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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

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
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

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 29th day of August, 2011, via e-mail upon the parties below.

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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 No. 11-346-EL-SSO : Case No. 11-348-EL-SSO

In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of Certain Accounting Authority. : Case No. 11-349-EL-AAM : Case No. 11-350-EL-AAM

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DEPOSITION

of Philip J. Nelson, taken before me, Maria DiPaolo Jones, a Notary Public in and for the State of Ohio, at the offices of Porter, Wright, Morris & Arthur, LLP, 41 South High Street, Columbus, Ohio, on Wednesday, August 24, 2011, at 10:03 a.m.

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ALSO PRESENT VIA SPEAKERPHONE:

Mr. Pat Lawrence.

INDEX

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PHILIP J. NELSON

being by me first duly sworn, as hereinafter certified, deposes and says as follows:

EXAMINATION

By Mr. Stahl:

Q. Good morning, Mr. Nelson. Can you please state your full name for the record.
A. Philip J. Nelson.
Q. And according to your prefiled testimony in this case number 11-346 you are the managing director of Regulatory Pricing and Analysis in the Regulatory Services department of American Electric Power Service Corporation; is that correct?
A. That's correct.
Q. How long have you held that position?
A. That position, about a year.
Q. What was your position prior to that?
A. I was Director of Financial Forecasting in the Corporate Planning and Budgeting department.
Q. How long have you worked for the Service Corporation?
A. Service Corporation, about 14 years.
Q. What was your employment prior to being employed by the Service Corporation?

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A. I was employed by Wheeling Power Company.
Q. Wheeling Power Company?
A. Yes.
Q. Is that in West Virginia?
A. That is.
Q. Is that an investor-owned utility?
A. It's a subsidiary of AEP.
Q. Oh, I see. And how long had you been with Wheeling Power?
A. Seventeen years.
Q. And you are an accountant by training; is that correct?
A. I have my degree in accounting, yes.
Q. Have you ever been a certified public accountant?
A. No.
Q. What are your responsibilities in your position as Managing Director of Regulatory Pricing and Analysis?
A. Well, I have responsibility for the group that participates in rate proceedings related to rate design, class jurisdictional cost-of-service studies, as well as I have a group under me that's responsible for certain analysis of contracts including the AEP

power pool contract and other affiliate agreements.
Q. Laura Thomas was deposed in this case about two weeks ago and she testified that she is the managing director of Regulatory Projects. Do you have, in your day-to-day activities, any reporting relationship with Laura Thomas?
A. She does not report to me, and I do not report to her.
Q. That's a separate division, is it, or department, Regulatory Projects?
A. Yes.
Q. In the hierarchy you are both managing directors; is that correct? Both you and Laura Thomas.
A. Yes.
Q. And who do you report to?
A. Richard Munczinski.
Q. And is that who Laura Thomas reports to?
A. Yes.
Q. You better spell that last name for our reporter here.
A. M-u-n-c-z-i-n-s-k-i.
Q. And what is Mr. Munczinski's position?
A. Senior -- I'm not sure I have the correct

title, but Senior Vice President of Regulatory Services, I believe. Might be Executive Vice President, I'm not sure.
(Discussion off the record.)
Q. Tell me, Mr. Nelson, what did you do to prepare for this deposition today?
A. I read my direct filed testimony as well as my supplemental testimony.
Q. Did you review any other documents?
A. I've reviewed documents in the course of preparing for the hearing coming up and so forth, including discovery.
Q. Did you meet with counsel before your deposition?
A. Yes.
Q. For purposes of preparing for the deposition?
A. Yes.
Q. Approximately how long did that meeting last?
A. Perhaps an hour.
Q. Was that with Mr. Conway?
A. I'd say, let me correct that, probably two hours.

Q. Just seemed like an hour.
A. Yeah.
Q. It was so exciting.
Was it with Mr. Conway?
A. It was.
Q. Anyone else present?
A. Yeah. Matt Satterwhite was there for part of it just at the very end.
Q. And who is that?
A. Matt Satterwhite is an attorney for AEP.
Q. Oh, I know him. Satterwhite. I didn't quite hear the last name.
Okay. Have you, in the course of reviewing documents to prepare for the hearing, did you review the testimony of Michael Schnitzer filed on behalf of FirstEnergy Corporation?
A. Yes, I read through his testimony.
Q. How long ago did you read his testimony?
A. Oh, if you could tell me when it came out, I could give you an idea.
Q. Well, it's been about a month.
A. A month? Maybe two weeks ago.
Q. Was that after the -- you were scheduled for deposition, as I recall, on the 11th of August.

Page 9

Do you recall that?
A. Yes.
Q. Did you review that testimony before the 11th of August?
A. I don't remember.
Q. How long did you spend reviewing Mr. Schnitzer's testimony?
A. Half an hour.
Q. Is it fair to say you skimmed it as opposed to having read it thoroughly?
A. That's a fair characterization.
Q. In the course of your review of Mr. Schnitzer's testimony did anything leap out at you that you thought was incorrect?
A. Well, certainly his overall premise that market rates would tend to be more stable than ESP rates certainly seemed to me to be incorrect.
Q. Anything else as you sit here?
A. No. I didn't read it in that detail that I could pinpoint, you know, certain flaws in his testimony.
Q. You can?
A. I can not --
Q. You can not.

