, but I believe 3 that. Mr. Hamrock has also offered a fair amount of support O. What did you rely on for that? 4 4 A. I relied on -- well, I relied on general 5 for that concept. 5 6 common sense I guess is the way to characterize it. 6 Q. And do you know whether AEP-Ohio or the 7 When you make an investment, certainly you want to be 7 service company or anyone else in the AEP group of 8 companies has made any analysis that would identify 8 able to recover the costs of those investments, and if you're unsure about the recovery of those costs, what generating facilities might be retired without a 9 9 you're less likely to make that investment. bypassable EICCR as opposed to having -- I'm sorry. 10 10 11 O. Has the company been unable to recover Let me start that question over. 11 the costs of any significant new environmental 12 Has anybody, to the best of your 12 investments over the last five years? 13 knowledge, made any study or analysis of generating 13 A. Are you talking about the company being 14 facilities that might be retired if the EICCR is not 14 15 15 just restricted to AEP-Ohio? nonbypassable? 16 O. AEP-Ohio let's say. 16 A. I don't know of any studies specifically A. Well, certainly we've had proceedings 17 17 on that topic. where we may have requested a certain amount of 18 Q. Is there any study that compares the 18 environmental recovery and, you know, it wasn't generating facilities that might be retired if the 19 19 EICCR is not nonbypassable compared to the EICCR granted in full. 20 20 21 being bypassable? That's a little complicated too, 21 Q. And that wouldn't be affected by whether a rider would be bypassable or nonbypassable, would 22 22 isn't it? 23 A. Well, I was trying to differentiate that 23 A. Well, we haven't had the nonbypassable question from the previous one. 24 24 Page 36 Page 34 aspect of this rider in place for the last several O. Yeah. 1 1 years, so that wouldn't have been an issue. 2 A. Maybe I should hear them both. 2 Q. Well, let's look at the period of time 3 3 Q. Let me try and ask you another one. Is 4 that the EICCR as a bypassable rider has been in there any study or analysis that you're familiar with 4 place. Has the company been unable to recover any of that looks at the effect of the rider being 5 5 its significant new environmental investment 6 bypassable or not -- being nonbypassable or not 6 increases during that period of time? 7 nonbypassable on the retirement of any generating 7 A. I haven't done an over- or underrecovery 8 8 facilities? 9 analysis to that detail that I can answer that we 9 A. I'm not aware of any study, 10 O. And the last sentence of this answer that 10 have or haven't. we're looking at on lines 5 and 6 of page 17 says 11 O. Let's talk about the carbon capture and 11 sequestration rider for a minute. Is it AEP-Ohio's "This may put pressure on generation supply in Ohio 12 12 present intent to recover the costs of the FEED study 13 and may result in higher market prices." Do you see 13 through the carbon capture rider under the ESP as 14 that? 14 15 proposed? 15 A. Yes. 16 O. And "this" refers to the additional or 16 A. Yes. earlier retirements of generating facilities; does it 17 O. That's about a million 6, correct? 17 18 A. In my testimony it was I believe a 18 not? million 6 set out, I believe we might have had a 1.9 A. Yes. 19 slight correction to the allocation factor which 20 20 Q. And, again, is there any study or 21 would have reduced our request as filed to about a 21 analysis or report of any kind that you relied on to million 5 as I recall. 22 reach the conclusion that additional or earlier 22 retirements of generating facilities may put pressure 23 Q. All right. And do you recall, again, 23

that Mr. Schnitzer quantified the effect of that to

on generation supply in Ohio and may result in higher

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11 Commission." That is all subject to the requirements 12 of the statute, correct? 13 A. Yes. The statute does have a provision 14 allowing this type of investment and recovery of this 15 investment as a nonbypassable rider. 16 Q. And it sets forth specific provisions 17 relating to the kinds of facilities and the nature of 18 approvals and the kinds of analyses that need to be 19 done before the costs can be recovered, correct? 20 A. I'd prefer to be looking at the statute 21 when I answer that. 22 Q. Well, I'm not going to ask you any 23 details about that. You're not an expert on that 2		Page 37		Page 39
A. I believe he quantified it, but, again, I Q. Are you accepting his calculation? A. No, I wouldn't accept his calculation? A. No, I wouldn't accept his calculation. Q. But as you sit here do you have any basis? upon which to disagree with Mr. Schnitzer's calculation of 3 cents a megawatt-hour? MR. CONWAY: Other than the fact that he hasn't reviewed it? MR. KUTIK: Well, is that an objection? Let's stop testifying, okay? Let's stop testifying, okay? MR. CONWAY: Well, I object to the form of the question. And it's his examination, not yours. MR. KUTIK: It's my record as well. Go question. MR. KUTIK: It's the world's record. MR. KUTIK: It's the world's record. MR. STAHL:	1	be about 3 cents a megawatt-hour?	1	A. No.
didn't check his calculation. Q. Are you accepting his calculation? A. No, I wouldn't accept his calculation. Q. But as you sit here do you have any basis upon which to disagree with Mr. Schitter's calculation of 3 cents a megawatt-hour? BMR. CONWAY: Other than the fact that he hart reviewed it? MR. KUTIK: Well, is that an objection? Let's stop testifying, 6xay? MR. CONWAY: Well, I object to the form yours. MR. KUTIK: It's my record as well. Go ahead. MR. STAHL: It's the world's record. MR. KUTIK: It's the world's record. MR. STAHL: It's the world's record. MR. ST			2	
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12 of the statute, correct?  A. Yes. The statute does have a provision 13 true as well for that facility. 14 allowing this type of investment and recovery of this 15 investment as a nonbypassable rider. 16 Q. And it sets forth specific provisions 17 relating to the kinds of facilities and the nature of 18 approvals and the kinds of analyses that need to be 19 done before the costs can be recovered, correct? 19 A. I'd prefer to be looking at the statute 20 when I answer that. 21 Q. Well, I'm not going to ask you any 22 details about that. You're not an expert on that 23 details about that. You're not an expert on that 26 A. Yes. I believe so. 27 Q. What about any off-system sales made from the gas facility, would that disqualify recovery under the rider as far as you know? 28 A. I'm not sure I understood the question. 29 Q. If there were off-system sales made from	10	financed by the Company and approved by the	10	or financed by the company?
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A. Yes. The statute does have a provision allowing this type of investment and recovery of this investment as a nonbypassable rider.  Q. And it sets forth specific provisions relating to the kinds of facilities and the nature of approvals and the kinds of analyses that need to be done before the costs can be recovered, correct?  A. I'd prefer to be looking at the statute when I answer that.  Q. For those costs to be recovered through the rider all of the output of that gas facility would need to be provided to Ohio retail customers, correct?  A. Yes. I believe so. Q. What about any off-system sales made from the gas facility, would that disqualify recovery under the rider as far as you know?  A. I'm not sure I understood the question. Q. If there were off-system sales made from	12		12	new gas plant under this provision, that would hold
15 investment as a nonbypassable rider.  Q. And it sets forth specific provisions 16 Q. And it sets forth specific provisions 17 relating to the kinds of facilities and the nature of 18 approvals and the kinds of analyses that need to be 19 done before the costs can be recovered, correct? 20 A. I'd prefer to be looking at the statute 21 when I answer that. 22 Q. Well, I'm not going to ask you any 23 details about that. You're not an expert on that 25 the rider all of the output of that gas facility 26 would need to be provided to Ohio retail customers, 27 correct? 28 A. Yes. I believe so. 29 Q. What about any off-system sales made from 20 the gas facility, would that disqualify recovery 21 under the rider as far as you know? 22 A. I'm not sure I understood the question. 23 Q. If there were off-system sales made from	13	A. Yes. The statute does have a provision	13	
Q. And it sets forth specific provisions relating to the kinds of facilities and the nature of approvals and the kinds of analyses that need to be done before the costs can be recovered, correct?  A. I'd prefer to be looking at the statute A. I'd prefer to be looking at the statute when I answer that.  Q. Well, I'm not going to ask you any details about that. You're not an expert on that  16 would need to be provided to Ohio retail customers, correct?  A. Yes. I believe so. Q. What about any off-system sales made from under the rider as far as you know? A. I'm not sure I understood the question. Q. If there were off-system sales made from	14	allowing this type of investment and recovery of this	14	Q. For those costs to be recovered through
Q. And it sets forth specific provisions relating to the kinds of facilities and the nature of approvals and the kinds of analyses that need to be done before the costs can be recovered, correct?  A. I'd prefer to be looking at the statute A. I'd prefer to be looking at the statute when I answer that.  Q. Well, I'm not going to ask you any details about that. You're not an expert on that  16 would need to be provided to Ohio retail customers, correct?  A. Yes. I believe so. Q. What about any off-system sales made from under the rider as far as you know? A. I'm not sure I understood the question. Q. If there were off-system sales made from	15		15	the rider all of the output of that gas facility
17 relating to the kinds of facilities and the nature of 18 approvals and the kinds of analyses that need to be 19 done before the costs can be recovered, correct? 20 A. I'd prefer to be looking at the statute 21 when I answer that. 22 Q. Well, I'm not going to ask you any 23 details about that. You're not an expert on that 21 correct? 22 A. Yes. I believe so. 23 Q. What about any off-system sales made from 24 under the rider as far as you know? 25 A. I'm not sure I understood the question. 26 Q. If there were off-system sales made from	16	O. And it sets forth specific provisions	16	
approvals and the kinds of analyses that need to be done before the costs can be recovered, correct?  A. I'd prefer to be looking at the statute when I answer that.  Q. Well, I'm not going to ask you any details about that. You're not an expert on that  A. Yes. I believe so.  Q. What about any off-system sales made from the gas facility, would that disqualify recovery under the rider as far as you know?  A. I'm not sure I understood the question. Q. If there were off-system sales made from	17	• •	17	correct?
done before the costs can be recovered, correct?  A. I'd prefer to be looking at the statute  when I answer that.  Q. What about any off-system sales made from  the gas facility, would that disqualify recovery  under the rider as far as you know?  A. I'm not sure I understood the question.  A. I'm not sure I understood the question.  Q. If there were off-system sales made from	18	5	18	A. Yes. I believe so.
A. I'd prefer to be looking at the statute  20 the gas facility, would that disqualify recovery  21 when I answer that.  22 Q. Well, I'm not going to ask you any  23 details about that. You're not an expert on that  20 the gas facility, would that disqualify recovery  21 under the rider as far as you know?  22 A. I'm not sure I understood the question.  23 Q. If there were off-system sales made from	19	·		•
when I answer that.  Q. Well, I'm not going to ask you any  details about that. You're not an expert on that  21 under the rider as far as you know?  A. I'm not sure I understood the question.  Q. If there were off-system sales made from	20	•		* -
Q. Well, I'm not going to ask you any details about that. You're not an expert on that  22 A. I'm not sure I understood the question.  Q. If there were off-system sales made from	21	-		
23 details about that. You're not an expert on that 23 Q. If there were off-system sales made from	22			
	23			- · · · · · · · · · · · · · · · · · · ·
	24	statute, are you?	24	this new traditional gas facility, for example, that

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output would not go to Ohio retail customers, correct?

- A. I would have to have a definition of what you mean by "off-system sales of this facility."
- Q. You know the company makes off-system sales. AEP-Ohio makes off-system sales.
- A. Yes. In excess of their firm load requirements, yes, they make additional off-system sales. Opportunity sales I think is what you're referring to.
- Q. All right. We can call them opportunity sales. If this gas facility were to make an opportunity sale, as you have just described it, would that disqualify recovery of the costs of the investment in that facility through the GRR to the best of your knowledge?
- A. Disqualify it? No. The intention would be, of course, that the customer would get any benefits of any sales made out of that facility and, you know, alls we'd be seeking to do is recover our costs. Whether we recover our costs through an off-system sale or whatever, it would be credited against the cost of that facility. So there would be no intention of making an off-system sale that the

1 statute, are you?

б

- A. Sorry. Could you give me the line reference again?
- Q. Yeah, line 2 on page 22 of your January testimony. Lines 2 and 3, actually.
- A. Yes, the Commission obviously would have to determine that facility met the requirements of the statute.
- Q. Now, with respect to the Turning Point project itself, again, Mr. Schnitzer attempted to quantify on a dollar per megawatt-hour basis the costs of Turning Point that would be recovered through the GRR; do you know that?
- A. I don't recall his discussion of Turning Point.
- Q. Is it fair to say that you are not sufficiently familiar with his analysis of the costs of Turning Point to be recovered to express an opinion either contrary to or consistent with what Mr. Schnitzer has concluded?
- A. I can't opine specifically on his testimony. I can opine on the estimated revenue requirements and costs of the Turning Point facility that's attached to my supplemental testimony.

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retail customer didn't get the benefit of.

- Q. All right.
- A. And it's a dedicated facility.
- Q. Said another way, then, it's your understanding that the proceeds of any such opportunity sales would be credited back to the AEP-Ohio retail customers, correct?
- A. That's correct. I'm having trouble with the question because the premise of an off-system sale for a dedicated unit may be something I'd have to think about.
- Q. Well, that's why I'm really asking you what your definition of "dedicated" is, and if dedicated is that the Ohio retail customers get either all the power or all the economic benefit from that power, that's all I need to know. And I think that's what you're telling me.
  - A. Yes.
- Q. Okay. And insofar as you refer to the approval process up in line 2 on page 22 of your testimony, again, this is whatever approvals are required by the statute, correct? When you say "approved by the Commission," you're not implying anything less or more than as required by the

- Q. Yeah. Well, you understand that he took the revenue requirements set forth in your supplemental testimony and attempted to convert those into a dollar per megawatt-hour recovery. Do you know that?
  - A. I don't recall what he did there.
- Q. He came up with a number of 12 cents a megawatt-hour on average over the ESP period. Do you recall that?
  - A. I don't recall specifically 12 cents, no.
- Q. Fair to say that you have no basis either to agree or disagree with Mr. Schnitzer's conclusion in that regard?

MR. CONWAY: Objection.

- Q. You can answer.
- A. Again, I haven't done any analysis of his numbers at this point so, you know, it's as if I've, in a sense, not reached any conclusion because I haven't done any analysis.
- Q. Is the revenue requirement number in your supplemental testimony still correct to the best of your knowledge?
  - A. Yes.
  - Q. And I think the record's clear but let me

11 (Pages 41 to 44)

Page 45 Page 47 make sure. It is AEP-Ohio's intent to recover the 1 1 (Record read.) 2 costs of Turning Point, whatever they are, through 2 A. As I sit here today I don't have any the GRR if the ESP is approved as proposed, correct? 3 3 basis, but it's -- I haven't looked at it. I'm assuming -- I haven't reviewed his assumptions which 4 4 Q. Has AEP identified any other potential 5 5 obviously can drive numerical answers quite a bit. I 6 generating resources, traditional or otherwise, the 6 don't know what periods he's looked at. I don't costs of which might be recovered through the GRR if 7 7 know, you know, so it's just, to me, just a number В the ESP is approved? 8 that you have mentioned. 9 A. I'm not aware of any. 9 Q. Do you know if anybody has looked at it? 10 Q. And, again, Mr. Schnitzer reaches some 10 A. I don't know. conclusions in his testimony about additional 11 11 Q. You haven't discussed it with anybody in 12 generation that might be necessary to replace your department or anyone else within the Service 12 generation that AEP-Ohio may retire. Are you 13 13 Corporation or within AEP-Ohio? familiar with that piece of Mr. Schnitzer's 14 A. No, I haven't, 14 15 testimony? 15 Q. Let's turn to the pool termination or A. I recall reading some part of his modification provision. You're familiar with that: 16 16 testimony dealing with reserve margins and the like. 17 17 are you not? 18 Q. Do you recall specifically Mr. Schnitzer 18 A. I am. reaching an approximation that AEP-Ohio's share of 19 19 Q. And you testify on page 31 of your the costs necessary to replace generation fully 20 20 testimony -- well, just referring to page 31 of your exposed to environmental regulations would be between testimony you say that if the costs to be recovered 21 21 440 and 819 million dollars? Do you recall that? 22 22 through this rider are less than \$35 million on an 23 A. I don't recall that. 23 annual basis, then the proposed rate will not be Q. And, again, am I correct in understanding adjusted; is that correct? Let me say it another 24 24 Page 46 Page 48 1 that as you sit here you don't have any basis to 1 way. 2 either accept or reject that conclusion by 2 Is it the company's intent, AEP-Ohio's 3 Mr. Schnitzer? 3 intent, that if the costs that would otherwise be MR. CONWAY: Objection. We don't agree recoverable under this rider are not at least 4 4 5 5 \$35 million during a year, then the company will not with Mr. Schnitzer's testimony. 6 MR. STAHL: Well, I understand. 6 seek to flow those costs through the rider? 7 MR. CONWAY: So asking him -- to try to 7 A. Yes. Through this ESP. enlist him to support it on the basis that he hasn't O. But if the costs are \$36 million, is it 8 8 9 looked at it --9 then the company's intent to flow the entire 10 MR. STAHL: I'm just trying to --10 36 million through the rider? MR. CONWAY: -- is not appropriate and I 11 111 A. No. I would think that we would attempt 12 object to it. You know, you can ask him if he agrees 12 to flow a million dollars, but it would be a judgment 13 with something, and if he doesn't, if he doesn't -call on our part whether we sought to increase the 113 14 isn't familiar with it, he can tell you that. I 14 object to this whole line of questioning. 15 15 Q. Well, so are you not making a commitment 16 MR STAHL: Okav. 16 as part of this ESP that if the costs are not 17 MR. CONWAY: It's misleading. 17 \$35 million but are slightly above \$35 million, that MR. STAHL: Okay. Well, I'm sorry you only the excess above 35 million will be recovered 18 18 19 think so. I don't intend it to be. You're not 19 from customers through the ESP? instructing him not to answer, are you? 20 20 A. No. I think we're making that MR. CONWAY: No. 21 21 commitment. I just wanted to be clear that we aren't MR. STAHL: Okay. Can we have the mechanically coming in and checking against the 22 22 question read back and then we can get an answer and 23 23 35 million. If it exceeds it by a million, that we 24 move on. 24 are committing to making a filing.

1.5

11.6

1.6

- Q. I understand. You're not committing to recover the million dollars.
  - A. Right.

- Q. But if it's an amount that the company believes it will seek to recover, it will deduct the \$35 million, correct?
  - A. That's correct.
- Q. And is it also the company's intent through this rider to offset against the costs or charges that would otherwise be recoverable from the rider or through the rider any revenues received as a result of the pool termination or modification?
  - A. I wouldn't describe it quite that way.
  - O. Okay. How would you describe it?
- A. We would compare the lost revenues from the termination of the pool to revenues that we make through other wholesale sales.
  - Q. Other wholesale sales.
- A. Right. Excluding the pool. But if we can replace the pool revenues with sales in the wholesale market, I should say net margins or net revenues, then we would compare those two and that would be the determination of whether, you know, it has an impact more or less than 35 million.

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- Q. And when you say sales that you would make in the wholesale market, are these opportunity sales that we have discussed previously?
- A. It could be a number of things. We may end up with an additional affiliate contract, not the pool but another affiliate contract, and, obviously, if that replaces some of the capacity revenue lost from the pool, that would, you know, we'd take that into account.
- Q. In performing what I will call a netting, and you can agree or disagree with that characterization, but I'm just going to use that phrase for purposes of the question, in doing that netting would the new sources of revenue have to be specifically attributable to opportunities made available because of the termination or modification of the pool?
  - A. Yes, I think there has to be that link.
- Q. And has the company decided how it will make that determination? Is there any protocol anywhere that we could look at to see how that determination will be made?
- A. It's difficult to set out protocol because of the fact that we're going to be

Page 51 negotiating with various jurisdictions, I think about

2 seven jurisdictions as I recall, around this

termination and we really don't know exactly at this time what the form may take post pool. So no, we don't have a specific formula. We would make a

don't have a specific formula. We would make a filing under this provision and then it could --

filing under this provision and then it could -those adjustments could be addressed at that time.

O. Does AEP-Ohio today have any estimate of

- Q. Does AEP-Ohio today have any estimate of amounts that would be recovered through the pool termination and modification rider if the ESP is approved as proposed?
- A. No, we don't. Just because of the fact that we don't know how this will come out with all the discussions with the various jurisdictions.
- Q. And are you familiar with the estimate that Mr. Schnitzer made of amounts that might be recovered through this rider under the ESP?
- A. I recall he did a calculation, but I'm not, again, I haven't looked at it in any depth.
- Q. You haven't looked at it in depth, did you say?
  - A. Right.
- Q. Have you looked at it to the extent necessary to lead you to conclude one way or the

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other whether you agree or disagree with it?

- A. Well, I remember he had a zero factor in there which -- as the low side, and I felt a little more comfortable with zero because we really don't expect this termination to happen within this ESP period.
  - Q. He assumed --
- A. I can't say anything to the high side. I don't know how he did his calculations.
  - Q. All right.
- A. I suspect I would be impressed if he got that completely right.
- Q. Well, you don't even think Ms. Thomas got everything completely right, do you? That's not a --
- A. Knowing Ms. Thomas, I think she probably did.
- Q. Okay. Well, I think even she would disagree with you. Be that as it may, is it, in fact, your understanding that under the ESP the pool agreement would not be terminated or modified until the end of the ESP?
- A. That's somewhat unknowable at this time. What we provided was a three-year termination notice which the pool requires if, for example, we got into

Page 53 Page 55 1 settlement discussions with a bunch of the states, 1 may have been calculated, but --2 2 Q. Do you know what the number would be? including Ohio, and if everybody wanted it terminated A. No, I don't. 3 sooner and we agree, you know, it could be done 3 4 4 Q. How would you calculate that number? sooner. 5 MR. KUTIK: May I have the answer read, 5 A. Well, you'd have to know the off-system 6 6 sales income --7 7 Q. We have that. (Record read.) 8 Q. Are you yourself personally involved in 8 A. - and you'd have to know the average 9 any of these discussions with other jurisdictions 9 common equity balance. 10 about the termination of the pool? 10 Q. Is it fair to say that the 11.68 percent, 11 A. Yes. 11 for example, that is shown for 2012 was calculated by 12 12 dividing the 508,402 directly above it by whatever Q. Do you have, as a result of those 13 13 the common equity balance is? discussions, any indication that any of the 14 jurisdictions are interested in terminating the 14 A. Yes. And there's a footnote on that page 15 agreement sooner than the three-year period? 15 which describes that the equity balance did not 16 reflect any adjustment for the OSS income. 116 A. No, I haven't got that indication. 17 17 Q. Do you have any indication that the --Q. Right. And is it also fair to say that 18 well, based on your discussion what is your best 18 to determine the return on common equity including the OSS you would divide the 647,531 on line 20 by 19 estimate of when the pool would be terminated or 19 20 modified? 20 the common equity balance? 21 A. I always want to think through the tax 21 A. I think it would definitely not be sooner 22 implications. I believe that's correct --22 than the three-year notice time period. I can't say definitely. I mean, that's my opinion that it 23 Q. Okay. 23 24 wouldn't be terminated before then. I think it's 24 A. -- just sitting here, but I --Page 54 Page 56 1 going to take that long to work through this process. 1 O. Understood. O. But that is still within the ESP period; 2 MR. STAHL: Thank you. With that I will 2 3 3 pass the witness to Mr. Kutik. is it not? 4 MR. KUTIK: Would you like to take a 4 A. The three year is January 1st, 2014. 5 5 So you'd have another five months of the ESP period. break, Mr. Nelson? 6 MR. CONWAY: Yes, just to -- I'd like to 6 We wouldn't propose it to be terminated on January 7 7 1st. We'd probably try to line it up with the PJM take a break. 8 planning year, which is June 1, and that would be the 8 MR. KUTIK: Sure. 9 9 start of any subsequent ESP. (Recess taken.) 10 Q. So that's your best estimate at the 10 MR. KUTIK: Let's go back on the record. 11 present time. 11 12 12 **EXAMINATION** A. That's my best estimate. 13 13 Q. I do have a question about one of your By Mr. Kutik: 14 Q. As I understand your testimony, sir, at pro formas here, I think it's in PJN-3 page 7. And 14 one point in time you were in what's called the 15 15 you set forth there the financials for the three 16 Energy Pricing and Regulatory Services department; is 16 years of the ESP period; is that correct? 17 A. Yes. This is the income statement. 17 that correct? O. And you have there the return on common 18 A. That's my current position is Manager of 18 19 equity excluding off-system sales on line 23; is that 19 Regulatory Pricing and Analysis. 20 Q. Well, let me refer you to page 2 of your 20 correct? 21 testimony, and starting on line 5 you say "In 1997" 21 A. That's correct. 22 and you give your title and then going on to line 6 22 Q. Have you calculated the return on common 23 equity inclusive of the off-system sales? 23 you say ". . . in the Energy Pricing and Regulatory 24 A. I don't believe I've calculated it. It Services Department." Do you see that?

		1	
	Page 57		Page 59
] 1	A. Yes.	1	A. I worked in the financial forecasting
2	Q. Okay. And then today you say that you	2	section.
3	are the managing director of the Regulatory	3	Q. How many people worked in that section?
4	Pricing of Regulatory Pricing and Analysis in the	4	A. It's changed over time, but
5	Regulatory Services department. That's on page 1 of	5	Q. Could you give me an estimate?
6	your testimony. Correct? Lines 7 and and.	6	A. An estimate would probably be let me
7	A. Yes.	7	think a minute. I'm going to get this wrong, but
8	Q. My question to you is, are those the same	8	I'll say 20.
9	departments?	9	Q. Frankly, I'm just looking for an order of
10	A. Departments evolve over time. I can't	10	magnitude.
11	say that they do perform all the same functions, but	11	A. Okay.
12	they're related.	12	Q. It's 20, not 200.
13	Q. But it's not the same exact department.	13	A. Yes.
14	A. Not the same exact department, no.	14	Q. Okay. And it's not two.
15	Q. How is it different today than it was in	15	A. It's not two.
16	1997 in terms of what your responsibilities were in	16	Q. Is there a financial planning section
17	the department that you worked?	17	today?
18	A. Well, I could describe it as I've got	18	A. Yes.
19	more responsibility in my new role than just in the	19	Q. Is there a Corporate Planning and
20	Energy Services department I was in in 1997. I have	20	Budgeting department today?
21	another group that performs the contract analysis and	21	A. There is.
22	commercial analysis, pool analysis is also under me.	22	Q. Now, is this financial planning section,
23	Q. And that's part of regulatory services.	23	that's the 20 or so people that you mentioned
24	A. It is.	24	earlier?
	Page 58		Page 60
1	_	1	A. Yes, that's the area that I was in.
2	Q. Okay. Is energy pricing under some other department now?	2	Q. Okay. What others and I assume that
3	A. No. That's under me.	3	there are sections within a department; is that the
4	Q. They just call it a different thing?	4	way the nomenclature works?
5	A. Yes.	5	A. Yeah, that's a good rule.
6	Q. Different department, okay,	6	Q. What other sections are in the Corporate
7	So the functions of the department from	7	Planning and Budget department?
8	1997, the time period you were there, and today are	8	A. There is economic and load research,
9	the same except there's some expanded	9	there's the capital and budget section, there's,
10	responsibilities that you've just described, correct?	10	forgive me, I'll probably get the title wrong, but
11	A. I couldn't say they're the same because	11	there is a section that deals with the preparation of
12	of the evolution of the electric utility industry in	12	IRPs and kind of a system planning function.
13	that time, you know, we have things like demand	13	Q. Like resource planning.
14	response and so forth, a lot of changes in the	14	A. Resource planning.
15	industry. There would be a lot of similarities.	15	Q. Okay. Anything else?
16	Q. Okay. At one point in your career you	16	A. I think that covers the major sections.
17	were in the Corporate Planning and Budget department,	17	Q. So as far as you can recall there's the
18	correct?	18	financial planning section; is that correct?
19	A. Yes.	19	A. That's the way I'd characterize it, yes.
20	Q. And was there a separate group that did	20	Q. There's an economic and load research
21	corporate planning and a separate group that did	21	section?
		22	
22	budgeting in that department?	1 Z . Z ·	A. I Call, LOAU (OLCUASINI).
22 23	budgeting in that department?  A. Yes.		
22 23 24	A. Yes.  Q. And where did you work?	23 24	Q. Forecasting. There is a capital and budget section.

		<del>r</del>	
	Page 61		Page 63
1	A. Yes.	1	A. I assisted in the preparation of
2	Q. And there's a section that generally	2	financial forecasts, financial statements for AEP and
3	deals with system planning and resources?	3	its subsidiaries, as well as provided regulatory
4	A. Right.	4	testimony and support.
5	Q. So how many people total do you think are	5	Q. And what subjects would you provide
6	in that department with those four sections?	6	testimony in support of?
7	A. I should know this, but I would say a	7	A. Cases where a forecast was used, or if
8	rough guess is 80. Very rough guess.	8	there were pool issues, I'd sometimes cover that
9	Q. And you left that department to come to	9	area.
10	your current job, correct?	10	Q. Have you ever testified in a long-term
11	A. That's correct.	11	forecast case before the Ohio Commission?
12	Q. And when you left that department, what	12	A. No, I haven't.
13	was your title?	13	Q. Have you been involved in preparing
14	A. I was Director of Financial Planning, I	14	forecasts that were filed with the Commission in
15	believe.	15	long-term forecasts?
16	Q. So you were basically the head of that	16	A. Not specific and not without looking at a
17	section, correct?	17	long-term forecast report I can't tell you what
18	A. No, I was not.	18	particular schedules might be in there may have used
19	Q. Okay. Who was the head of the section?	19	some of my data, but I don't recall specifically
20	A. I reported to Ollie Sever.	20	providing any sort of income statement or balance
21	Q. His name, last name, is spelled?	21	sheet or cash flow.
22	A. S-e-v-e-r.	22	Q. You had no direct involvement in
23	Q. And that's a Mr. Sever?	23	supplying anything that you know of.
24	A. Yes.	24	A. It's a rather lengthy report. There's a
	Page 62		Page 64
1	Q. And Mr. Sever had what title?	1	lot of data in there. I wouldn't swear that I didn't
2	A. I believe he's Managing Director of	2	have any direct input into any of those numbers, but
3	Financial Planning but, again, I'm not good with	3	generally I would say that that's a fair statement.
4	titles.	4	Q. In other words, you can't recall getting
5	Q. Okay. And who did he report to?	5	any assignment to supply anything specifically for
6	A. He reported to Lonni Dieck.	6	one of the long-term forecast reports.
7	Q. And that's a woman?	7	A. No. I may have supplied something in
8	A. Yes.	8	Indiana I recall.
9	Q. And her last name is spelled?	9	Q. But in Ohio.
10	A. D-i-e-c-k.	10	A. In Ohio? Again, it's a rather large
11	Q. And what was Ms. Dieck's title?	11	document with a lot of data in it, I very well could
12	A. I think she's a senior vice president of	12	have. I've worked closely with that group, so
13	Corporate Planning and Budgeting.	13	Q. All I'm asking about is your
14	<ol><li>Q. So she was in charge of the department.</li></ol>	14	recollection, sir.
15	A. Yes.	15	A. My recollection. Nothing specific comes
16	Q. And Mr. Sever was in charge of the	16	to mind.
17	section.	17	Q. And in terms of the financial forecasts
18	A. Yes.	18	that you would do, would you do that for each
19	Q. And is it the case that there were other	19	subsidiary of AEP?
20	managing directors who were part or who were heads of	20	A. All the major subsidiaries would have a
21	the other sections?	21	financial forecast.
22	A. Yes.	22	Q. All right. So the two companies that
23	Q. Now, when you were Director of Financial	23	make up AEP-Ohio, would they be considered major
24	Planning, what did you do?	24	subsidiaries?

Page 65 Page 67 A. Yes. 1 A. That's a, it's just a forecast model 1 Q. How often would you do a financial 2 that's proprietary to a company called Utilities 2 3 International. 3 forecast? A. It varied. We've changed over the years. 4 Q. So it's a model and it teaches you about 4 At one time --5 5 or it gives you certain inputs that you're allowed to 6 Q. How did it vary? 6 put into the model and it runs its magic numbers and 7 A. Well, it may vary, you know, at one point 7 the numbers come out at the end, that kind of thing? we may have attempted to do quarterly forecasts, 8 8 A. I wouldn't describe it that way. other times we went to biannual, but the schedule --9 Q. Okay. Why not? I mean, for example --9 I don't know exactly what schedule they're on today. 10 A. Well, can I hear the question again? 10 Q. And biannual, you mean twice a year? 11 Q. Well, let me ask you this, did you make 11 12 A. Yes. 12 changes in the model? Q. When you left the department a year ago, 13 A. Did AEP make changes in the model? 13 what was the schedule? Q. Yes. 14 14 A. Absolutely. 15 A. Generally you'd have a, what I'll call a 15 budget forecast which was done sometime around this 16 16 Q. Okay. So that there would be changes time of year for the coming year. And in the spring in -- well, I'll back up. 17 17 there would be preparation of what I'll call a 18 18 Would the model be -- would a model be long-term forecast, as I recall. 19 described as a series of formulas and calculations? 19 Q. Okay. So two times a year that you 20 A. It could be. That's generally what I 20 21 recall at least. 21 would describe the model as. 22 A. I think two times a year as kind of an 22 Q. So this international utility model or Utilities International model, that would fit within official forecast would probably be a fair statement, 23 23 though they did reflect different looks, you know, 24 that description. 24 Page 68 Page 66 one was more emphasized on the coming year and one 1 A. Yes. It's, you know, the coding that we 1 2 would use to produce reports, to make calculations 2 was more for a longer-term view. Q. And the long-term forecast would cover 3 within the model, produce all the financial reports 3 what period? 4 we needed. 4 5 O. Would the model allow you to change 5 A. It varied, again. Depending on, you know, the desire of management, but generally ranged 6 formulas? 6 7 7 from five to ten years I would say. A. We had folks that would work with Q. And when you left the financial planning 8 8 Utilities International if we wanted a change in a section, how long was the long-term forecast, the 9 9 formula. last long-term forecast --10 Q. All right. And using the formulas you 10 11 A. The last one? 11 would have to input certain data to make the Q. -- that you can recall? 12 calculations that the model could do, correct? 12 A. I can't recall specifically whether it 13 A. Well, if you're speaking to the output of 13 was a five or ten year. the model, yes, it would have to have inputs to have 14 14 Q. Did you, during your career at AEP, and 15 any meaningful output. 15 I'll say any AEP company as AEP, receive any training Q. Right. And did you ever develop your own 16 16 17 in forecasts? 17 sense as to -- I'll back up. 18 A. Yeah, would I would say I received 18 Other than your experience in working training, you know, on the, for example, Utilities 19 with the international -- I'll back up even further. 19 20 International model that we --20 When you said you received training in 21 Q. I'm sorry? 21 forecasting through the use of this model, is that A. Utilities International model that we use 22 on-the-job training, or is that classroom training, 22 23 or is it something else? 23 for forecasting. A. I believe what I said, I was trained in 24 Q. What is that? 24

Page 72

Page 69 use of the model, that would have been more of a 1 A. You can speak up if I mumble. 2 classroom type training, though I may have done it on 2 Q. That's why I didn't hear it the first line with the support of our own internal people. As 3 3 time. far as forecasting, obviously, a lot of my training 4 4 In terms of -- you say after a certain 5 is working with people that have been in the business 5 period of time you have less confidence in the a long time. That's as good a training as you're forecast. Did you say something to that effect? 6 6 7 7 going to get. A. No. 8 Q. But you consider that on-the-job 8 Q. Okay. 9 A. I said forecasting out for a long period training. 9 10 A. On-the-job training, absolutely. And I 10 in the future you have less certainty. 11 started in my career in Wheeling Power also in the 11 Q. Less certainty. So to take the converse budget area so I've had a, you know, prior to my 12 of that, you can have more certainty with forecasts 12 13 involvement more recently with Corporate Planning and 13 that are for a shorter period of time on a relative Budgeting I did perform certain functions related to 14 14 basis? 15 that at Wheeling Power Company. 15 A. That's correct. Let me give you an Q. Now, with all these people that are 116 16 example. 17 involved in planning and budgeting would it be fair 17 Q. Sure. 18 to say that planning and budgeting is an important A. If you have an ESP and you know what 18 19 part of what the service company does for the 19 rates you're charging for that particular ESP period, 20 subsidiaries? 20 that's better than speculating what you're going to get in your next ESP period. 21 A. Yes, it's an important part. 21 O. And the subsidiaries, the utilities, they 22 O. Fair enough. 22 rely upon these forecasts and budgets in the conduct 23 So a forecast over a one-, two-, or 23 three-year period may be a forecast that has some 24 of their business? 24 Page 70 A. They also have input into those forecasts 1 certainty to it. 1 2 2 and budgets. 3 3 Q. Sure. A. But, yes, I would assume they rely on 4 4 5 5 than others. them. 6 6 O. So would it be fair to say that, in terms 7 of forecasts that are done and budgets that are done 7 by the AEP service company, that those budgets and 8 A. Fair to say, but you can add a lot of 8 9 9 forecasts are done with great care? A. We would hope they'd be done with great 10 10 care. That doesn't mean that a long-term forecast 11 11 12 12 will necessarily be totally accurate. As you know,

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forecasts ---

Q. Are forecasts.

A. -- are forecasts.

becomes more unknowable.

pronunciation of that word.

A. Yes.

Q. More unknowable?

Q. Right. And no one can predict the

future, that's the kind of thing you mean, correct?

A. Yes. No one can predict the future, and

if you get out more than a certain period of time, it

Q. Your roots are showing in your

A. Well, it depends on the item being forecast. Three to four years, two, three, four years could be a little less certain in some areas

O. So the longer the forecast, the less certain you are about the forecast; fair to say?

caveats to that. You know, uncertainty's created by external forces as well. For example, the new EPA rules that you don't know at the moment and things like that, if they get settled and you know what they are, then maybe your forecasts on out a little bit might be better, but when there's a lot of uncertainty and a lot of assumption, that can also have an inference.

Q. Other than Mr. Hamrock is there any witness in this case that reports to you or vice versa?

A. Yes.

Q. Who?

A. David Roush.

O. And what's your relationship with Mr. Roush?

18 (Pages 69 to 72)

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Γ	Page 73	1	Page 75
1	A. Mr. Roush reports to me.	1	some model called a PROMOD or a GenTrader.
2	Q. Is there anyone else other than	2	Q. Do you want to spell that?
3	Mr. Hamrock who has some type of reporting	3	A. PROMOD is all one word, P-R-O-M-O-D. And
4	relationship, and I mean direct or indirect, I don't	4	then GenTrader is one word, it's G-e-n-T-r-a-d-e-r, I
5	necessarily mean that you directly report to	5	believe.
6	Mr. Hamrock?	6	Q. And is this one model or two models?
7		7	A. No; it's two separate models.
i	A. We as Service Corp. employees do have a lot of indirect relationships with a number of folks	8	Q. And is that — are these models
8	•	9	-
9	and Mr. Hamrock would be one that we'd have certainly	l .	attempting to provide a forecast of what units will
10	an indirect relationship with.	10 11	be needed when?
11	Q. But my question was other than	1	A. What units will be needed when? That's
12	Mr. Hamrock and Mr. Roush, do you have reporting	12	not the primary function of it.
13	relationships to any other witness in this case?	13	Q. What is the primary function?
14	A. No.	14	A. Primary function is to see how the units
15	Q. Exhibit PJN-3, could you turn to that,	15	will dispatch against the load based on certain
16	please. Are you there, sir?	16	assumptions around market prices, fuel prices,
17	A. Yes. What page?	17	et cetera.
18	Q. Page 1.	18	Q. Is there a document called a generation
19	A. Okay.	19	forecast that comes out as a result of the use of the
20	Q. On the first page in the first paragraph	20	models?
21	you go through some of the components of a forecast,	21	A. No.
22	correct?	22	Q. Is this something that's done on an
23	A. Yes.	23	ongoing basis?
24	Q. And are these components the components	24	A. No. The generation forecast is subsumed
	Page 74		Page 76
1	of a normal operating forecast?	1	within an overall financial forecast. There are
2	A. Yes.	2	reports that can be generated from these models,
3	Q. One of those components is a load and	3	PROMOD and GenTrader, but they are then incorporated
4	demand forecast?	4	through an interface into the UI financial model.
5	A. Yes.	5	<ul> <li>Q. And is this necessary to, for example,</li> </ul>
6	Q. And that's done by one of the sections of	6	forecast what your costs might be?
7	the Corporate Planning and Budgeting department?	7	A. Yeah, with all the inputs there's certain
8	A. Yes, with input from operating companies	8	inputs that would drive what your costs are going to
9	and others that may have some relevant information.	9	be and this, of course, would take those cost inputs
10	Q. How often is that done, that forecast?	10	and determine which units might be operating, you
11	A. It's done at least once a year.	11	know, based on those costs, dispatched against a
12	Q. Is it done any more frequently than once	12	market,
13	a year?	13	Q. But would it also help you, this
14	A. I would say, if I had to pick a number,	14	generation forecast or this portion of the forecast,
15	though there's times it may be done for special	15	to let you know what your costs might be if you had
16	analysis or whatever, but I would say twice a year	16	certain units dispatching at certain periods of time
17	might be but that wasn't my area, so	17	or over certain periods of time?
1.8	Q. So your best thought sitting here today	18	THE WITNESS: Could I have that read
19	is you think it might be done twice a year.	19	back?
20	A. Right.	20	(Record read.)
21	Q. There's a generation forecast; what is	21	A. You're getting a little beyond me on
22	that? What is a generation forecast?	22	PROMOD and GenTrader.
23	A. That's primarily around modeling our	23	Q. Okay. So you don't know?
24	generating units and I would typically tie it into	24	A. I don't know if that's a good
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	Page 77		Page 79
1	characterization.	1	cycle? In other words, like we talked about the
2	Q. Okay. So you don't think what I said was	2	others, there might be one or two times a forecast is
3	соптест.	3	done in a year. Can we say anything like that for
4	A. I'm not going to judge you on your	4	the generation forecast, as to how often that would
5	statement, but I don't	5	be run?
6	Q. Well, I'm trying to understand if you're	6	A. It would be run whenever you would need a
7	not answering because you don't know or because you	7	financial forecast, most likely, unless we do some
8	don't agree. Can you tell me which it is?	8	top side adjustments, I can't say every forecast
9	<ul> <li>A. I guess I'd like to have you repeat the</li> </ul>	9	would require that run, but generally it would be run
10	question to see if you change any of your	10	as an input to the financial forecast.
11	MR. KUTIK: Well, can you read it.	11	Q. So it would be at least two times a year.
12	(Record read.)	12	A. Again, I'm not sure how many, you know,
13	A. Let me answer it this way: You can look	13	it's a fluid situation, but I would say that
14	at the output and determine what the costs of those	14	generally I would think it would probably have been
15	units are based on certain assumptions around the	15	run at least two times a year, that's a fair
16	market price and your load forecasts and your peak	16	statement.
17	demands and so forth.	17	Q. There's also, in your testimony,
18	Q. So if you have certain assumptions about	18	reference to retail and firm wholesale operating
19	how the market's going to work, one of the inputs or,	19	revenue projections; is that something your
20	excuse me, the outputs that might come from this is,	20	department did or your section did?
21	well, these units will be operating for certain	21	A. Well, my section would have compiled a
22	periods of time which will then in turn cause the	22	lot of this data, but the source can be various
23	company to incur certain costs. Would that be a fair	23	departments within the company.
24	use of the model or the forecast?	24	Q. In other words, you would collect the
	Page 78		Page 80
1	A. A fair use of it? I'm not sure I'd use	1	data and then the output in terms of these
2	it or have used it for that purpose. I can't answer	2	projections would come out of your department or your
3	that. Someone else might use that.	3	section.
4	Q. Okay. How would you use it? Or let me	4	A. Yes.
5	back up. Have you used it?	5	Q. And the section we're talking about is
6	A. Yes, I've used it. The output, as I	6	the financial planning section, correct?
7	said, of those models come into the financial	7	A. That's correct.
8	forecasts and I've used it for, you know, analysis	8	Q. How often would that be done?
9	around particular units, might be looking at a	9	A. It's all part of the same forecast
10	particular unit's cost and so forth.	10	process, so
11	Q. Right. So this will help you figure out	11	Q. So at least two times a year?
12	what costs and what revenues might be generated from	12	A. I would say two times a year is fair.
13	a particular unit?	13	Q. The O&M forecast, would that also be done
14	A. Revenues is more difficult. Costs, yeah,	14	two times a year?
15	you can determine costs by unit.	15	A. Yes. Again, saying that the budget, you
16	Q. Sure. So you might use the generation	16	know, there's a budget forecast done for the coming
17	forecast to help determine a certain portion of the	17	year that we'll call the budget, there's also a
18	company's costs in a budget.	18	forecast which might be a longer term, so generally
19	A. Yes, Certainly the PROMOD and GenTrader	19	it would fit that pattern.
20	will determine generation costs on a system basis.	20	Q. And the O&M forecast would be done by
21	Q. And you've used it for that purpose.	21	your department with input from the various operating
22	A. The company uses it for that purpose.	22	units?
23	Q. Okay. And is it the case that there	23	A. Correct.
23 24	isn't a particular forecast run over a particular	24	Q. The construction expenditure forecast,

	Page 81		Page 83
1	would that also be something that would be done by	1	A. That's correct.
2	the financial planning section?	2	Q. It's not something that's done on a
3	A. Compiled by the financial planning	3	haphazard and just, you know, seat of the pants type
4	section, yes.	4	of deal, is it?
5	Q. With input from the operating units?	5	A. No.
6	A. It would also involve the budget group,	6	Q. Let me refer you to PJN (Support AEM-1).
7	we'll call it Corporate Planning and Budgeting	7	Are you there, sir?
8	because I don't want to attribute too much to just	В	MR. CONWAY: I'm sorry. Mr. Kutik, you
9	financial planning. As you know, there's different	9	said "PJN"?
10	sections, they all contribute to this forecast.	10	MR. KUTIK: And then he has
11	Q. Is there one part of the Corporate	11	A. Are you in the workpapers?
12	Planning and Budget section that does corporate	12	Q. I'm in the workpapers. Do you have those
13	expenditure forecasts?	13	in front of you?
14	A. Define "corporate expenditure."	14	A. Yes.
15	Q. I'm sorry. Construction expenditure	15	Q. And this particular schedule I don't
16	forecasts.	16	think has pages, or if it does, mine are not there,
17	A. There is a group that deals specifically	17	but let me direct you to a page that says at the top
18	with a capital forecast, that's what I described	18	"CSP & and OPCo Environmental Post Allocated Capital
19	earlier, the budget and the capital forecast section.	19	Excluding AFUDC." Are you there?
20	Q. So they would be the ones primarily	20	A. Yes.
21	responsible for pulling that information together.	21	Q. Who prepared is this a document that
22	A, That's correct.	22	is regularly prepared by the service company?
23	Q. And a financing plan, who would be	23	A. No. This would be a request to isolate
24	responsible for pulling that together?	24	environmental.
24	Page 82		Page 84
-	A. The Finance department would have input		1430 01
	A The Einance denariment Wollid have innii	۱ - ۱	O Olean And reho remaild and date thin
1		1	Q. Okay. And who would produce this
2	and review the financial model for sections related	2	document?
2	and review the financial model for sections related to the financing plan.	2 3	document?  A. Corporate Planning and Budgeting.
2 3 4	and review the financial model for sections related to the financing plan.  Q. The construction expenditure forecast,	2 3 4	document?  A. Corporate Planning and Budgeting.  Q. Would the capital and budget section be
2 3 4 5	and review the financial model for sections related to the financing plan.  Q. The construction expenditure forecast, would that be done more than once a year?	2 3 4 5	document?  A. Corporate Planning and Budgeting.  Q. Would the capital and budget section be doing this?
2 3 4 5 6	and review the financial model for sections related to the financing plan.  Q. The construction expenditure forecast, would that be done more than once a year?  A. It could be.	2 3 4 5 6	document?  A. Corporate Planning and Budgeting.  Q. Would the capital and budget section be doing this?  A. They would be the source of it, yes.
2 3 4 5 6 7	and review the financial model for sections related to the financing plan.  Q. The construction expenditure forecast, would that be done more than once a year?  A. It could be.  Q. Okay. And with respect to each of these	2 3 4 5 6 7	document?  A. Corporate Planning and Budgeting. Q. Would the capital and budget section be doing this?  A. They would be the source of it, yes. Q. And did you request them to compile this
2 3 4 5 6 7 8	and review the financial model for sections related to the financing plan.  Q. The construction expenditure forecast, would that be done more than once a year?  A. It could be.  Q. Okay. And with respect to each of these forecasts and the plans, would it be fair to say that	2 3 4 5 6 7 8	document?  A. Corporate Planning and Budgeting. Q. Would the capital and budget section be doing this?  A. They would be the source of it, yes. Q. And did you request them to compile this document?
2 3 4 5 6 7 8	and review the financial model for sections related to the financing plan.  Q. The construction expenditure forecast, would that be done more than once a year?  A. It could be.  Q. Okay. And with respect to each of these forecasts and the plans, would it be fair to say that the company or the departments or the sections that	2 3 4 5 6 7 8 9	document?  A. Corporate Planning and Budgeting. Q. Would the capital and budget section be doing this?  A. They would be the source of it, yes. Q. And did you request them to compile this document?  A. I did.
2 3 4 5 6 7 8 9	and review the financial model for sections related to the financing plan.  Q. The construction expenditure forecast, would that be done more than once a year?  A. It could be.  Q. Okay. And with respect to each of these forecasts and the plans, would it be fair to say that the company or the departments or the sections that are involved in putting these together would use the	2 3 4 5 6 7 8 9	document?  A. Corporate Planning and Budgeting. Q. Would the capital and budget section be doing this?  A. They would be the source of it, yes. Q. And did you request them to compile this document?  A. I did. Q. Do they report to you now?
2 3 4 5 6 7 8 9 10	and review the financial model for sections related to the financing plan.  Q. The construction expenditure forecast, would that be done more than once a year?  A. It could be.  Q. Okay. And with respect to each of these forecasts and the plans, would it be fair to say that the company or the departments or the sections that are involved in putting these together would use the best information and the best assumptions that they	2 3 4 5 6 7 8 9 10	document?  A. Corporate Planning and Budgeting. Q. Would the capital and budget section be doing this?  A. They would be the source of it, yes. Q. And did you request them to compile this document?  A. I did. Q. Do they report to you now? A. No.
2 3 4 5 6 7 8 9 10 11	and review the financial model for sections related to the financing plan.  Q. The construction expenditure forecast, would that be done more than once a year?  A. It could be.  Q. Okay. And with respect to each of these forecasts and the plans, would it be fair to say that the company or the departments or the sections that are involved in putting these together would use the best information and the best assumptions that they had at the time in preparing those forecasts and	2 3 4 5 6 7 8 9 10 11	document?  A. Corporate Planning and Budgeting. Q. Would the capital and budget section be doing this? A. They would be the source of it, yes. Q. And did you request them to compile this document? A. I did. Q. Do they report to you now? A. No. Q. Does this document represent the best
2 3 4 5 6 7 8 9 10 11 12	and review the financial model for sections related to the financing plan.  Q. The construction expenditure forecast, would that be done more than once a year?  A. It could be.  Q. Okay. And with respect to each of these forecasts and the plans, would it be fair to say that the company or the departments or the sections that are involved in putting these together would use the best information and the best assumptions that they had at the time in preparing those forecasts and plans?	2 3 4 5 6 7 8 9 10 11 12	document?  A. Corporate Planning and Budgeting. Q. Would the capital and budget section be doing this? A. They would be the source of it, yes. Q. And did you request them to compile this document? A. I did. Q. Do they report to you now? A. No. Q. Does this document represent the best summary or forecast of environmental costs
2 3 4 5 6 7 8 9 10 11 12 13	and review the financial model for sections related to the financing plan.  Q. The construction expenditure forecast, would that be done more than once a year?  A. It could be.  Q. Okay. And with respect to each of these forecasts and the plans, would it be fair to say that the company or the departments or the sections that are involved in putting these together would use the best information and the best assumptions that they had at the time in preparing those forecasts and plans?  A. Yes, though certain people would have	2 3 4 5 6 7 8 9 10 11 12 13	document?  A. Corporate Planning and Budgeting. Q. Would the capital and budget section be doing this?  A. They would be the source of it, yes. Q. And did you request them to compile this document?  A. I did. Q. Do they report to you now? A. No. Q. Does this document represent the best summary or forecast of environmental costs excluding environmental capital costs excluding
2 3 4 5 6 7 8 9 10 11 12 13 14 15	and review the financial model for sections related to the financing plan.  Q. The construction expenditure forecast, would that be done more than once a year?  A. It could be.  Q. Okay. And with respect to each of these forecasts and the plans, would it be fair to say that the company or the departments or the sections that are involved in putting these together would use the best information and the best assumptions that they had at the time in preparing those forecasts and plans?  A. Yes, though certain people would have more say on an assumption than others.	2 3 4 5 6 7 8 9 10 11 12 13 14 15	document?  A. Corporate Planning and Budgeting. Q. Would the capital and budget section be doing this?  A. They would be the source of it, yes. Q. And did you request them to compile this document?  A. I did. Q. Do they report to you now? A. No. Q. Does this document represent the best summary or forecast of environmental costs excluding — environmental capital costs excluding AFUDC for 2011 and2012?
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	and review the financial model for sections related to the financing plan.  Q. The construction expenditure forecast, would that be done more than once a year?  A. It could be.  Q. Okay. And with respect to each of these forecasts and the plans, would it be fair to say that the company or the departments or the sections that are involved in putting these together would use the best information and the best assumptions that they had at the time in preparing those forecasts and plans?  A. Yes, though certain people would have more say on an assumption than others.  Q. Right. But the idea was to, with all	2 3 4 5 6 7 8 9 10 11 12 13 14 15	A. Corporate Planning and Budgeting. Q. Would the capital and budget section be doing this? A. They would be the source of it, yes. Q. And did you request them to compile this document? A. I did. Q. Do they report to you now? A. No. Q. Does this document represent the best summary or forecast of environmental costs excluding environmental capital costs excluding AFUDC for 2011 and2012? A. At the time.
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	and review the financial model for sections related to the financing plan.  Q. The construction expenditure forecast, would that be done more than once a year?  A. It could be.  Q. Okay. And with respect to each of these forecasts and the plans, would it be fair to say that the company or the departments or the sections that are involved in putting these together would use the best information and the best assumptions that they had at the time in preparing those forecasts and plans?  A. Yes, though certain people would have more say on an assumption than others.  Q. Right. But the idea was to, with all these resources that are being used to develop these	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	A. Corporate Planning and Budgeting. Q. Would the capital and budget section be doing this? A. They would be the source of it, yes. Q. And did you request them to compile this document? A. I did. Q. Do they report to you now? A. No. Q. Does this document represent the best summary or forecast of environmental costs excluding — environmental capital costs excluding AFUDC for 2011 and2012? A. At the time. Q. Has there been another schedule like this
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	and review the financial model for sections related to the financing plan.  Q. The construction expenditure forecast, would that be done more than once a year?  A. It could be.  Q. Okay. And with respect to each of these forecasts and the plans, would it be fair to say that the company or the departments or the sections that are involved in putting these together would use the best information and the best assumptions that they had at the time in preparing those forecasts and plans?  A. Yes, though certain people would have more say on an assumption than others.  Q. Right. But the idea was to, with all these resources that are being used to develop these forecasts and plans, that you want to develop the	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	document?  A. Corporate Planning and Budgeting. Q. Would the capital and budget section be doing this? A. They would be the source of it, yes. Q. And did you request them to compile this document? A. I did. Q. Do they report to you now? A. No. Q. Does this document represent the best summary or forecast of environmental costs excluding environmental capital costs excluding AFUDC for 2011 and2012? A. At the time. Q. Has there been another schedule like this produced or, excuse me, prepared?
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	Page 85		Page 87
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1 1	Q. So as far as you know this document	1	testimony, page 5, you set forth some assumptions
2	represents the most current estimate of those of	2	that are used for your pro forma financial
3	these type of environmental costs.	3	projection. Do you see that?
4	A. Well, it's the most current estimate that	4	A. Yes.
5	was put to paper. Now, you have to realize that the	5	Q. One of the assumptions is or involves the
6	environmental rules are quite uncertain at the	6	retirement of two units, Conesville 3 and Sporn 5.
7	moment.	7	Do you see that?
8	Q. Okay. But again, this was, as far as you	8	A. Yes.
9	know, the only the most recent environmental costs	9	Q. What's the basis for that assumption?
10	or capital costs summary for these years.	10	A. The basis for that assumption is
11	A. As far as what I've seen.	11	Conesville 3 unit we're pretty certain will be
12	Q. Okay. Have you asked to see a more	12	retired in 2012 because of NSR requirements.
13	updated version of the company's estimate of	13	Q. NSR is what?
14	environmental costs?	14	A. New source review.
15	A. Now, one thing I will mention, we did get	15	Q. Okay. And how about the other unit, the
16	a discovery request related to the press release that	16	Conesville 3?
17	I think was issued in May, I believe, and it would	17	<ul> <li>A. That's the one I was talking about,</li> </ul>
18	have had I'm not sure it would have been in this	18	Conesville 3.
19	exact form, but it would have had similar data.	19	Q. How about Sporn 5?
20	Now, here again, I'm not sure that is our	20	A. Sporn 5, we requested retirement of that
21	official forecast at this time. There's lots of	21	from the PUCO.
22	iterations of things before the company would	22	Q. So we know there are at least two units
23	consider it a forecast.	23	that the company believes are going to be
24	Q. Well, I thought you told me that that	24	retired during the period of the ESP, correct?
	Page 86	ŀ	
	rage vo		Page 88
1	document we were looking at really isn't an official	1	Page 88  A. Sporn 5 might be during this period, not
1 2	document we were looking at really isn't an official	1 2	_
	~	1	A. Sporn 5 might be during this period, not
2	document we were looking at really isn't an official forecast, it was just something you asked for,	2	A. Sporn 5 might be during this period, not the period of the ESP II is what I'll call it
2 3	document we were looking at really isn't an official forecast, it was just something you asked for, correct?  A. It was part I think of a well, yeah, I	2	A. Sporn 5 might be during this period, not the period of the ESP II is what I'll call it Q. Okay.
2 3 4	document we were looking at really isn't an official forecast, it was just something you asked for, correct?	2 3 4	A. Sporn 5 might be during this period, not the period of the ESP II is what I'll call it Q. Okay.  A the next one.
2 3 4 5	document we were looking at really isn't an official forecast, it was just something you asked for, correct?  A. It was part I think of a well, yeah, I would say that it's part of the forecast process that	2 3 4 5	<ul> <li>A. Sporn 5 might be during this period, not the period of the ESP II is what I'll call it</li> <li>Q. Okay.</li> <li>A the next one.</li> <li>Q. So Sporn 5 may or may not be within the</li> </ul>
2 3 4 5 6	document we were looking at really isn't an official forecast, it was just something you asked for, correct?  A. It was part I think of a well, yeah, I would say that it's part of the forecast process that was done in late-2010.	2 3 4 5 6	<ul> <li>A. Sporn 5 might be during this period, not the period of the ESP II is what I'll call it</li> <li>Q. Okay.</li> <li>A the next one.</li> <li>Q. So Sporn 5 may or may not be within the ESP II period.</li> </ul>
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2 3 4 5 6 7 8	document we were looking at really isn't an official forecast, it was just something you asked for, correct?  A. It was part I think of a well, yeah, I would say that it's part of the forecast process that was done in late-2010.  Q. Okay. So these numbers that are on this document are derived from the most recent forecast that the company has prepared.  A. On this document?  Q. Yes.  A. No. This document was prepared at the end of '10 for the January 27th filing. The question becomes, you know, as I said, we're working on the current forecast, I think in August that was typical, and I'm not sure at what point we'd consider that a forecast.  Q. So you haven't compared this to the last forecast or the most recent forecast.  A. I haven't compared this to what I consider the official most recent forecast of the	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	A. Sporn 5 might be during this period, not the period of the ESP II is what I'll call it — Q. Okay.  A. — the next one. Q. So Sporn 5 may or may not be within the ESP II period. A. That's correct. Q. But Conesville 3 would be retired within that period, correct? A. Yes. That's our assumption. Q. And that's the best thinking of the company in terms of the timing of the retirements of those units, correct? A. That is what I understand our current schedule is for Conesville 3. Q. Now, did you have any responsibility for the development of the rider GSR charge that has been proposed in this case?  A. GSR? Give me not the acronym but the full —
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	document we were looking at really isn't an official forecast, it was just something you asked for, correct?  A. It was part I think of a well, yeah, I would say that it's part of the forecast process that was done in late-2010.  Q. Okay. So these numbers that are on this document are derived from the most recent forecast that the company has prepared.  A. On this document?  Q. Yes.  A. No. This document was prepared at the end of '10 for the January 27th filing. The question becomes, you know, as I said, we're working on the current forecast, I think in August that was typical, and I'm not sure at what point we'd consider that a forecast.  Q. So you haven't compared this to the last forecast or the most recent forecast.  A. I haven't compared this to what I	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. Sporn 5 might be during this period, not the period of the ESP II is what I'll call it — Q. Okay.  A. — the next one. Q. So Sporn 5 may or may not be within the ESP II period. A. That's correct. Q. But Conesville 3 would be retired within that period, correct? A. Yes. That's our assumption. Q. And that's the best thinking of the company in terms of the timing of the retirements of those units, correct? A. That is what I understand our current schedule is for Conesville 3. Q. Now, did you have any responsibility for the development of the rider GSR charge that has been proposed in this case? A. GSR? Give me not the acronym but the full — Q. The generation service rider.
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	document we were looking at really isn't an official forecast, it was just something you asked for, correct?  A. It was part I think of a — well, yeah, I would say that it's part of the forecast process that was done in late-2010.  Q. Okay. So these numbers that are on this document are derived from the most recent forecast that the company has prepared.  A. On this document?  Q. Yes.  A. No. This document was prepared at the end of '10 for the January 27th filing. The question becomes, you know, as I said, we're working on the current forecast, I think in August that was typical, and I'm not sure at what point we'd consider that a forecast.  Q. So you haven't compared this to the last forecast or the most recent forecast.  A. I haven't compared this to what I consider the official most recent forecast of the company. And I haven't asked for this particular	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. Sporn 5 might be during this period, not the period of the ESP II is what I'll call it — Q. Okay.  A. — the next one. Q. So Sporn 5 may or may not be within the ESP II period. A. That's correct. Q. But Conesville 3 would be retired within that period, correct? A. Yes. That's our assumption. Q. And that's the best thinking of the company in terms of the timing of the retirements of those units, correct? A. That is what I understand our current schedule is for Conesville 3. Q. Now, did you have any responsibility for the development of the rider GSR charge that has been proposed in this case? A. GSR? Give me not the acronym but the full — Q. The generation service rider. A. Okay. Which is what Turning Point is

F	Page 89		Page 91
1		1	that in total the ESP is producing a return as I
1 2	A. You're going to rely on me to say that.	2	showed on PJN-3 that we discussed a little earlier.
3	Q. I don't believe that's correct. There's a rider called GRR.	3	So under that assumption we are getting a return on
l		4	equity. So in total the plan would produce enough
4	A. That's where I wanted to make sure	5	
5	Q. I mean, I could have let you stew in your		revenue to recover all our generation costs.
6	juices, but I decided not to. But are you familiar	6	Q. That wasn't my question.
7	with the rider GSR?	7	A. However, the, you know, the financials
8	A. If that's the base generation charge	8	are based include T and D as well, so it's a
9	Q. Right. Let's assume it is. Perhaps I've	9	little muddied.
10	got it wrong.	10	Q. That wasn't – my question wasn't about
11	A. Maybe we should skip the acronyms if we	11	the total ESP. My question was about rider GSR.
12	can.	12	A. I haven't done any specific financial
13	Q. All right. Well, I'll use what I'll use	13	analysis just on that rider.
14	and hopefully you can either be comfortable or not	14	Q. Okay. So we don't know whether the
15	comfortable with that. Let's just call it, if you're	15	revenues that might be collected by rider GSR would
16	uncomfortable with "rider GSR," the "base generation	16	be more or less than the company's cost of generation
17	charge."	17	less fuel and environmental costs?
18	A. Okay.	18	MR. CONWAY: And by "we" you mean you and
19	Q. There is a base generation charge that's	19	the witness?
20	being proposed, correct?	20	MR. KUTIK: The world.
21	A. That's correct.	21	Q. Do you know whether that's the case?
22	Q. Whatever it's called, whatever rider it's	22	Whether it's more or less?
23	under, did you have any responsibility for the	23	<ol> <li>A. I was going to have the question reread.</li> </ol>
24	development of that charge?	24	Q. Let me give it to you again. Are the
	Page 90		Page 92
1	A. The only responsibility I had, Dave Roush	1	environmental revenues excuse me. Are the
2	I believe developed that and he works for me.	2	revenues that would be generated by rider GSR under
3	Q. Okay. Did you have any personal	3	the proposed ESP more than the company's proposed or
4	involvement with the development of that charge other	4	projected costs for generation less fuel costs and
5	than the fact that you are Dave Roush's supervisor?	5	environmental costs?
6	A. Other than reviews and so forth, no	6	A. As I said, I haven't done any comparison
7	direct input. That was primarily Dave.	7	so I don't know.
8	Q. Now, that rider is not a cost based	8	Q. Do you know whether anyone has done that
9	rider; would that be fair to say?	9	comparison?
10	A. That's fair to say.	10	A. I don't know why anyone would have done
11	Q. Nevertheless, does the company believe	11	that comparison.
12	that the rider will recover at least the company's	12	Q. Did you ask anyone to do that comparison?
13	generation related costs less environmental and fuel?	13	A. I didn't.
14	MR. CONWAY: Could I have that question	14	Q. Now, there was a revenue requirement that
15	reread.	15	was generated, was there not, to set the level of
16	(Record read.)	16	rider GSR?
17	A. The GSR rider excludes fuel and	17	A. You'd have to ask Mr. Roush how he
18	environmental, those are separate riders.	18	developed the GSR.
19	Q. Right. But I guess what I'm asking you	19	Q. So even though you supervised him and had
20	is does the company expect that the revenues that	20	input into it, you can't say whether there was a
21	would be generated by that rider, rider GSR, be more	21	revenue requirement that was generated to develop the
22	than its generation costs less environmental costs	22	level of rider GSR.
23	and fuel costs?	23	A. I assume you want an accurate answer, so
24	A. Based on the pro formas I would answer	24	I suggest you ask Mr. Roush.
	71. Dased on the protoffiles I would allower		Toward for my time toward

	Page 93		Page 95
1	Q. Well, I'm asking you, sir, can you	1	it, and don't suggest the answer, and you are about
2	MR. CONWAY: Objection. He said he	2	to do that, so stop it.
3	didn't	3	Q. Would you answer my question.
4	MR. KUTIK: No, he said hold a second.	4	A. Would you be more specific on "revenue
5	Hold a second.	5	requirement"? By tariff? What are you talking
6	MR. CONWAY: He said Mr. Roush	6	about?
7	MR. KUTIK: Don't coach him. Don't coach	7	O. You don't know what that term means?
8	him.	8	A. I know what "revenue requirement" is.
9	MR. CONWAY: I'm not coaching him.	9	I'm wondering if you do.
10	MR. KUTIK: Yes, you are, and you know	10	Q. Well, can you answer the question, sir?
11	it.	11	A. Tell me what you mean by "revenue
12	MR. CONWAY: No, I'm not.	12	requirement."
13	MR. KUTIK: So stop it. Stop it right	13	Q. What do you mean by "revenue
14	now,	14	requirement"?
15	MR. CONWAY: Don't yell at me.	15	A. Revenue requirement generally in a cost
16	MR. KUTIK: Well, don't coach.	16	of service type application means you take all your
17	MR. CONWAY: I'm not.	17	costs, your rate base, your revenues, your expenses,
18	MR. KUTIK: Yes, you are.	18	and you determine a reasonable return on the total
19	MR. CONWAY: I'm objecting.	19	rate base.
20	MR. KUTIK: You're not allowed to do	20	Q. Might a revenue requirement also be, sir,
21	speaking objections and you know it.	21	how much revenue that you want to generate from a
22	MR. CONWAY: He answered the question	22	particular class of customers or a particular group
23	and	23	of customers?
24	MR. KUTIK: He did not answer the	24	A. It could be. That's why I was asking you
	Page 94	<del>                                     </del>	Page 96
1	question.	1	to define what you meant by "revenue requirement."
2	MR. CONWAY: You didn't like the	2	Q. Let's assume it means what I've just
3	question	3	said. Do you know whether Mr. Roush or anyone
4	MR. KUTIK: He didn't like the question	4	determined a revenue requirement to set the level of
5	but, unfortunately unfortunately, he has to answer	5	proposed rider GSR in this case?
6	the question.	6	A. Mr. Roush would know what revenue
7	MR. CONWAY: Well, his answer was	7	produced was produced from that rider.
8	Mr. Roush	8	Q. Okay. Do you know whether Mr. Roush did
9	MR. KUTIK: No.	9	that, that's my question?
10	MR. CONWAY: would be the person to	10	A. Mr. Roush I believe would have shown the
11	ask the question of.	11	amount of revenue produced by that rider, but I'm not
12	MR. KUTIK: I'm asking him, and I'm	12	positive.
13	entitled to ask him.	13	Q. Okay. Did Mr. Conway just give you a
14	MR. CONWAY: Could I have the answer read	14	note?
i	back, please.	15	A. No.
115	Dack, Diease,	1 -	- · · · · · · · · · · · · · · · · · · ·
15 16		16	O. I saw you look over at lvir. Conway's bad.
1	(Record read.)	1	<ul><li>Q. I saw you look over at Mr. Conway's pad.</li><li>A. I'm allowed to look over at Mr. Conway.</li></ul>
16	(Record read.) Q. (By Mr. Kutik) So can you answer my	16 17 18	A. I'm allowed to look over at Mr. Conway.
16 17 18	(Record read.) Q. (By Mr. Kutik) So can you answer my question, sir?	17 18	<ul><li>A. I'm allowed to look over at Mr. Conway.</li><li>Q. Well, no, you're not allowed to look at</li></ul>
16 17	(Record read.) Q. (By Mr. Kutik) So can you answer my question, sir? A. You have to ask Mr. Roush.	17	A. I'm allowed to look over at Mr. Conway. Q. Well, no, you're not allowed to look at Mr. Conway's
16 17 18 19	(Record read.) Q. (By Mr. Kutik) So can you answer my question, sir? A. You have to ask Mr. Roush. Q. No. Do you know, sir, whether there was	17 18 19	A. I'm allowed to look over at Mr. Conway. Q. Well, no, you're not allowed to look at Mr. Conway's MR. CONWAY: I object.
16 17 18 19 20	(Record read.) Q. (By Mr. Kutik) So can you answer my question, sir? A. You have to ask Mr. Roush. Q. No. Do you know, sir, whether there was a revenue requirement established to generate the	17 18 19 20	A. I'm allowed to look over at Mr. Conway. Q. Well, no, you're not allowed to look at Mr. Conway's
16 17 18 19 20 21	(Record read.) Q. (By Mr. Kutik) So can you answer my question, sir? A. You have to ask Mr. Roush. Q. No. Do you know, sir, whether there was	17 18 19 20 21	A. I'm allowed to look over at Mr. Conway. Q. Well, no, you're not allowed to look at Mr. Conway's MR. CONWAY: I object. Q notes if he's giving you a note.

	Page 97		Page 99
1	MR. CONWAY: It is not. Absolutely	1	admit that you were looking at his pad?
2	that's a mislead that's not only misleading, it's	2	MR. CONWAY: Baloney.
3	a falsehood.	3	Q. Were you looking at his pad?
4	MR. KUTIK: Well, he looked over at your	4	A. I was looking at the table. Was I
5	pad	5	looking at him writing on his pad? No.
6	MR. CONWAY: I didn't write anything	6	THE REPORTER: I can't get three people
7	MR. KUTIK: You pointed to your pad. He	7	at a time.
8	looked over there.	8	MR. CONWAY: Let's take a break right
9	MR. CONWAY: No, I didn't.	9	now. Let's take a break. Let's take a break.
10	THE REPORTER: Hang on.	10	MR. STAHL: I think he is entitled to
11	THE WITNESS: That's absolutely not	11	know if he was reviewing notes that you
12	-	12	THE WITNESS: I answered it, and I'm
13	COITECT.	13	under oath, and I said I did not
	THE REPORTER: I can't get	14	· ·
14	MR. KUTIK: Well, that's what happened.		MR. KUTIK: Okay. Fine.
15	THE WITNESS: Absolutely not.	15	THE WITNESS: read anything on his
16	MR. KUTIK: You can deny it, but that's	16	pad.
17	what happened.	17	MR. KUTIK: But you looked
18	THE WITNESS: I will deny it.	18	THE WITNESS: And I said it several times
19	MR. CONWAY: It's your imagination.	19	to you.
20	MR. KUTIK: It's not my imagination.	20	MR. KUTIK: You looked over to his pad,
21	MR, CONWAY: I didn't write anything down	21	you admit that.
22	on the pad at that point.	22	MR. CONWAY: He's been looking around.
23	MR. KUTIK: I don't care what you wrote.	23	THE WITNESS: I looked at a lot of
24	You were pointing to your	24	different things on this table.
	Page 98		Page 100
1	MR. CONWAY: I said there's nothing	1	MR. KUTIK: Right. But you looked at his
2	MR. KUTIK: You were pointing to your	2	pad.
3	pad. He was looking at it.	3	MR. CONWAY: That is BS.
4	MR. CONWAY: That is completely false and	4	THE WITNESS: I'll tell you what
5	I object to it.	5	MR. KUTIK: It's not BS.
6	MR, KUTIK: I'm glad you do. And if I	6	MR. CONWAY: It is.
7	was	7	MR. KUTIK: He looked over at your pad.
8	MR. CONWAY: I can't believe that	8	MR. CONWAY: If it keeps up, you're out
9	MR. KUTIK: If I did something like that	9	of here. No one has ever accused me of doing
10	and I was caught	10	something like this in my entire career and
11	<del>-</del>	11	MR. KUTIK: Hold on a second.
12		12	MR. CONWAY: - no one has ever
13	· ·	13	questioned my veracity as you have.
14		14	MR. KUTIK: First, you're yelling at me,
15	going to ask for a break because this is ridiculous.	<b>1</b> 5	you're standing over me and you
16	MR. KUTIK: Go ahead, take your break.	16	MR. CONWAY: You're darn right I am.
17		17	THE WITNESS: Are you calling me a liar?
18	,	18	MR. KUTIK: I didn't say anything that
19	·	19	MR. CONWAY: Off the record.
20	<del>-</del>	20	THE REPORTER: Are we going off the
21	•	21	record?
22		22	MR. KUTIK: No.
23		23	You looked over at his pad, right? Now
24	Q. (By Mr. Kutik) All right. So you do now	24	he walks out of the room.
	Z. (L) in radik, rui iight. Do you do now	<b>←</b> 1	MO THING OUT OF HIS LOOM,

	Page 101		Page 103
1	What I saw, Dan	1	involved with representing AEP in that agreement that
2	MR. CONWAY: That is	2	it will most likely not be terminated during the
3	MR. KUTIK: Hold on.	3	proposed ESP period.
4	MR. CONWAY: absolutely incorrect.	4	A. That's my best guess.
5	MR. KUTIK: Let me talk.	5	Q. Would there be anyone in the company who
6	MR. CONWAY: I don't care what you think	6	would have more intimate knowledge on that subject
7	you saw.	7	than you?
8	MR. KUTIK: Let me talk. Let me talk.	8	A. Probably not.
9	MR. CONWAY: No. It doesn't matter what	9	Q. If that's the case
10	you	10	A. But, again, that's my opinion.
11	MR. KUTIK: I'm going to put on the	11	Q. Sure. And I understand that it requires
12	record what I saw. I saw the witness	12	you in some ways to speculate about what other people
13	MR. CONWAY: You did not see it.	13	know or don't know.
14	MR. KUTIK: I saw the witness look over	14	A. And I based that opinion on some meetings
15	to your pad. I saw your hand placed on the pad. To	15	with some of the other stakeholders in Virginia
16	me that's him looking at a pad and you potentially	16	primarily and West Virginia.
17	pointing out a note or something. That's why I	17	Q. Okay. But given your involvement in the
18	asked.	18	area you would think that you probably would have the
19	MR. CONWAY: That's totally false.	19	best informed opinion on that within the company.
20	MR. KUTIK: And given how you object	20	A. Best informed but it still may be wrong.
21	MR. CONWAY: That's totally false.	21	Q. Correct. Which brings me to my next
22	MR. KUTIK: Given how you object, let me	22	question which is if it's your best thinking that the
23	finish, which is to coach the witness, that's not	23	agreement will not be terminated until sometime past
24	inconsistent with what I was saying.	24	the proposed ESP period, why include it in the ESP at
	Page 102		Page 104
1	MR. CONWAY: There is nothing on this pad	1	all?
2	which has anything to do with your current line of	2	A. It's certain protection for us. For
3	questions.	3	example
4	MR. KUTIK: Great. That's wonderful.	4	Q. I'm sorry?
5	Now, if you want to go off the record, let's go off	5	A. It's certain protection for AEP.
6	the record. Do you want to go off the record?	6	Q. Certain protection?
7	MR. CONWAY: Yes.	7	A. Yes, protection.
8	MR. KUTIK: Okay. We're off the record.	8	Q. Okay.
9	(Recess taken.)	9	A. We can't control the whole process and,
10	MR. KUTIK: Back on the record.	10	you know, as I mentioned before, if we were able to
11	Q. (By Mr. Kutik) In your last answer when I	11	negotiate something that was favorable to all the
12	was asking you about the revenue requirement, you	12	parties involved and they all and it was such that
13	said that Mr. Roush would have shown the revenue	13	it might terminate before the three-year notice, then
14	produced by the rider but you're not sure.	14	we might proceed with that.
15	A. That's correct.	15	Q. Is there anything that would prevent the
16	Q. Did Mr. Roush determine how much revenue	16	company, if the termination happened within three
17 18	the company wanted to get from that rider?  A. I don't know.	17 18	years, of coming back to the Commission and asking for the recovery of costs at that time?
19	Q. Okay. Is it fair to say that with	19	A. That's the purpose of this reopener
20	respect to the AEP pool agreement is that the	20	rider.
21	right term for it, by the way?	21	Q. Okay.
22	A. That's fine.	22	A. And I shouldn't say it's a rider. It's a
23	Q. With respect to the AEP pool agreement,	23	provision.
24	it's your best thinking as someone who's intimately	24	Q. This is the provision that has the term
L	The state of the s	 	C. The second of the property of the second

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	Page 105		Page 107
1	in it that if the costs are less than 35 million, the	1	A. I don't know that I asked him
2	company would not seek recovery, correct?	2	specifically, no.
3	A. That's correct.	3	Q. Okay. Well, you said earlier that you
4	Q. How is the 35 million determined?	4	thought that the number was a matter of judgment and
5	<ul> <li>A. It was determined just based on judgment,</li> </ul>	5	the judgment was Mr. Hamrock's, so I assume from that
6	that that's an amount that we might be comfortable	6	that it was your view that Mr. Hamrock was the one
7	with.	7	who decided the 35 million number was correct; is my
8	Q. Whose judgment?	В	assumption correct?
9	A. The judgment of Joe Hamrock.	9	A. I base that on the fact that Mr. Hamrock
10	Q. Okay. Did you have any input into that	10	is President of AEP-Ohio so, yes, I would think that
11	judgment?	11	he would have some say in that commitment.
12	A. I may have had some input into it.	12	Q. Okay. But in terms of how that number
13	<ul> <li>Q. Did you make a recommendation to</li> </ul>	13	was developed, you couldn't tell me other than it was
14	Mr. Hamrock as to what that number should be?	14	a, quote, judgment.
15	A. No, I don't believe I made the first	15	A. I think that's the best way to
16	recommendation of that number. I reviewed the number	16	characterize that number.
17	and put it in my testimony and thought that that was	17	Q. Was it based on reference to any
18	reasonable.	18	analysis, study, budget that the company had?
19	Q. Okay.	19	A. Not that I'm aware.
20	MR. KUTIK: May I have the answer read,	20	Q. Was it based on anything?
21	please.	21	A. You'd have to ask Mr. Hamrock.
22	(Record read.)	22	Q. Would it be fair to say that whenever the
23	Q. So somebody gave you the 35 million?	23	agreement is terminated, you cannot at this time
24	A. As I recall.	24	determine the financial impact, if any, on the
	Page 106		Page 108
1	Q. Who gave it to you?	1	company of that termination because the manner which
2	A. I'm not positive who gave it to me.	2	the termination will occur has not been determined?
3	Q. Okay. Was it someone within your	3	A. I wouldn't say it's the manner of the
4	department?	4	termination. I would say what replaces it.
5	A. I suspect it was I'm not sure who gave	5	Q. Okay. Well, can you give me some
6	me the number. Could have been someone within my	6	examples of the type of things that might replace it?
7	department, but I'm not sure. If you're asking who	7	A. Yeah, I could give you some examples, not
8	picked the number	В	trying to prejudge how settlement discussions might
9	Q. Well, first my question is literally who	9	go, but
10	gave you the number.	10	Q. Right.
11	A. Who gave me the number? Someone within	11	A APCo is the most deficit company in
12	Regulatory Services.	12	the pool and they buy a lot of power from Ohio Power
13	Q. Okay. Did you have discussions with any	13	as well as some from I&M, Indiana-Michigan, so with
14	other witness in this case about that number?	14	respect to that company they're going to have to get
15	A. Yes. Mr. Hamrock.	15	replacement power and and of the ways they could do
16	Q. And what did you and Mr. Hamrock discuss	16	that is another contract with Ohio Power directly.
17	about that number?	17	We could also look at maybe transferring
18	A. The only thing I'd say we discussed is he	18	some generating asset to Appalachian Power.
19	was well aware that I have this number in my	19	Q. Okay.
	testimony, 35 million. "Mr. Hamrock, are you	20	A. They could also, the other option is to
21	comfortable with that number?" and he confirmed that	21	go to the market, but we've heard many times that
	he was.	22	Virginia and West Virginia are not interested in
23	Q. Did he indicate that he had he had	23	relying on the market.
24	determined that number?	24	Q. So somehow, taking this particular

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	Page 109		Page 111
1	example, APCo will need to procure additional	1	Q. And in terms of load forecasting it also
2	generation and the manner in which that may be done	2	compares it to generation capacity, correct?
3	is up in the air and may have an pact on AEP-Ohio?	3	A. That would be part of the process.
4	A. Sure. Because each of the state	4	Q. Right. And so that's also done in a
5	commissions will have their desires about what should	5	process that goes beyond two years, correct?
6	replace the pool and that will be part of this	6	A. Correct.
7	process, which I think will take a fair amount of	7	Q. Do you know whether there is any forecast
8	time to work through.	8	of whether AEP-Ohio would have net sales of capacity
9	Q. Has AEP-Ohio or has any AEP company or	9	to the AEP pool in 2014?
10	any affiliate, including the service company,	10	A. Yes. Under the scenario the pool
11	projected whether AEP-Ohio will have surplus capacity	11	continues, AEP-Ohio would expect to have make
12	as of June 2014?	12	sales to sister companies.
13	A. AEP-Ohio have surplus capacity?	13	Q. So there would be some document, some
14	Q. Yes.	14	figure within the company that would be an estimate
15	A. Right now all our projections are based	15	of what those sales might be.
		ļ	A. Yes.
16	on an AEP system basis and pool and, yeah, there would be our IRPs that we filed would show	16 17	
17		ľ	Q. Does the company, and again I mean anyone
18	capacity positions based on a certain set of	18	within AEP, compute off-system sales by unit? And by
19	assumptions. Now, some of those assumptions may be	19	"unit" I mean generating unit.
20	affected by recent developments on the EPA front.	20	A. No. That wouldn't be typically something
21	Q. But my question was really that there are	21	we would do as a matter of course.
22	projections that have been made within the AEP	22	Q. Is that something that the company could
23	universe to determine whether or not AEP-Ohio would	23	easily do?
24	have a surplus position as of June 2014.	24	A. Easily do? No, I wouldn't say it would
	Page 110		Page 112
1	A. I think within those projections	1	be easily done. It could perhaps be done.
2	typically we wouldn't project AEP-Ohio's position. I	2	Q. It would require a modification of your
3	mean, the current IRPs reflect a continuation of the	3	accounting systems.
4	pools. We're more interested in the overall PJM East	4	A. I'm not sure,
5	company pool position, but I think within those	5	Q. Okay. But it's certainly not something
б	documents like IRP you would be able to ascertain	6	that you are familiar with the company doing.
7	AEP-Ohio's particular generating assets versus the	7	A. I can't think of a reason to look at
8	peak loads.	8	off-system sales. We can determine which units are
9	Q. So there are projections that exist from	9	making off-system sales.
10	which one could determine whether AEP-Ohio would have	10	Q. All right.
11	surplus capacity as of June of 2014.	11	A. But in the sense that, you know, units
12	A. I think it would only be relevant under	12	are stacked and so forth, but I don't think that was
13	the pool scenario, though.	13	your question.
14	Q. But there are those projections, correct?	14	Q. My question was simply the company
15	A. I believe so, but I'm not positive. As I	15	doesn't currently keep track of the revenue obtained
16	said, I don't have the IRP in front of me and I'd	16	by off-system sales by unit. Is that correct?
17	have to look at it to see if they actually are within	17	A. Yeah, not the revenue by unit, I don't
18	that document.	18	believe.
19	Q. Well, you said earlier that the company	19	
20	does load forecasting, correct?	20	Q. Does the company keep track of costs by
21	A. That's correct.		generating unit?
22		21	A. We can determine variable costs of
	Q. And it does load forecasting more than a	22	production by generating unit, at least in the
23 24	year or two; does it not?  A. It does.	23 24	forecast world, Q. Okay.
	A UTIOES	14	

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- A. I'm not going to talk to the actual like what's been kept.
- Q. On an actual accounting basis does the company keep track of their costs on a unit basis?
- A. I don't believe so. Particularly when you say "costs," that to me includes fixed costs, all the costs of the units.
  - Q. I'm talking about --
- A. As far as costs by unit, I think the most we have is costs by plant which is reported in our FERC Form 1.
- Q. And there may be several units within a plant.
  - A. Yes.

- Q. Please turn to page 29 of your testimony. Are you there, sir?
  - A. Yes.
- Q. Particularly looking at line, the sentence that begins on line 9, "Further additions of capacity for OPCo, which is already in a surplus capacity position, are inconsistent with the original intent of the AEP Pool agreement." Did I read that correctly?

A. Yes.

result in capacity added to a long company whereas under the normal course of business in the pool you'd add capacity to the most deficit company.

- Q. So you're adding capacity not for any system reliability or resource needs, you're adding it because of this external portfolio requirement?
  - A. Right, and because of Senate Bill 221.
- Q. Okay. Earlier you discussed with Mr. Stahl the rider CCR and I think you said to him that the project, the Mountaineer project which I guess at this point would somewhat relate to that rider, is not going forward, correct? Well, let me back up.
  - A. I don't think any question was asked --
- Q. Let me strike the question and just ask you because it had an assumption in it, so let me take the assumption out.

Is the Mountaineer project going forward?

- A. The commercial phase project has been suspended. The FEED study is going forward.
- Q. When you say the "commercial phase," what is that?
- A. That means if the FEED study determined that this was a viable project that we wanted to move

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- Q. What does that mean?
- A. And this is, you have to read the whole paragraph, but it starts with, we'll start with "For example, renewable portfolio standards or goals have been established in this state." Now, what does that mean? That AEP-Ohio may have to go out and procure certain renewable generating capacity.

And of course this is one of the reasons that we're saying that the pool's time has come is that, you know, these type of requirements didn't exist when the pool was developed and are recent developments, and since we have to meet these portfolio standards, if we're adding capacity for AEP-Ohio, that wouldn't have been the next company that would add capacity necessarily on a plan on a pool basis. We would tend to put capacity into the most deficit company.

- Q. So because the capacity that's added may be for portfolio or other requirements as opposed to system needs, that's what you mean by "inconsistent with the original intent"?
- A. Yes. As I described in my prior answer, I think it relates to the fact that these type of standards didn't exist, they now exist, and it may

ahead with, we would proceed to move to build that particular project.

- Q. So the decision to go or no go with respect to Mountaineer depends on the outcome of the FEED study?
- A. I would think that that would be one determining factor, yes.
- Q. All right. Not that it would be the only factor, but certainly an outcome that would show the feasibility of the project would be one of the deciding factors, correct?
- A. Yes. The items that relate to moving ahead and what the FEED study accomplished is on page 19 of my testimony and includes, you know, a cost estimate which, obviously, has some relevance to the decision to move forward, but as I mentioned there's other factors beyond this, obviously, whether you think there's going to be carbon legislation, when it might occur and so forth, that all entered into the decision.
- Q. But if there was some type of negative outcome from the FEED study, that would basically be a project killer as far as this project is concerned, correct?

	Page 117	[	Page 119
1	A. Just saying a negative outcome, I don't	1	Q. Why not?
2	think I'd make a judgment just on that term. It	2	A. Because ultimately a FEED study could be
3	could be a minor overcomeable	3	incorporated into, if you move forward with the
4	Q. Okay. Is there anywhere in the materials	4	project, it would be part of the capital costs of
5	filed by AEP-Ohio where I could find a detailed	5	that project and would run through CWIP.
6	description of the Mountaineer project?	6	Q. It would run through but it wouldn't
7	A. Yes.	7	necessarily be collected as CWIP, would it?
8		8	A. What do you mean by "collected as CWIP"?
9	Q. Where? A. Attached to Mr. Hamrock's testimony.	9	Q. It wouldn't be recovered as a CWIP item.
10	· ·	10	In other words, as an addition to rate base or
11	· · · · · · · · · · · · · · · · · · ·	11	whatever CWIP stands for.
1	A. In stuff filed by AEP-Ohio?	12	
12	Q. Yes.		A. Would you explain your definition of CWIP
13	A. I believe that's the most comprehensive.	13	and recovery of CWIP?
14	Q. But, again, my question is anywhere else	14	Q. Well, what does "CWIP" stand for?
15	other than that?	15	A. Construction work in progress.
16	A. Well, my testimony has some description.	16	Q. What does that mean?
17	Q. Anywhere else?	17	A. That means construction work in progress.
18	A. There's probably something in the	18	Q. Right. What does that mean? Other than
19	application.	19	using those terms can you explain it?
20	Q. Okay. Anywhere else?	20	A. You said recovery of CWIP
21	A. Don't know if there's anything in the	21	Q. Well, first, can you explain what
22	cover letter of Mr. Hamrock, but it might be in	22	construction work in progress means?
23	there.	23	A. I just did.
24	Q. But to the best that you know, if I	24	Q. No, you didn't.
	Page 118		Page 120
1	wanted to learn everything there was to learn about	1	A. Oh, construction work in progress.
2	the Mountaineer project materials that had been filed	2	Q. You used the words, sir.
3	by AEP-Ohio, I could look at Mr. Hamrock's letter,	3	A. It means that
4	the application, Mr. Hamrock's testimony and	4	Q. Can you describe it without just using
5	attachments, and your testimony.	5	those words?
6	A. As far as filed material.	6	A. Yes. It's an accounting term well used
7	Q. Yes.	7	in the utility business, it's recorded in account
8	A. That's probably correct. And you're not	8	107, and it's while you're building a project when
9	including discovery requests.	9	it's before it goes into service it's classified
10	Q. No, I'm not.	10	as construction work in progress ultimately to be
11	So what I said was correct?	11	transferred to plant in service.
12	A. Off the top of my head I'd say that	12	Q. Is it the case from time to time that
13	probably covers it. Can I say that absolutely no one	13	CWIP is recovered through rates?
14	else has mentioned it and given any details? I don't	14	A. No, I wouldn't say that CWIP is recovered
15	know.	15	through rates. A return on CWIP can be recovered
16	Q. To the best of your knowledge.	16	through rates. Usually, if you're recovering CWIP,
17	A. Best of my knowledge, Joe Hamrock's	17	it's a contribution in aid of construction, so
18	probably the attachment to his testimony is the	18	Q. Okay. Would you view the company's
19	most comprehensive.	19	recovery of the costs of the well, I'll back up.
20	Q. Would it be fair to say that the expenses	20	The company is seeking the recovery of
21	involved with the FEED study do not qualify as	21	Ohio AEP's portion of the FEED study cost, correct?
22	construction work in progress?	22	A. Yes.
23	A. I don't think that would be a fair	23	Q. And not just any carrying costs or
24	characterization.	24	interest that might be associated with those costs,
	parabotic for a contract of the contract of th		The state of the s

Page 121 Page 123 1 correct? 1 but I assume that, you know, the FEED study will 2 consider technological options, but I am not 2 A. Well here I want to back up a minute. 3 3 positive. Our original request we filed in January 27th was a 4 return on the FEED study. It would be treated as a 4 Q. And are those technological options being capital investment with a return on and of over a developed by AEP or are they being developed by 5 5 6 25-year life investment or life period. б someone else? 7 7 With respect to the suspension of A. I can't answer that. construction of the facility, we're probably going to 8 8 O. Do you know whether the technological 9 characterize or classify this expenditure as a 9 options that may be used potentially in the 10 regulatory asset. 10 Mountaineer project whenever it goes forward would be 11 11 proprietary to AEP? And in a discovery request I've gotten 12 that particular question, that's one of the more 12 A. Don't know. recent ones, I believe it was OCC, and they've asked 13 13 Q. Do you know whether the technology that 14 might come from this project could be shared with 14 whether our revenue requirement has changed because 15 of the suspension. And I said yes, the revenue 15 other Ohio utilities? 16 requirement has changed because now what we're going 16 A. Don't know. 17 to be asking for, I'll be asking for when I testify 17 Q. The Mountaineer project itself is located 18 on the stand, is a recovery of the regulatory asset 18 in West Virginia? 19 over the 29-month ESP period. And that would involve 19 A. Yes. recovery of just those expenditures, not a return on 20 Q. Or would be located in West Virginia. 20 21 and of. A return of, I guess, to regulatory asset, 21 Correct? A. Well, if it's at Mountaineer, Mountaineer 22 but not a return on. 22 plant's located in West Virginia. 23 Q. Okay. So you are seeking to recover the 23 24 O. Okay, Is that plant dedicated to 24 costs of the study, not any return on those costs. Page 124 Page 122 AEP-Ohio? 1 A. That's correct. 1 2 A. No. 2 Q. With respect to the project is it correct 3 Q. Is any part of the generation from that 3 to say that one of the potential benefits of the plant currently supplying power to AEP-Ohio? 4 project would be to determine the feasibility of a 4 5 5 A. It could at times. particular type of technology? O. Okay. Is the -- would it be the intent 6 THE WITNESS: I'm sorry. I wanted to б 7 7 of AEP, the general company, to use the Mountaineer read -- could I have that the question reread? 8 project to be dedicated to Ohio customers or to 8 (Record read.) 9 supply Ohio customers? 9 A. I'm not positive if that's one of the 10 parts of the FEED study. I've got in my testimony 10 MR. CONWAY: Could I have that question 11 the particular benefits associated with the FEED 11 read back, please. 12 study, but I'm not sure it rules out any additional 12 (Record read.) A. No, I don't believe we would dedicate 13 or changes in technology if that's your question. 13 14 Q. No. And I don't mean it's the only 14 Mountaineer plant to Ohio customers. benefit. But the whole point of this, that I 15 15 Q. Would that be dedicated to any of AEP -understood it, from this Mountaineer project was it 16 16 any of AEP's subsidiaries' customers? 17 was going to use this, you know, environmental 17 A. Mountaineer plant is a plant owned by 18 technology, this carbon sequestration. I mean, is 18 Appalachian Power Company. Q. So would it be fair to assume, then, that 19 that correct? 19 20 20 anything that would be built at that plant as part of A. I think sitting here today I would think this project would be dedicated to the customers of 21 that that would be a fair assumption. We've had a 21 22 20-megawatt demonstration project on this technology. 22 that company? 23 The thing I don't know is whether, you know, there 23 A. "Dedicated" is a term that only appears 24 will be any tweaks to that technology and so forth, 24 in the Ohio statute so I'm not sure how to answer

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1	that from the perspective of a utility that's	1	Q. Now, you're aware, are you not, of
2	operated in states like West Virginia and Virginia	2	4928.142(B)(2)(b) and (c)?
3	that's a bundled situation, and they don't use that	3	A. They sound like provisions of the
4	term, dedicated.	4	statute.
5	AEP, as you know, has a pool and power	5	Q. And when I mention those, do you know
6	flows among the units and is shared on a system	6	what those deal with?
7	basis, so it's hard to, you know, isolate Mountaineer	7	A. A general concept, but I would prefer to
8	in the pool.	8	have the statute in front of me if you are going to
9	Q. Would Mountaineer be used to satisfy the	9	ask any specific questions of it.
10	load requirements of AEP-Ohio?	10	Q. Sure. Actually, I have the statute. By
11	A. It could sell energy. Appalachian rarely	11	the way, I was mistaken. I meant to refer to
12	sells energy, but it could sell energy to AEP-Ohio.	12	4928.143.
13	Q. So it wouldn't be the primary purpose of	13	Let me refer you to 4928.143(B)(2)(b) and
14	that plant to serve the needs of AEP-Ohio customers.	14	(c). I'm handing you the statute.
15	A. It wasn't built or owned by AEP-Ohio.	15	A. Okay.
16		16	Q. And with respect to rider CCR do you have
17	Q. So the answer to my question is "yes"?	17	an understanding as to which of those statutes is the
18	A. Primary purpose is	18	basis for a nonbypassable rider?
19	<ul><li>Q. Yes.</li><li>A. – what was in your I wouldn't say the</li></ul>	19	MR. CONWAY: You've used the reference
20	primary purpose would be that. I agree with you,	20	"CCR" a couple of times now, Mr. Kutik. Do you mean
21		21	CCSR?
22	yes.	22	MR. KUTIK: Yes. I'm sorry. Thank you.
I	Q. Okay. With respect to the nonbypassability of various costs, you are aware that	23	Q. Is that how you understood my comments?
23 24	there are some statutory provisions that deal with	24	A. Yes. You're talking about the carbon
<del>- 1</del>		24	
	Page 126		Page 128
1	when certain costs can be nonbypassable or when the	1	capture?
2	recovery of certain costs can be nonbypassable.	2	Q. Yes.
3	A. Nonbypassability is specifically	3	A. Okay. Yeah, I would say little (d).
4	mentioned in the statute in at least one area, I	4	Q. Little (d)? Okay.
5	believe it's mentioned in at least two I'm familiar	5	A. But I wouldn't limit myself to that
6	with because counter to nonbypassability is	6	provision, I'll take the advice of counsel, but that
7	bypassability is mentioned as well as	7	to me would seem doable.
8	nonbypassability in the statute.	8	Q. Okay. So when you say "little (d)," it's
9	Q. And as part of your work have you become	9	section 4928.143(B)(2)(d).
10	familiar with the statute? And by "statute" you mean	10	A. (d) as in dog.
11	SB 221?	11	MR. CONWAY: Could you read back for me
12	A. Familiar, yes. In my characterization of	12	the prior Q and A please.
13	"familiar."	13	(Record read.)
14	Q. And how would you characterize	14	(EXHIBIT MARKED FOR IDENTIFICATION.)
15	"familiar"?	15	Q. Let me show you what's been marked as
16	A. Less familiar than a lawyer would be	16	Exhibit 1 in your deposition, and do you recognize
17	familiar with that statute.	17	that as Industrial Energy Users-Ohio discovery
18	Q. But certainly would be it fair to say	18	request, third set, interrogatory 149 and the
19	that given your own views and as advised by counsel	19	response to that?
20	you came to a view as to whether certain types of	20	A. Yes, I recognize this data request.
21	costs could be recovered on a nonbypassable basis?	21	Q. Okay. And it indicates that the response
22	Correct?	22	was prepared by you, correct?
23	A. Yes, I would have discussions with	23 24	A. Yes.
24	counsel about nonbypassability issue.	44	Q. In this response the company or, excuse

		1	
	Page 129		Page 131
1	me, IEU is asking, is it not, about your testimony	1	call that the environmental rider.
2	and specifically about the request in your testimony	2	A. Okay.
3	that the carbon capture sequestration rider be a	3	Q. That rider or a version of that rider is
4	nonbypassable charge, correct?	4	currently in place, correct?
5	A. Okay.	5	A. Yes.
6	Q. That was correct.	6	Q. And it's currently a rider that's
7	A. That's correct.	7	nonbypassable that is bypassable, excuse me.
8	Q. All right. And it also asks if the	8	A. That's correct.
9	company's position is that the CCSR is governed by,	9	Q. And the rider both as it currently exists
10	then it mentions two statutes, correct?	10	and as proposed deals with the recovery of certain
11	A. That's correct.	11	generation related costs, correct?
12	Q. One is 149 excuse me,	12	A. Environmental related generation costs.
13	4928.143(B)(2)(b) and the other statute that's	13	Q. But as opposed to distribution or
14	mentioned is section 4928.143(B)(2)(c), correct?	14	transmission costs, these are generation related
15	A. Correct.	15	costs, correct?
16	Q. And your answer is, for each of those	16	A. That's correct.
17	questions, "Not exclusively." Correct?	17	Q. The costs of the Turning Point project,
18	A. Correct.	18	that is not those costs are not being sought to be
19	Q. What does that mean?	19	recovered under the environmental rider, correct?
20	A. I just referred you to another provision	20	A. That's correct.
21	in the statute that I think would apply and in my	21	Q. Those costs are sought to be recovered
22	opinion might be more relevant, being a nonattorney,	22	under rider GRR, correct?
23	but I referred you to (d) as in dog.	23	A. That's correct.
24	Q. Is the company's position that CCSR is	24	Q. Now, when the company makes budgets, do
	Page 130		Page 132
1	governed at least in part by section	1	the company budgets reflect potential costs on a
2	4928.143(B)(2)(b)?	2	monthly basis?
3	A. No. That wasn't the basis of my	3	A. We have monthly budgets, yes.
4	response. My response was it may be approval by the	4	Q. And with respect to your long-term
5	Commission under those provisions, (b) and (c), but	5	projection, you said there were two kinds of
6	it may as well be approved by the Commission under	6	forecasts, one was like a budget and the other was a
7	(d).	7	long-term, five to ten years. Those long-term
8	Q. Okay.	8	forecasts, are they sometimes done on a monthly
9	<ul> <li>A. And it could be approved by either.</li> </ul>	9	basis?
10	Q. Is it your view that the Commission could	10	A. As I recall, the early years might be
11	approve rider CCSR under section 4928.143(B)(2)(b)?	11	done on a monthly basis, the outer years most likely
12	A. Yes, I believe the Commission could.	12	not.
13	Q. Is it the company's position that the	13	Q. So would the monthly what did you call
14	CCSR could be approved under section	14	it, the early years?
15	4928.143(B)(2)(c)?	15	A. Yes.
16	A. I'd have to defer to my attorneys on	16	Q. Is that the words you used? Would the
17	that, but I would think that (b) would be more	17	early years be the first two or three years?
18	relevant.	18	A. That's a fair characterization. I don't
19	Q. May I have that, please.	19	recall exactly how many years we went out on a
20	A. Okay.	20	monthly basis.
21 22	MR. KUTIK: Let's go off the record.	21	Q. Okay. So, for example, with respect to
23	(Discussion off the record.)	22	environmental costs, would the company have
24	MR. KUTIK: Let's go back on the record.  Q. With respect to rider EICCR, I'm going to	23 24	environmental costs for the next three years on a
بـــــــــــــــــــــــــــــــــــــ	Q. With respect to rider EICCR, I'm going to	27	monthly basis?

Page 135 Page 133 O. Okay. 1 A. We would have, I would think, O&M, 1 A. Under our method if you were to do a full 2 environmental costs, for example, allowance, expense, 2 traditional cost of service, you might need some 3 consumables, things like that on a monthly basis. 3 additional information on a monthly basis. 4 Q. How about other environmental costs? 4 MR. KUTIK: Let's mark this as the next A. Other, do you mean capital? 5 5 6 O. Yes, if that's what you would consider to 6 exhibit. 7 7 (EXHIBIT MARKED FOR IDENTIFICATION.) be the environmental costs. 8 A. Yeah, capital I believe we would have 8 Q. The court reporter has just handed you 9 what's been marked Exhibit 2. Do you recognize this monthly cash flows of expenditures, but I don't know 9 as an interrogatory from Industrial Energy that typically I've looked at that detail recently, 10 10 11 Users-Ohio, second set, interrogatory 73 and the 11 12 response? 12 Q. Well, would there be any of the type of A. I'm sorry. I was reading the response in 13 environmental costs that you would seek to be 13 14 recovered under the environmental rider that the 14 question. company wouldn't have on a monthly basis being 15 Q. Do you recognize this as IEU's second 15 set, interrogatory No. 73 and the response? 16 16 projected for the next three years? A. Yes. 17 17 A. Well, you said what we would seek to 18 recover. With respect to capital we're seeking to 18 Q. And this was, it indicates it was prepared by you, correct? recover a return on and of that. The capital 19 19 A. Yes. 20 forecast itself, which is kind of the principal, the 20 return on and of is the carrying cost, I don't think 21 Q. And it also indicates that the company 21 has not calculated a dollar amount of such 22 22 we've done a calculation monthly on that. I don't 23 environmental compliance costs for the 29-month ESP 23 believe -period, correct? 24 24 Q. On the return or the capital? Page 136 Page 134 A. Correct. 1 A. On the return. No, the capital itself, I 1 2 would think that we could get that on a monthly 2 Q. Although the company has not calculated that number, would it be fair to say the company 3 basis. 3 4 could calculate that number? 4 Q. So with respect to variable costs and 5 fixed costs that you would seek to have recovered 5 A. The company could calculate that number. Q. And would it be fair to say that you're 6 under the environmental rider, those you would have 6 not aware of anybody doing that calculation? 7 on a monthly basis three years out. 7 A. I believe so. 8 A. No. 8 9 O. You haven't asked anybody to do that 9 Q. The parts that's missing would be calculation. 10 calculating returns on a monthly basis. 10 A. That's correct. As far as, you know, 11 A. No. 11 O. You're not aware of anybody being asked taking the revenue requirement and identifying that 12 12 to do that calculation. 13 specifically on a monthly basis, I don't know if 113 14 that's available off the top of my head. I'm just 14 A. No. 15 Q. Okay. Earlier I asked you some questions 15 not sure. about the statutory basis for potential recovery of 16 Q. Is that something that can be calculated 116 costs on a nonbypassable basis with respect to rider 17 on a monthly basis? 17 CCSR. Do you remember that? 18 A. Yes, you could calculate that on a 18 19 monthly basis. 19 A, Yes. 20 Q. If I asked you those questions about 20 Q. What would you need to know to calculate 21 recovery of costs under rider EICCR, would your 21 it on a monthly basis? answers be the same? 22 A. Well, you'd need to know your carrying 22 A. Well, I'll answer it that -- with respect 23 cost rate for a month and the capital investment for 23 to nonbypassability is your question? 24 24 that month.

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1	Q. Yes.	1	you did in asking certain folks in the Regulatory
2	A. Yeah, I think it's available to the	2	Services department, I think, or the Corporate Budget
3	Commission to determine nonbypassability on at least	3	and Planning department for the run that is part of I
4	two sections of the statute, perhaps three, but (b)	4	think workpaper PJM (Support AEM-1) that we looked at
5	and (d).	5	earlier, correct?
6	Q. And you said there was perhaps a third.	6	MR. CONWAY: PJN?
7	What would the third be?	7	MR. KUTIK: PJN, thank you.
8	A. I don't have the statute in front of me	8	A. More to the point I think we go to AEM-1
9	again, so	9	which is I think the methodology used to present the
10	Q. I'll, again, give it to you.	10	revenue requirement with support of detailed
11	A. Okay.	11	support that was contained in my workpapers.
12	Q. I assume you're referring to section	12	Q. Okay.
13	4928.143.	13	A. And whatever else staff wanted to review.
14	A. That's correct.	14	Q. Okay. But in terms of the kind of
15	I would add (e) to that, as in Edward.	15	general methodology that would be used to come up
16	Q. The company is seeking to recover more	16	with that, it's really no different than the
17	than just a carrying cost or a return on costs,	17	environmental costs of the budgeting process and the
18	correct, through rider EICCR?	18	forecasting process that AEP does in the normal
19	A. Under EICCR as we've proposed it we're	19	course, correct?
20	seeking a return on and of the capital investment as	20	A. Yes, we'd be able to identify
21	well as the O&M costs that I've identified.	21	environmental costs.
22	Q. Right. So there are O&M costs that are	22	Q. With respect to the specific costs that
23	not carrying charges, correct?	23	are sought to be recovered and are displayed as part
24	A. That's correct.	24	of your workpapers, does the company's filing in this
	Page 138		Page 140
1	Q. And those are costs that you're seeking	1	case include any specific information as to any
2	to have recovered, correct?	2	specific facility at which these particular capital
3	A. That's correct.	3	expenditures and O&M expenses would be incurred?
4	Q. Now, I assume that, or is it correct to	4	A. Would you define "facility" for me?
5	assume let me back up.	5	Q. Unit.
6	As I think you discussed with Mr. Stahl,	6	A. Unit?
7	the company proposes to do a forecast of costs,	7	Q. Or plant.
8	include those forecasts and then in the charge to	8	A. Yes, the workpaper would identify it by
9	set the charge and then do a trueup as costs are	9	plant where appropriate. Some are and unit where
10	incurred. Fair to say?	10	appropriate. Some are common facilities.
11	A. That's correct.	11	Q. Would it indicate anything with respect
12	Q. The forecasting methodology that would be	12	to the need for those facilities?
13	used to establish the charge, would that be any	13	A. This particular workpaper? No.
14		14	Q. Are you aware of anything in the
15		15	company's filing in this case that you could point me
16	,	16	to that would discuss the need for the plant or unit
17	<u> -</u>	17	that would be associated with any cost that would be
18	,	18	identified for recovery under rider EICCR?
19	1 , ,	19	A. Did you say the need for the unit?
20	. , , ,	20	Q. Yes. Or plant.
21	, ,	21	A. I'm not sure and you're asking
22	•	22	specifically for have we identified the need for Amos
23	1 / 1	23	3 unit without consideration of any environmental
24	Q. So you would do something similar to what	24	expenditures?

	Page 141		Page 143
1	Q. With or without.	1	Q. So this, at some place, provides us with
2	A. With or without, okay. I'm not sure if	2	the costs, the O&M costs, environmental O&M costs for
3	the IRP supplement filed in December 2010 is	3	2010, correct?
4	incorporated in this case or not, that's a question I	4	A. No.
5	don't know, but obviously the Commission itself has	5	Q. All right. Why is that statement wrong?
6	documents from the company that would support the	6	A. You'll have to read the footnote.
7	need for those units.	7	Q. Okay. This footnote indicates that there
8	Q. Okay. And my question was about in this	8	is an average of certain costs for July through
9	case. So if the IRP has not been filed in this case,	9	December was used as an estimate for January through
10	would it be fair to say that there are no such	10	June on one of the units, correct?
11	documents in this case?	11	A. That's correct.
12	A. If it hasn't been either filed in this	12	Q. So with that exception was the actual
13	case or consolidated with this case, I assume that's	13	costs calculated?
14	a true statement. I don't think there's anything	14	A. With that exception I believe the other
15	else specifically around does AEP-Ohio need, for	15	months are actual.
16	example, Amos 3 in this particular filing.	16	Q. Okay. And then to come up with a 2012
17	Q. Did you participate in the development of	17	estimate there was an assumption of an increase,
18	the IRP filing that was done in December?	18	correct, from 2010?
19	A. No.	19	A. I believe what I did is I just used the
20	Q. Do you know whether there are any	20	2010 as a proxy for estimating 2012 and then
21	· · · · · · · · · · · · · · · · · · ·	21	increased 2 percent per year.
22	witnesses in this case that participated in developing that IRP?	22	Q. Right. My point was you took the 2010
23		23	and you assumed that there would be a certain
I	A. "Participated" is a pretty broad term.	24	increase per year
24	Joe Hamrock would have participated from being	24	
	Page 142		Page 144
1	President of the company and would be very interested	1	A. Right.
2	in, you know, the plan for generation for his	2	Q. – from 2010, right?
3	company, so I assume he participated in that.	3	A. Right.
4	Q. Anybody else?	4	Q. And the assumption was a 2 percent per
5	A. If I had a list of witnesses, that might	5	year increase, correct?
6	help, but I know we have quite a few. Not as many as	6	A. That's correct.
7	the intervenors, but quite a few. I'm trying to	7	Q. What was that based on?
8	think if there's folks in Joe's organization that are	8	A. That's a general inflation rate that
9	witnesses, he has a couple witnesses that work for	9	we're using for planning purposes.
10	AEP-Ohio, but off the top of my head I would say that	10	Q. So it wasn't based upon any assumption
11	I can't — no one comes to mind that would have had a	11	that environmental costs would be more in 2012 than
12	substantial role in that filing for the witnesses	12	2010 on a nominal basis.
13	that I'm thinking of.	13	A. That's correct. We did round up a little
14	Q. Right. Let me refer you to your	14	bit, other than that.
15	workpapers, and I'm going to ask you again to look at	15	Q. But you were just trying to basically
16	the series of workpapers that support AEM-1. And	16	account for kind of a low inflation number,
17	particularly the first page. Does this purport to be	17	A. Well, in this instance I felt that the
18	an estimate of 2012 O&M environmental expenses?	18	use of 2010 was a good proxy for the forecast, again,
19	A. Yes, this is our estimate that we've	19	took the 2 percent increase to get it to 2012
20	included in AEM-1 for 2012,	20	dollars.
21	Q. Looking at the top, is it fair to read	21	Q. Did you compare these O&M figures with
22	those headings of the various columns as, or most of	22	any forecasted O&M figures for 2012?
23	them, as indicating months for 2010?	23	A. No.
24	A. That's correct.	24	Q. Why not?

	Page 145		Page 147
1	A. We wouldn't have forecasted on this level	1	of the belief that there wasn't a better way to
2	of detail.	2	forecast it.
3	Q. How about on a more macro basis, did you	3	A. Yes.
4	do any calculations or comparisons?	4	Q. I want to talk to you now about rider
5	A. I don't understand what you do with it on	5	GRR. Do you know what that rider is for now?
6	a macro basis.	6	A. Yes. Turning Point is contained in it.
7	Q. Well, it looks like you were trying to	7	Q. Okay. Very good.
8	determine environmental O&M costs, correct?	8	Is it the intent of AEP-Ohio to recover
9	A. Specific environmental O&M costs, not all	9	the costs potentially of renewable projects under
10	environmental O&M costs.	10	that rider?
11	Q. All right. What specific environmental	11	A. Could you repeat that? I'm sorry.
12	costs are you talking about?	12	MR. KUTIK: Could you please, Maria.
13	A. The costs associated with FGDs and SCRs.	13	(Record read.)
14	Q. And those are what?	14	A. I'd characterize it a little differently.
15	A. As far as type of equipment, fluidized	15	It's more intended to - it wouldn't exclude
16	gas desulfurization equipment as well as selective	16	renewable projects like Turning Point, but it's not
17	catalytic reduction equipment.	17	the intent of that rider to recover all renewable
18	Q. And are there forecasts of those costs	18	projects. There may be - and I'd like to qualify
19	that are done?	19	that by saying, you know, purchased power contracts
20	A. No, not specifically this type of	20	for renewable would not be included there.
21	information. No, there's not specific forecasts that	21	Q. And that wasn't the point of my question.
22	I'm aware that would, for example, say how much	22	A. Okay.
23	maintenance you're going to have on an FGD.	23	Q. It was really project costs as opposed to
24	Q. Okay. Is there a forecast, well, are	24	power purchases.
	Page 146		Page 148
1	there other environmental O&M costs other than the	1	A. At this point there's that possibility.
2	ones that appear in this document?	2	What I've considered in this ESP is really a concrete
3	A. Yes.	3	project that we think fits under this rider which is
4	Q. And why didn't you determine those in	4	Turning Point. At this time we don't anticipate any
5	this document?	5	additional projects that we would have under the GRR.
6	A. As I mentioned previously, some of those	6	Obviously, if we have one of those projects develop
7	environmental O&M costs are included in the fuel	7	in this 29-month period, then we'll make that
8	clause,	8	judgment of whether we'd include it under the GRR.
9	Q. So with respect to – would it be fair to	9	Q. Is the Turning Point project considered
10	say, then, that with respect to the O&M costs that	10	to be a renewable project, in your view?
11	this page represents, the company does not have a	11	A. It's a project that will meet the
12	forecast for those costs for 2012?	12	requirements of Senate Bill 221 around alternative
13	A. I don't believe we have a forecast for	13	energy and, you know, so it will help meet that
14	these specific costs for 2012.	14	commitment.
15	Q. Okay. Did you ask to determine whether	15	Q. Does the statute specifically call out a
16	the company has such a forecast?	16	requirement for renewable energy?
17	A. Yes, I believe I did. I consulted with	17	A. The whole statute?
18	folks to get these numbers and I was trying to come	18	Q. Yes.
19	up with the best forecast I could for 2012, and I	19	A. Or are you talking specifically about
20	don't believe it was available. It's been a while,	20	Q. No; the whole statute, Senate Bill 221.
21	but I think what I selected was what I thought was	21	A. Senate Bill 221 does have a section on
22	the most reliable forecast at this point in time, at	22	renewable, but I'm not real versed on that and,
23	the time I did my testimony for this.	23	again, I don't have the statute in front of me but I

believe it has the requirements set out.

Q. So you did it this way because you were

	Page 149		Page 151
1	<del>-</del>	-	-
2	Q. So there are requirements that the	1 2	costs among other things.  A. Right.
3	company has to meet with respect to renewable energy, correct?	3	Q. Would it include O&M costs?
4	A. Yes.	4	A. Yes.
5		5	
6	Q. And will the Turning Point project help	6	Q. Has the company determined that the
7	fill those renewable energy requirements?  A. Yes.	7	Turning Point plant is the lowest cost alternative for producing 4.9 megawatts?
8	Q. Do you know whether there is any	8	A. Did you say "4.9 megawatts"?
9	prohibition in Senate Bill 221 with respect to the	9	Q. Yes.
10	nonbypassability of riders seeking to recovery	10	A. I believe it's 49 megawatts.
11	renewable energy costs?	11	Q. I'm sorry. With that correction, Do you
12	A. I'm not aware of anything that would	12	want me to give it to you again?
13	preclude our treatment of Turning Point that we've	13	A. Yes.
14	proposed.	14	Q. Has the company determined whether the
15	Q. So the answer is you're not aware that	15	Turning Point plant is or would be the lowest cost
16	there is such a prohibition?	16	alternative for producing 49 megawatts?
17	A. A prohibition related to Turning Point,	17	A. I'll have to say that, first, you'd have
18	that's the only way I can answer that. I'm not sure	18	to put some premise around producing 49 megawatts,
19	if there's another.	19	one is over, you know, what period of time you're
20	Q. All right. Well, we indicated that	20	talking about.
21	Turning Point is built perhaps in part to meet some	21	Q. Any period of time.
22	renewable requirements, correct?	22	A. Any period of time?
23	A. Yes.	23	Q. Has the company done that analysis?
24	Q. Would you view Turning Point's costs as	24	A. I wouldn't think that Turning Point would
<u> </u>	Page 150		Page 152
   1	renewable energy costs?	1	be the lowest cost for supporting the megawatts. I
2	A. No, not all of it.	2	can tell you we don't need an analysis for that.
3	Q. Okay. Some of it might be.	3	Q. Okay.
4	A. Some of it might be, the REC portion.	4	A. What Turning Point obviously is meant to
5	Q. Now, do you know whether well, when I	5	accomplish is meeting the renewable requirement.
6	use the term "CRES provider," do you know what I	6	Q. So it would be fair to say that Turning
7	mean? Have you heard that term before?	7	Point is not the lowest cost alternative for
8	A. Yes.	8	producing the 49 megawatts that it's proposed to
9	Q. Do CRES providers need to meet	9	produce.
10	alternative and renewable energy requirements set out	10	A. Yeah. If you're comparing to, say, a
11	in SB 221 as far as you know?	11	combined cycle gas plant or coal-fired generation, I
12	A. As far as I know, yes.	12	don't believe, you know, that it would be the lowest
13	Q. With respect to what's sought to be	13	cost when compared to those options.
14	recovered with respect to Turning Point under rider	14	Q. Is the Turning Point project the only new
15	GRR, would it be fair to say that the costs include	15	generation plant currently contemplated to be
16	costs other than just the carrying costs?	16	constructed through May of 2014?
17	A. Yes. Attached to my supplemental	17	A. For AEP-Ohio?
18	testimony are the costs that are included in the	18	Q. Well, start there.
19	revenue requirement we've estimated.	19	A. Okay. I'm not aware of any additional
20	Q. And those costs would include capital	20	plants that would be constructed in that period, but
21	costs?	21	I can't rule out that we don't have some plans to add
22	A. They would include capital cost return of	22	generation or we might start construction, that's a
23	and on.	23	short time frame now. The other thing I would have
24	Q. So they would include at least capital	24	to put a caveat on is with the renewable requirements

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Page 153 we could add some solar panels to a service center 1 that produces some generation, you know, things like 2 that that we could do. 3 4 O. What I'm --5 A. But I'm not aware of anything specific at 6 this time. 7 Q. What I was trying to understand is your knowledge, and to the best of your knowledge the 8 9 Turning Point plant is the only generating unit or plant that AEP-Ohio proposes to construct through May 10 11 of 2014, correct?

> A. It would be the only one I would think would be completed during that period. I want to --

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Q. Are you aware of whether there are other plants that are currently proposed for construction where the construction would take place prior to May of 2014?

A. I'm aware that we may be contemplating additional generation, for example, you know, repowering MR 5, for example, with a gas unit.

Q. Is that a current proposal that is being considered by the company?

A. It's a - yes, it's being considered by the company.

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A. I don't think originally it was filed in this case, no. What I don't know is whether that's gotten some consolidation or treatment in this case.

O. Do you know whether or have you been asked to participate in the long-term forecast case that's currently pending at the Commission for AEP-Ohio?

A. No, I have not been asked to participate.

Q. Is it the case that if the Commission decides that the recovery of costs for the Turning Point project should not be nonbypassable, that there will be no financing for that project?

A. I don't know if there would be no financing for that project, but I understand there may be a regulatory out in the contract that we have, but that's a question better suited for Jay; Mr. Godfrey.

Q. Okay.

A. But I believe there's a regulatory out if we don't get nonbypassability.

Q. So you don't know whether it's a fact that if the project -- if the costs of the project are not recovered on a nonbypassable basis, the company will terminate its interest in the Turning

Page 154

Point project.

A. I couldn't make that determination. That's a decision for Mr. Hamrock.

Q. And you're not aware that a decision has been made.

A. No.

O. Are you aware of whether there are any generating facilities owned by AEP-Ohio that were not in service prior to June 1st, 2009?

A. Yes, certainly generating facilities, we build generating facilities all the time.

Q. Well, I asked you -- okay. So I guess of the plants that currently exist, were they in operation and in service before January 1st, 2009?

A. Are you asking about facility or units?

Q. Well, let's start with facilities.

A. Well, facilities can be coal handling facilities. You know, it depends on the definition of facilities. "Facilities" to me is a pretty broad term.

Q. Okay. How about a plant?

A. A plant being a generating, series of generating units and so forth? I don't -- I know there's been no big units built in that time frame.

Q. Are there any other projects that may be -- that may involve construction of new facilities that may begin prior to May of 2014?

A. With the EPA rules things could change, but I'm not aware of anything at the moment.

O. Okay. Are you aware of any filing in this case by AEP that would demonstrate the specific resource need for the Turning Point project?

A. Yes, Mr. Godfrey's testimony.

Q. And is that it?

A. In this case I believe it is. That would probably be it. Again, I'm not sure of all the filings that might be consolidated into this, but that's what comes to mind at the moment.

Q. What you're referring to is there may be something in the IRP whether that's part of this case?

A. I believe the IRP was filed in support of the Turning Point, at least partly, but that's why --I'm not positive of that, but that's my understanding.

Q. I guess is it -- you don't know whether that was actually filed in this case or not; fair to

39 (Pages 153 to 156)

	Page 157		Page 159
1	Q. Okay. So as far as you know with respect	1	requirement would be different for each year of
2	to either generating plants or generating units, all	2	the
3	the units that are currently in operation and owned	3	A. Yes.
4	by AEP-Ohio were in operation as of June 1st, 2009,	4	Q useful life of the Turning Point
5	or at least in service in 2009.	5	project?
6	A. I believe that's the case.	6	A. Different, yes.
7	Q. Okay. Same question but moving the date	7	Q. Does AEP intend to recover the capacity
8	back to December 31st, 2000.	8	costs of Turning Point through rider GRR?
9	A. There's been a number of units added.	9	A. Yes, as part of the capital costs. I
10	Q. Okay. Do you know which units have been	10	would consider fixed costs to be capacity costs. Is
11	added since December 31st, 2000?	11	that what you're asking?
12	A. There's been Darby, I forget how many	12	Q. Well, however you define that term.
13	units that has, but Waterford which has a number of	13	A. Yeah, that's how I fixed costs, yes,
14	units. I'd count Lawrenceburg even though it's a	14	would be recoverable.
15	purchased power contract with AEG, I'd look through	15	MR. KUTIK: Let's go off the record.
16	that as CSP being the beneficial owner of that.	16	(Recess taken.)
17	Q. Any other plants or units?	17	MR. KUTIK: Let's go back on the record.
18	A. There's been solar facilities added to	18	Q. The company does intend to recover the
19	service centers. Those are things that come to mind	19	costs of purchased power through the fuel adjustment
20	at the moment.	20	clause or rider FAC, correct?
21	Q. And with respect with the exception of	21	A. Yes.
22	Lawrenceburg, the Darby and Waterford unit are a	22	Q. And that would include the cost of
23	hundred percent owned by AEP-Ohio?	23	purchasing capacity and energy in the market?
24	A. CSP, yes.	24	A. Yes.
	Page 158		Page 160
1	Q. Okay. That would be AEP-Ohio, right?	1	Q. Would it also include the cost of
2	A. Doing business as.	2	purchasing capacity and energy in the market if those
3	Q. Okay. Are you aware of the estimated	3	purchases were required to serve shopping customers
4	life of the Turning Point project, estimated useful	4	who returned?
5	life of that project?	5	MR. CONWAY: I'm sorry. Could you reread
6	A. Yes.	6	that question back for me.
7	O. What is it?	7	(Record read.)
8	A. Twenty-five years.	8	A. I have a little problem answering that
و ا	Q. And does the company expect that its	9	because I'm not sure what the deal is when shopping
10	costs with regard to the Turning Point project will	10	customers return. That's not a question that I can
11	be the same for each year of the useful life of that	11	answer.
12	project?	12	Q. Okay. Assume for me that the company had
13	A. I wouldn't expect the costs to be the	13	to go out and purchase either energy or capacity or
14	same.	14	both to serve shopping customers. Are you with me so
15	Q. Do you know whether the revenue	15	far? That returned. Are you with me so far?
16	requirement developed with respect to the Turning	16	A. So far.
17	Point project assumes a revenue requirement the same	17	Q. Okay. Would you think that the company
18	for each year of the useful life of the project?	18	could request that those costs be recovered through
19	A. I wouldn't expect anything to be the same	19	rider FAC?
20	for the whole period. The lease payment, the	20	A. I think the company could request that.
21	principal part of the expense, is the same, but the,	21	I don't know, again, what the particulars would be.
22	you know, there would be O&M expense, taxes and so	22	Q. All right. Fair enough,
23	forth, I would expect those to change.	23	Now, have you been involved in coming up
1 '	,	2	

with any projections of assumed levels of shopping?

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Q. So you would expect that the revenue

A. No. Q. Are you aware of whether the company has made any assumptions with respect to an assumed level of shopping? A. I'm aware that we had a certain level of shopping factored into our pro formas. Q. And those assumptions were — well, I'll back up. Were you the one that was in charge of getting the pro forms prepare? A. Yes. Q. Lassume you didn't prepare mem. Were you the one that was in charge of getting the pro forms prepare? A. Yes. A. Yes. Q. Lassume you didn't prepare mem. A. Yes. A. Yes. A. Yes. A. Yes. A. I think the company is evaluating EPA A. Yes. A. I think the company is requirements. Now, I don't know whether the company is organized they are required to the prepare from the sace-plate and you reviewed them to whatever format is acceptable and you reviewed them to whatever format is acceptable and you reviewed them to whatever format is acceptable and you reviewed them to whatever format is acceptable and you reviewed them to whatever format is acceptable and you reviewed them to whatever format is acceptable and you reviewed them to whatever format is acceptable and you reviewed them to whate or format is acceptable and you reviewed them to whate or format is acceptable and you reviewed them to whate or format is acceptable and you reviewed them to whate or formats acceptable and you reviewed them to whate or formats acceptable and you reviewed them to whate or formats acceptable and you reviewed them to whate or formats acceptable and you reviewed them to whate or formats acceptable and you reviewed them to whate or formats acceptable and you reviewed them to whate or formats acceptable and you reviewed them to whate formats and the sum that it is of this is up in the air.  Q. Did you familiarize yourself with what a sammption were make with respect to the level of shopping?  A. I probably knew at one time. I don't recall the proposal or the words, has there been a NOPR or something like that?  A. Yes, I trusted people that do the forecasts to have a reasonable assumption. Q. But you didn't d			T T	
2   least two units that are currently in service that will be retirred by the end of the proposed ESP period, correct?  A. I'm aware that we had a certain level of shopping flactored into our pro formas.  Q. And those assumptions were – well, I'll back up.  Were you the one that was in charge of getting the pro formas prepared?  Q. I assume you didn't prepare them you'ke for you collect the information and put them in whatever format is acceptable and you reviewed them to make sure they were fine, fair to say?  A. That's fair to say.  A. I hat's fair to say.  A. I probably knew at one time. I don't respain on the suppliers of the proposed with the sassumptions were reasonable assumptions?  A. Yes, I trusted people that do the forecasts to have a reasonable assumptions.  Q. Did you didn't do any kind of independent, albeit perhaps snap analysis to determine whether these assumptions were reasonable assumptions.  Q. But you didn't do any kind of independent, albeit perhaps snap analysis to determine whether these assumptions were reasonable. you were just relying on others, correct?  A. That's correct.  A. Tha	-	Page 161		Page 163
a made any assumptions with respect to an assumed level of shopping? A. I'm aware that we had a certain level of shopping factored into our pro formas. Q. And those assumptions were — well, I'll back up.  Wer you the one that was in charge of getting the pro formas prepared?  A. Yes.  Q. I assume you didn't prepare them yourself. You had — you had a team or others who whatever format is acceptable and you reviewed them to make sure they were fine; fair to say? A. Did you familiarize yourself with what to make sure they were fine; fair to say? A. I probably knew at one time. I don't recall. A. I probably knew at one time. I don't recall. A. Yes, A. I probably knew at one time. I don't recall. A. Yes, A. I probably knew at one time. I don't recall. A. Yes, A. I probably knew at one time. I don't recall. A. Yes, A. I probably knew at one time. I don't recall. A. Yes, I trusted people that do the forceasts to have a reasonable assumptions. A. Yes, I trusted people that do the forceasts to have a reasonable assumptions. A. I har's correct. A. That's correct. A. That	1	A. No.	1	Q. Let me rephrase it. You are aware of at
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12 Q. I assume you didn't prepare them 13 yourself. You had — you had a team or others who 14 work for you collect the information and put them in 15 whatever format is acceptable and you reviewed them 16 to make sure they were fine; fair to say? 17 A. That's fair to say. 18 Q. Did you familiarize yourself with what 19 assumptions were made with respect to the level of 19 shopping? 20 A. I probably knew at one time. I don't 21 creall. 22 recall. 23 Q. Did you do anything to satisfy yourself 24 that those assumptions were reasonable assumptions? 25 Page 162 26 that those assumptions were reasonable assumption. 27 Q. But you didn't do any kind of 28 determine whether these assumptions were reasonable, 29 you were just relying on others, correct? 20 A. That's correct. 21 Q. Did you today what those 22 assumptions were, you would not know. 23 Q. Did you do anything to satisfy yourself 24 that those assumptions were reasonable, 25 you were just relying on others, correct? 26 A. That's correct. 27 A. That's correct. 28 Q. Mat's used the fease assumptions were reasonable, 29 assumptions were, you would not know. 30 Q. Mat's used those assumptions were reasonable, 31 A. No. 32 Q. Okay. And when are those expected to come out? 34 I think the final rule will probably be 35 in November is what I understand. It will take some time after that to evaluate it, obviously. 34 A. I think the final rule will probably be 35 in November is what I understand. It will take some time after that to evaluate it, obviously. 4 A. Yeah, there's been a NOPR or something like that? 4 A. Yeah, there's been rulemaking. 4 A. Yeah, there's been rulemaking.  9 A. That's correct as the proposed rules were promulgated without any changes from the initial proposal or the last published proposal? 4 I twould do if the proposed rules were promulgated without any changes from the initial proposal or the last published proposal? 4 I have to admit that, you know, my understanding is those things are rather uncertain, that is that, you know, the proposed r	10	getting the pro formas prepared?	10	regulations and may, in fact, be contemplating
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15 whatever format is acceptable and you reviewed them to make sure they were fine; fair to say?  16 A. That's fair to say.  17 A. That's fair to say.  18 Q. Did you familiarize yourself with what assumptions were made with respect to the level of shopping?  20 shopping?  21 A. I probably knew at one time. I don't recall.  22 recall.  23 Q. Did you do anything to satisfy yourself that those assumptions were reasonable assumptions?  24 that those assumptions were reasonable assumption.  25 A. Yes, I trusted people that do the forecasts to have a reasonable assumption.  26 G. But you didn't do any kind of independent, albeit perhaps snap analysis to determine whether these assumptions were reasonable, you were just relying on others, correct?  26 A. That's correct.  27 A. That's correct.  28 Q. If I asked you today what those assumptions were, you would not know.  29 assumptions were, you would not know.  20 And you certainly don't know what the bases of those assumptions are, correct?  20 A. I wouldn't know.  21 Q. What I said is correct.  22 A. No.  23 A. Yes, I trusted people that do the forecasts to have a reasonable assumption.  24 Without any changes from the initial proposal or the last published proposal?  25 A. I haven't seen specific plans and I'll have to admit that, you know, my understanding is those things are rather uncertain, that is that, you know, there may be something out one day that could possibly change another. I think — is it the CASPR turlle? — might have been quite a lengthy document as I recall, maybe a thousand, 1,300 pages, so there's a lot in there that requires study and understanding of there's a specific plan at this point.  28 A. Yes, I trusted people that do the two wids, has there been a NOPR or something like that?  29 A. I haven't seen specific plans and I'll have to admit that, you know, my understanding is those things are rather uncertain, that is that, you know, my understanding of the lasses of those assumptions are, correct?  20 A. I have 1 seen specific plan at this p	13	yourself. You had you had a team or others who	13	And I would add that, you know, until the MACT rule
16 to make sure they were fine; fair to say?  A. That's fair to say.  Q. Did you familiarize yourself with what 18 assumptions were made with respect to the level of 20 shopping?  A. I probably knew at one time. I don't 21 recall.  Q. Did you do anything to satisfy yourself 22 that those assumptions were reasonable assumptions?  Page 162  A. Yes, I trusted people that do the 25 forecasts to have a reasonable assumption.  Q. But you didn't do any kind of 26 determine whether these assumptions were reasonable, 27 you were just relying on others, correct? 28 A. That's correct.  Q. If I asked you today what those 29 assumptions were, you would not know.  A. I wouldn't know.  Q. And when are those expected to come out?  A. I think the final rule will probably be in November is what I understand. It will take some time after that to evaluate it, obviously.  Q. Have those rules been proposed? In other words, has there been a NOPR or something like that?  A. Yeah, there's been rulemaking.  Q. Has the company developed a plan for what  Page 164  1 it would do if the proposed rules were promulgated without any changes from the initial proposal or the last published proposal?  A. I'm sure we've done some analysis around the proposed rules.  Q. Have you seen those plans?  A. I haven't seen specific plans and I'll have to admit that, you know, my understanding is those things are rather uncertain, that is that, you know, there may be something out one day that could possibly change another. I think — is it the CASPR rule?—might have been analysis. I'm not sure if there's a specific plan at this point.  MR. KUTIK: Can you read my question.  Q. What I said is correct.  A. I think It said —  Q. Id will do if the proposed rules were promulgated without any changes from the initial proposal or the last published proposal?  A. I'm sure we've done some analysis around the proposed rules.  Q. Have you seen those plans?  A. I haven't seen specific plans and I'll have to admit that, you know, any understanding is those things are rat	14	work for you collect the information and put them in	14	comes out, M-A-C-T, in the fall, you know, that a lot
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21 A. I probably knew at one time. I don't recall. 22 Q. Did you do anything to satisfy yourself 23 Q. Did you do anything to satisfy yourself 24 that those assumptions were reasonable assumptions?  24 Page 162  Page 162  A. Yeah, there's been rulemaking. Q. Has the company developed a plan for what  Page 164  Page 162  Page 162  A. Yes, I trusted people that do the forecasts to have a reasonable assumption. Q. But you didn't do any kind of independent, albeit perhaps snap analysis to determine whether these assumptions were reasonable, you were just relying on others, correct? A. That's correct. Q. If I asked you today what those assumptions were, you would not know. Q. A. I wouldn't know. Q. A. I wouldn't know. 10 A. I wouldn't know. 10 Q. And you certainly don't know what the bases of those assumptions are, correct? Q. What I said is correct. 14 Q. What I said is correct. 15 A. No. 16 Q. What I said is correct. 17 A. I do not know the bases of those assumptions. 18 Now, we mentioned earlier that you're aware of at least two plants, or units rather, that AEP-Ohio believes will be retired during the course of f at least during the course of the ESP, correct? A. I think I said Q. Let me rephrase it.  Q. Let me rephrase it.  Q. Have those rules been proposed? In other words, has there been a NOPR or something like that? A. Yeah, there's been rulemaking. A. A. Yeah, there's been rulemaking. A. No I that thous or	19	assumptions were made with respect to the level of	19	in November is what I understand. It will take some
22 recall. 23 Q. Did you do anything to satisfy yourself 24 that those assumptions were reasonable assumptions?  Page 162  A. Yes, I trusted people that do the 2 forecasts to have a reasonable assumption. 3 Q. But you didn't do any kind of 4 independent, albeit perhaps snap analysis to 5 determine whether these assumptions were reasonable, 5 you were just relying on others, correct? 6 Q. If I asked you today what those 9 assumptions were, you would not know. 10 A. I wouldn't know. 11 (A. I wouldn't know. 12 (A. I wouldn't know. 13 (A. I wouldn't know. 14 (A. I wouldn't know. 15 (A. I wouldn't know. 16 (A. I wouldn't know. 17 (A. I wouldn't know. 18 (A. I wouldn't know. 19 (A. I wouldn't know. 10 (A. I wouldn't know. 11 (A. I wouldn't know. 12 (A. I wouldn't know. 13 (A. I wouldn't know. 14 (A. I wouldn't know, my understanding is those things are rather uncertain, that is that, you know, there may be something out one day that could possibly change another. I think — is it the CASPR rule? — might have been quite a lengthy document as I recall, maybe a thousand, 1,300 pages, so there's a lot in there that requires study and understanding of that document. So the reason I mention this is that a sumptions. 16 (A. I do not know the bases of those assumptions are, correct? 18 (A. Yeah, there's been rulemaking.  Q. Has the company developed a plan for what  Page 164  1 it would do if the proposed rules were promulgated without any changes from the initial proposal or the last published proposal?  A. I'm sure we've done some analysis around the proposed rules.  A. I'm sure we've done some analysis around the proposed rules.  A. I'm sure we've done some analysis around the proposed rules.  A. I'm sure we've done some analysis around the proposed rules.  A. I'm sure we've done some analysis around the proposed rules.  A. I'm sure we've done some analysis around the proposed rules.  A. I'm sure we've done some analysis around the proposed rules.  A. I'm sure we've done some analysis around withen proposed rules.  A. I'm	20	shopping?	20	time after that to evaluate it, obviously.
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r	22	A. I think I said		Did you? Have you?
24 A. Right. 24 press release. I don't know that that's considered a	23	Q. Let me rephrase it.		A. Have I seen the plans? I've seen our
	24	A. Right.	24	press release. I don't know that that's considered a

1			Page 167
	plan, that's why I'm qualifying.	1	information at that point in time.
2	Q. Okay.	2	Q. Okay. So could we say that the press
3	A. You know, it's based on our understanding	3	release reflected the company's best information
4	of a rule at a point in time, as I said, that that	4	about what it might do to comply with the EPA
	understanding can change, and we need really to have	5	regulations?
	the final rules that are going to come into place in	6	A. Yeah, I would think that that would
	November to really, what I would consider a plan.	7	represent what, a certain set, based on an
8	Q. So with respect to any particular plan to	8	interpretation of the rule at the time, what it might
	deal with the MACT rule or rules, other than the	9	result in.
		10	Q. Let me ask you a couple of questions
	• •	11	about the phase-in of the deferred fuel balance.
12	A. I haven't seen anything that I would	12	What's the period of time that that deferral was
	characterize as a plan -	13	accrued?
14	Q. Even including the press release.	14	A. It was during the ESP period, last ESP.
15		15	It continues through the end of this year. It was
		16	part of the phase-in plan under the statute.
		17	
	÷ -	18	Q. And when you say it was part of the
		19	phase-in plan under the statute, what does that mean?
19			A. That means that there's a specific
	1	20	provision in the statute for a phase-in of rates and
21	A. No, I don't believe I was.	21	that's what we that's the reason that we had a
22	Q. And the press release we're talking about	22	limit on the amount of fuel that we could charge
	was a press release for June 9, 2011; does that ring	23	during the current ESP period.
24	a bell?	24	Q. By the way, are you aware of any
	Page 166		Page 168
1	A. I'm not sure when it came out.	1	additions or corrections that need to be made to
2	Q. Okay. Well, it talked about what it	2	either your testimony or your supplemental testimony?
3	would do, this press release, to comply with proposed	3	A. I'm aware of some general comments, one I
4	EPA regulation, correct?	4	gave you is on the revenue requirement earlier we
5	A. Well, the press release will say whatever	5	discussed around the carbon capture rider.
6	it says.	6	Q. And what is that?
7	Q. No, I'm asking you about your	7	A. To repeat, that was the idea that we're
8	recollection of the press release.	8	now requesting the 29-month amortization period and
9	A. I think it would be characterized more as	9	we established the FEED study cost as a regulatory
10	what we might do.	10	asset to be recovered over that 29-month period as
11	Q. And what the company might do included	11	opposed to what was proposed in the testimony.
12	the retirement of certain plants, correct?	12	Q. Okay. Anything else?
13	A. I think that was addressed in the press	13	A. There is one other thing that comes to
14	release, right.	14	mind.
15	Q. And there were specific units that were	15	Q. Where is that?
16	identified as candidates for retirement, correct?	16	MR. CONWAY: Where is what?
17		17	MR. KUTIK: The other thing that comes to
18	O. Would the company issue a press release	18	mind. He's looking through his testimony.
	1 7 1	19	A. It's on page 26.
20		20	Q. Of your direct testimony?
21	ľ	21	A. Correct.
		22	Q. And what about your testimony at page 26
	·	23	needs to be revised or revisited?
24	A. I think it would provide the best	24	A. The question beginning on line 7, the

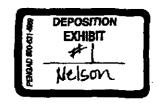
l	Page 169		Page 171
1	response would now be "No," and the rest of it be can	1	rate was that?
2	be stricken.	2	A. The ESP rate.
3	There will probably be other corrections	3	Q. Okay.
4	perhaps, but those are the ones that come to mind.	4	A. Now, the ESP had certain components that
5	Q. And why have you made the change you just	5	might be considered distribution.
6	mentioned?	6	Q. Is the fuel cost considered a
7	A. Because the answer to the question is	7	distribution cost?
8	"no."	8	A. No. The fuel cost would be considered
9	Q. Well, was it wrong when it was first	9	generation and that was kind of the result of the
10	written, or is it wrong because you no longer intend	10	phase-in plan is where we it was the last item
11	to do what is indicated in that answer?	11	standing, in a sense.
12	A. It wasn't wrong then, it isn't wrong now,	12	MR. CONWAY: Before we continue I just
13	just the question says "Are you aware of which	13	would like to point out that his counsel improperly
14	the Company will be seeking approval," and we said	14	advised him on the correct statutory section.
15	"The Company is actively pursuing engineered fuel."	15	MR. KUTIK: And I understand that. You
16	We're no longer actively pursuing that.	16	can make that change at the hearing.
17	Q. So that was the change.	17	THE WITNESS: Can you tell me what it is?
18	A. That was the change.	18	MR. CONWAY: I will advise you that it's
19	Q. And as far as you know that's all you can	19	4928.144.
20	tell me with respect to potential additions or	20	THE WITNESS: Okay.
21	corrections, correct?	21	Q. (By Mr. Kutik) Are you aware of what
22	A. The only other thing that comes to mind,	22	4928.144 says?
23	but this I think becomes moot with the change we just	23	A. I'm certainly aware of it. I don't have
24	discussed on the 29 months, is the allocation factor	24	the statute in front of me.
-	Page 170		Page 172
,		1	Q. Well, let me give it to you.
1	for the CCS FEED study I think was revised and we	2	MR. CONWAY: Maybe that advice is subject
2	provide that in a data request. Changed the revenue	3	to check yet again, still.
3	requirement slightly, but, again, I think it's moot	4	Q. Can you explain to me your understanding
4	because of the other change we just discussed.	*± 5	of why the phase-in would be nonbypassable under that
5	Q. Let me refer you now to page 8 of your	6	statute?
6 7	testimony. At the bottom of the page you talk about	7	A. Because the section says it will be.
l '	the advice you received with respect to the nonbypassable basis for the phase-in of the deferred	8	Q. Well, can you be more specific?
8 9	fuel balances. Do you see that?	9	A. I could read the section to you.
10	A. Yes.	10	Q. Okay. Go ahead.
11		11	A. Okay. "If the commission's order
12	<ul><li>Q. That's the statute you're relying on?</li><li>A. That's correct.</li></ul>	12	includes such a phase-in, the order shall provide for
13	1	13	the creation of regulatory assets pursuant to
14	Q. That's section 4928.44?  MR. CONWAY: Hold on.	14	generally accepted accounting principles, by
15		15	authorizing the deferral of incurred costs equal to
16	Q. Is that correct? Have I read it correctly?	16	the amount not collected, plus carrying costs on that
17		17	amount. Further, the order shall authorize the
18	A. You've read it correctly.	18	collection of these deferrals through a nonbypassable
19	Q. Thank you.  The deferrals that you're referring to	19	surcharge on any such rate or price so established
ユ フ	The deferrals that you're referring to are deferrals that are not distribution rates? These	20	for the electric distribution utility by the
	· · · · · · · · · · · · · · · · · · ·	21	commission."
20	costs aren't distribution costs, are they?		COLUMNOSION.
20 21	A The rate increase was carned at a cortain	22	O Is it your view that that section relates
20 21 22	A. The rate increase was capped at a certain	22	Q. Is it your view that that section relates to costs other than distribution costs?
20 21	A. The rate increase was capped at a certain percentage and that's what produced the deferrals.  Q. When you say "the rate increase," what	22 23 24	Q. Is it your view that that section relates to costs other than distribution costs?  A. Would I consider that part of the

Page 173 Page 175 1 section related to is a phase-in plan, which is what 1 A. No basis. Q. All right. So you're not suggesting that 2 we have. 2 Q. But can you answer my question? 3 that's the proper cost for capacity. 3 4 A. I'm not sure it has --4 A. No. 5 MR. CONWAY: Could I have the question 5 Q. And when you say that the capacity will be valued using the capacity price relevant to 6 reiterated. 6 7 7 AEP-Ohio's, and I'll just say FRR designation, what MR. KUTIK: Sure. 8 does that mean? 8 Could you read it please, Maria. 9 (Record read.) 9 A. That means what is ultimately determined A. Yes. Well, let me -- it relates to 10 to be the charge for capacity related to our RA 10 everything that is entailed in the phase-in. section of the PJM tariff would be applied. 11 11 Q. Well, so that would include things other Q. So, for example, if the Commission comes 12 12 than distribution costs, correct? to a determination in case -- well, I'll back up. 13 13 Are you familiar with a case number at the Commission 114 A. It would include both distribution as 14 15 10-2929? 15 part of the phase-in as well as any other components. Q. My question was could it apply to the 16 A. Yes. 16 phase-in of costs, of the recovery of costs other 17 Q. If the Commission comes to the 17 than distribution costs? And I think your answer was 18 determination as to what -- a result in 10-2929, 118 19 yes. Is that correct? 19 would that be the result that would then be plugged 20 into this calculation that you discuss? 20 A. Yes. A. Perhaps. The only other question is 21 21 Q. Okay. In terms of how the recovery of 22 the deferrals will take place, as I understand it 22 whether they actually had the jurisdiction or FERC does, so it may not be resolved. each company has a different amount of deferrals. 23 23 Q. All right. So what would be plugged in 24 correct? 24 Page 176 Page 174 A. Yes. 1 there would be the resolution of either proceedings 1 at the FERC or the 10-2929 case, or both. 2 2 O. Will the deferrals for each company be 3 recovered only from the customers for that company? 3 A. Yes. That was the intention, whatever A. Our proposal is once the companies are 4 is -- however it's resolved and whoever has 4 merged, that those costs would be spread over the 5 5 jurisdiction would be used. 6 full customer base. 6 Q. Do you know whether there's anyone within 7 7 the company that is doing any kind of analysis of O. So it could be that formerly CSP 8 customers are paying for OP deferrals or vice versa. 8 Mr. Schnitzer's testimony? 9 A. Sure. And, conversely, there's some 9 A. We certainly will be doing an analysis, 10 but I don't know at the moment if anybody has. 10 riders, when we merge, that would now apply to CSP would also apply to Ohio Power customers. Q. Are you part of that group? 11 11 A. I would certainly want to look through 12 Q. Let me refer you to page 12, and at the 12 13 bottom of the page the sentence that begins on line 13 it. 21, "Capacity will be valued using the capacity price 14 14 O. But you haven't tasked anybody with that 15 relevant to AEP's Fixed Resource Requirement . . . 15 job. designation." Do you see that? 16 16 A. No, I haven't tasked anybody. 17 A. Yes. 17 O. And you don't know whether anyone is, in fact, doing that, correct? 18 Q. And then over on page 13 you use the 18 number for capacity of \$12 in that little table, A. I don't know at the moment whether 19 19 20 correct? 20 anyone's doing it at this time. It will be done. 21 21 Q. All right. So you would expect by the Correct. Q. Where did that \$12 number come from? time you take the stand to have seen an analysis of 22 22 23 23 A. It was just pure example. Mr. Schnitzer's testimony? A. I will expect to have reviewed his 24 24 Q. Okay.

		,	•
	Page 177		Page 179
1	testimony and present any rebuttal, if permitted, in	1	year?
2	the proceeding that I see fit to my testimony.	2	Q. For any year.
3	Q. I'm not sure that's my question. My	3	A. Certainly no bilateral transaction for
4	question is assuming that you go on the stand Monday	4	capacity is going to get to \$16 a megawatt day. Any
5	or Tuesday, do you expect that by that time you will	5	long-term capacity purchases will be much higher than
6	have reviewed any analysis of Mr. Schnitzer's	6	that.
7	testimony?	7	Q. You believe that the company could have a
8	A. I don't have any expectations. That's	8	rider EICCR if the company procured SSO load through
و	when the direct case begins, on Monday.	وا	an MRO?
10	Q. Okay	10	A. I have no idea. I haven't thought about
11	A. So Mr. Schnitzer I wouldn't expect to be	11	the MRO option.
12	on for a while.	12	Q. Okay.
13	Q. All right. So if you do see any	13	MR. KUTIK: Let's go off the record.
14	analysis, you expect it would be before you would	14	(Recess taken.)
15	return potentially as a rebuttal witness; fair to	15	MR. KUTIK: Mr. Nelson, I have no further
16	say?	16	questions. Mr. Stahl has some follow-ups.
17	A. Yes. If I have any issues to rebut, I	17	
18	would expect to do an analysis or do my evaluation of	18	FURTHER EXAMINATION
19	the testimony before that time.	19	By Mr. Stahl:
20	Q. You had some discussion with Mr. Stahl	20	Q. Mr. Nelson, just going back to the
21	•	21	Mountaineer CCS project, I thought I knew the answer
22	about whether prices, energy prices, were volatile in	22	to this, now I'm not so sure. If the company, if
	the market versus regulatory. Do you remember that?	23	AEP-Ohio proceeds with that project during the ESP
23	A. I certainly do.	24	period, is it the intent to recover the costs or any
24	Q. Do you consider capacity, the capacity	24	
	Page 178		Page 180
l	market, to be volatile?	1	part of the costs of the project itself through the
5	<ul> <li>A. Bilateral or are you talking about</li> </ul>	2	CCSR rider?
3	RPM?	3	A. I wouldn't preclude us from making that
4	Q. Let's say RPM.	4	request, yes.
5	A. And you're talking PJM?	5	Q. And your testimony refers on page 20 to a
6	Q. Yes.	6	preliminary estimate for the costs of the project of
ל	A. Yes, very volatile.	7	about \$610 million. Is that still the best estimate
8	Q. Well, is it the case is it the case	8	you have?
9	that a buyer or seller of capacity basically knows	9	A. Yes. Until the FEED study is done I
10	the price for capacity in PJM three years ahead of	10	believe that's the best estimate we have.
11	time?	11	Q. And is the in-service date still
12	THE WITNESS: Can I have that repeated?	12	estimated to be sometime in 2015?
13	(Record read.)	13	A. I haven't heard — because we suspended
14	A. Are you talking about a buyer in the	14	the project I don't know that I could say there's a
15	auction, RPM auction?	15	specific in-service date at this point. I would
16	Q. Or of capacity generally.	16	expect it to slip.
17	A. Not necessarily. You can do bilateral	17	Q. Even if it slips, would you expect that
18	capacity purchases that you wouldn't necessarily know	18	certainly some of the costs of that project, costs
19	three years in advance.	19	that would be allocated to AEP-Ohio, would be
20	Q. Okay. Would you think that the if	20	incurred in the 29-month ESP period?
21	bilateral transactions were allowed to buy capacity	21	A. It's possible that they could be incurred
22		22	during that period. I think the likelihood is rather
23	auction prices, the RPM prices?	23	low at this time.
24	A. I don't think which year? For which	24	Q. Really?

		Τ	
	Page 181		Page 183
1	And in order to calculate the amount that	1	days in advance of the termination and, you know, the
2	would be included in the rider, would you take	2	process that we hope prevails is we reach some sort
3	AEP-Ohio's share of the total costs during that	3	of settlement with the major stakeholders in each
4	period and apply your carrying charge rate to that?	4	jurisdiction. So we might go ahead once we've
5	A. Yes. I think as far as what we would	5	reached that agreement and say that agreement says
6	request if we went forward with the project, it would	6	I'm going to terminate it, just as an example, one
7	be AEP-Ohio's share and allocated in a similar	7	month in 2015
8	fashion to what I show on page 21.	8	Q. Right.
9	Q. Yes. And the carrying charge rate	9	A but you may reach that agreement prior
10	depends on the investment life of the particular	10	to.
11	project; is that correct?	11	Q. Understood. And if you haven't sliced it
12	A. Yes.	12	this finely yet, just let me know, but it is possible
13	Q. And do you have any idea what the	13	you could have the FERC approval I think you
14	investment life of the Mountaineer CCS project would	14	already answer this. Let me strike it.
15	be?	15	Is it your expectation you would have
16	A. I don't have a specific estimate at this	16	FERC approval before the end of the ESP period and
17	time. It's too early in the process.	17	then effective afterwards?
18	Q. The carrying charge rates are set forth	18	A. That would probably be a better question
19	in Exhibit PJN-2 to your testimony; is that correct?	19	for the FERC attorneys, but, you know, it may be just
20	A. Yes.	20	that, you know, since we're terminating the contract
21	Q. And are those still effective carrying	21	it may not be a drawn-out proceeding at FERC, we
22	charge rates to the best of your knowledge?	22	would hope. We just have to give them 60 days'
23	A. Yes.	23	notice. Particularly if you have the state
24	Q. Okay. I know that's six questions, but I	24	commissions on board with it. So I would think that
	Page 182		Page 184
1	still have two areas I'd like to talk about. The	1	you would and it would depend upon the timing of
2	next one has to do with the pool agreement	2	the filing. So I'm getting a little beyond, not
3	termination, you and I discussed that earlier I	3	being an attorney, what might happen.
4	think, and I think you had some questions from	4	Q. I understand, and if you don't know the
5	Mr. Kutik on it too. Just to clarify, I think you	5	details
6	said earlier that the pool agreement termination you	6	A. Okay.
7	would not expect to be effective during the 29-month	7	Q or if you haven't thought it through,
8	ESP period; is that correct?	8	that's fine. I'm just trying to find out what your
9	A. That's correct. Based on my	9	expectation is, and I think you're telling me you
10	Q. Sure.	10	don't really have an expectation one way or the other
11	A opinion.	11	whether the FERC order will be entered before the end
12	Q. Understood. And just to clarify that,	12	of the ESP or after the end of the ESP, it could be
13	does that mean that you would not expect to receive	13	either.
14	the order approving that pool termination during the	14	A. From my perspective I think it could be
15	ESP period?	15	either.
16	A. Not necessarily. You could reach	16	Q. All right. And if you had to give me
17	settlement to have a specific date to terminate it,	17	your best judgment on when the FERC order approving
18	for example, and you may get approval to terminate on	18	the termination would be, either before or after,
19	that particular date.	19	would you be able to do that?
20	Q. So you may have approval to terminate	20	A. Are you still asking within the 29-month
21	within the ESP period, but effective after the end of	21	period?
22	the ESP period?	22	Q. Yes. Yeah.
23	A. Sure. You could I think what we're	23	A. Okay. It's our expectation or our
24	required to do, if I recall, at FERC is to file 60	24	hope would be it would be before the end of the
lat S. er e	and the second of the second o	(4) (20) La	And the Market Control of the contro

	Page 185			Page	187
1	29-month period, but really the FERC order is	1	(The deposition concluded at 2:43 p.m.)		
2	subservient to when we can reach the agreements if we	2			
3	get agreements with the parties, so that's not going	4			
4	to be a driving factor. It's going to be more what	5			
5	the, if we do get the settlement, what the settlement	6 7	State of Ohio : :SS:		
6	says with respect to the termination.	′	County of;		
7	And then I think the requirement, as I	8	· · · · · · · · · · · · · · · · · · ·		
8	understand it, is we have to give at least 60 days	9	I, Philip J. Nelson, do hereby certify that I		
9	notice. We may want to give the FERC more time, you	9	have read the foregoing transcript of my deposition given on Wednesday, August 24, 2011; that together		
10	know, open the proceeding a little longer, but,	10	with the correction page attached hereto noting		
11	again, I haven't gotten to those details.	11	changes in form or substance, if any, it is true and correct.		
12	Q. Okay. Finally, the last line of	12	correct.		
13	questioning had to do with these monthly	13			
13 14	· · · · · · · · · · · · · · · · · ·	14	Philip J. Nelson		
	environmental budgets that you discussed with	15	I do hereby certify that the foregoing		
15 16	Mr. Kutik, and I think you said that your company has the ability to calculate the costs on a monthly basis		transcript of the deposition of Philip J. Nelson was		
16	· · · · · · · · · · · · · · · · · · ·	16	submitted to the witness for reading and signing; that after he had stated to the undersigned Notary		
17	to be recovered through the EICCR for the entire ESP	17	Public that he had read and examined his deposition,		
18	period. Did I hear that correctly?		he signed the same in my presence on the day		
19	A. Yeah, I would think that we could do the	18 19	of, 2011.		
20	calculation, it's just math.				
21	Q. But you have also said that the company	20	Notary Public		
22	has not done that calculation, correct?	21 22	My commission expires,		
23	A. That's correct. We don't have any point	23		·	
24	in our proposal to do that. We would be changing the	24			
	Page 186			Page	188
1	rate once a year, we've provided the first year,	1	CERTIFICATE		
2	2012, and in subsequent filings we present the next	2	State of Ohio : : SS:		
3	year.	3	County of Franklin :		
4	Q. And is that the only reason that you can	4	I, Maria DiPaolo Jones, Notary Public in and for the State of Ohio, duly commissioned and		
5	think of why the company has not, in fact, made that	5	qualified, certify that the within named Philip J.		
6	calculation through the entire ESP period, namely	6	Nelson was by me duly sworn to testify to the whole truth in the cause aforesaid; that the testimony was		
7	that the rates would be changing every year?	_	taken down by me in stenotypy in the presence of said		
8	A. Yeah, I didn't need it for purposes of my	7	witness, afterwards transcribed upon a computer; that the foregoing is a true and correct transcript of the		
9	testimony.	8	testimony given by said witness taken at the time and		
10	Q. Were you ever instructed by anyone not to	9	place in the foregoing caption specified and completed without adjournment.		
11	make that calculation?	10	I certify that I am not a relative, employee,		
12	A. No.	11	or attorney of any of the parties hereto, or of any attorney or counsel employed by the parties, or		
13	Q. Okay. Thank you.		financially interested in the action.		
14	MR. STAHL: I have nothing further.	12	IN WITNESS WHEREOF, I have hereunto set my		
15	MR. KUTIK: As part of the deposition	13	hand and affixed my seal of office at Columbus, Ohio,		
16	process, Mr. Nelson, you have the right to review the	14	on this 25th day of August, 2011.		
17	transcript for transcription errors and you also have	15			
18	the ability to waive that right. You need to	16	Maria DiPaolo Jones, Registered Diplomate Reporter, CRR and		
19	indicate on the transcript whether you wish to read		Notary Public in and for the		
20	your transcript or whether you wish to waive your	17 18	State of Ohio.  My commission expires June 19, 2016.		
21	right.	19	(MDJ-3883)		
22	MR. CONWAY: We will not waive the right.	20 21	•		
23	We'll read it first.	22			
24	MR, KUTIK: Thank you. We are concluded.	23 24			
<del></del>		2.4			



## COLUMBUS SOUTHERN POWER COMPANY'S AND OHIO POWER COMPANY'S RESPONSE TO INDUSTRIAL ENERGY USERS-OHIO DISCOVERY REQUEST PUCO CASE NO. 11-346-EL-SSO AND 11-348-EL-SSO THIRD SET

#### INTERROGATORY

INT-149

In the testimony of Philip Nelson, he states OPCo and CSP are requesting that the Carbon Capture Sequestration Rider ("CCSR") be a nonbypassable charge

- a Is it the companies' position that the CCSR is governed by Section 4928 143(B)(2)(b), Revised Code?
- b Is it the companies' position that the CCSR is governed by Section 4928 143(B)(2)(c), Revised Code?
- c. If the answer to Interrogatory Nos 149(a) and (b) are no, identify the legal basis for treating the CCSR as a nonbypassable rider

### **RESPONSE**

- a Not exclusively.
- b. Not exclusively.
- c. Not applicable.

Prepared By: Philip J. Nelson

DEPOSITION EXHIBIT

WALL

NUSON

# COLUMBUS SOUTHERN POWER COMPANY'S AND OHIO POWER COMPANY'S RESPONSE TO INDUSTRIAL ENERGY USERS-OHIO DISCOVERY REQUEST CASE NO. 11-346-EL-SSO AND 11-348-EL-SSO SECOND SET

### INTERROGATORY

INT-073.

With regard to AEP's ESP proposal regarding recovery of environmental compliance costs, please identify the total dollar amount of such environmental compliance costs that AEP expects to recover from Ohio retail consumers within its certified service area during the proposed term of the ESP if its ESP is approved by the Commission as proposed.

### RESPONSE

The Company has not calculated the total dollar amount of such environmental compliance costs for the 29 month ESP period.

Prepared by: Nelson