Page 10

A. -- at this point.
Q. All right.
A. Specific flaws.
Q. What is it about the assertion that market pricing would be more stable than ESP pricing that you would take issue with?
A. The fact that my experience would not prove that out and, you know, I look at history, I look at, you know, for example Texas, they're paying $3,000 a megawatt-hour this summer for power, you know, that's quite a variation from the normal price.
AEP-East zone, I think we've experienced market prices of, day-ahead market I believe for several hundred dollars for an extended period of time this summer. So the volatility of the market is a fact, I believe..
Q. What portion of your professional responsibilities are devoted to analyses of market pricing?
A. I wouldn't say a great deal of my responsibility is devoted to that.
Q. You commented on the experience in Texas this summer. Did you become familiar with what you testified to earlier about Texas pricing as part of

Page 11

your normal business obligations as Managing Director of Regulatory Pricing and Analysis?
A. Yes. I would do that in the normal course of my practice, business practice.
Q. Tell me what your responsibilities are with respect to review of market pricing in Ohio or other jurisdictions.
A. Well, I'm required to be informed of those things. Certain people rely on my expertise in certain areas and, of course, with the structure in Ohio, you know, with the possibility of MROs and going to a market, it's more important to keep up to speed on those type of issues.
Q. And how do you keep yourself up to speed on those types of issues? What do you do specifically?
A. I review publications including SNL articles and such. And I also review periodically, you know, testimonies filed, follow proceedings in other jurisdictions, and of course we were, AEP's a player in Texas and we no longer have generation there but we were very involved in the market in Texas for a number of years.
Q. And you say people rely on you for your

Page 12

expertise on market pricing. Who are those people?
A. Well, I'd say -- I'd characterize it as rely on my expertise in general, whether they rely on my expertise in market pricing I don't know, but I'd say my boss, Rich Munczinski, would be one.
Q. And does Mr. Munczinski rely on you specifically for your expertise in market pricing to the best of your knowledge?
A. No.
Q. You have no formal, ongoing requirements that you report to Mr. Munczinski on market pricing; is that correct?
A. I do not.
Q. And how did you learn this fact that you testified to about the $3,000 a megawatt-hour in Texas this summer? How did you become acquainted with that?
A. It may have been an article in SNL but I don't recall specifically.
Q. And, for the record, what is SNL?
A. It's an industry publication. Energy industry publication.
Q. It's available to the public, if the public were so interested?

Page 13

A. If the public were so interested, there might be a subscription price.

Q. Do you review SNL as part of your business obligations or business duties?

A. Yes.

Q. And tell me everything you know about that $3,000 a megawatt-hour price that you testified to in Texas. What was the context in which that price prevailed?

A. Well, the context was that it was a disruption in the energy markets in Texas and that, you know, market prices had been extraordinary down there. Of course the history of Texas is they've had several periods like that in Texas where the market price has been rather substantial and they've had a lot of volatility in market prices down there.

Q. How long did that $3,000 a megawatt-hour price prevail in Texas this past summer?

A. I don't recall the article saying how long it prevailed.

Q. Was it for an hour?

A. Don't know.

Q. A day?

A. I don't know.

Page 14

Q. You don't know.

It's not an annual price for any customer in Texas, is it, to the best of your knowledge?

A. I would hope not.

Q. Have you, in the course of your career with the Service Corporation, conducted any studies or analyses comparing the volatility of market pricing with regulated pricing in the electric industry?

A. I'm not sure specifically with respect to volatility of market prices.

Q. Or said another way, how about the relationship between the stability of market pricing and regulated pricing in the electric industry, have 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 to what Mr. Schnitzer might have said that he read about it?

Page 15

MR. STAHL: Sure.

Q. Setting aside Mr. Schnitzer for now.

A. Well, I was in the forecasting group and we had done some sensitivity analysis around market prices and, obviously, when you're forecasting market prices, you're looking at certain projections which I know over time have changed dramatically, you know, from one study to another. One forecast to another. So from that experience I can say that, you know, market prices are quite volatile compared to a regulated price.

Q. What about market prices -- well, strike that.

You know, Mr. Schnitzer has testified that he believes that the kind of market prices that he believes might prevail in Ohio would, in fact, be more stable than the ESP price proposed by AEP. What is it about Mr. Schnitzer's analysis that you think is wrong?

A. The conclusion.

Q. And that's based on just what you -- tell me what you understand Mr. Schnitzer was assuming for market pricing in Ohio during the ESP period. Do you know?

Page 16

MR. CONWAY: Could I have that question read back, please.

MR. STAHL: Well, let me reask the question.

Q. What kind of assumptions did Mr. Schnitzer make about market pricing in Ohio during the ESP period?

A. I don't recall his assumptions.

Q. Mr. Schnitzer also testified that the ESP as proposed by AEP was likely to be less favorable in the aggregate than the MRO by between 7 and 9 dollars a megawatt-hour over the ESP period. Do you recall that?

A. Yes.

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.

Q. Anyone else's?

A. Primarily Laura. There might be someone

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else that addresses it.
Q. You're aware that Mr. Schnitzer testified that Laura Thomas made several errors and incorrect assumptions in her testimony. Do you recall that?
A. I believe Mr. Schnitzer said that, yes.
Q. Yes. And am I correct in assuming that you disagree with Mr. Schnitzer on those issues?
A. I haven't analyzed the MRO versus the ESP test myself.
Q. Do you have a personal opinion whether the ESP as proposed by AEP would be more favorable in the aggregate than an MRO during the proposed ESP period?
A. Yes.
Q. And what is that opinion?
A. My opinion is that it would be more favorable.
Q. And is that based on the testimony of Laura Thomas?
A. Laura Thomas and Joe Hamrock, yes.
Q. And what was it in Mr. Hamrock's testimony that led you to reach that conclusion?
A. Well, the test of course is in the aggregate. Mr. Hamrock addressed more than, I'll

call it the qualitative aspects of the ESP. Laura Thomas, of course, dealt with more the quantitative aspects of the ESP versus MRO test.
Q. Do you recall what those qualitative aspects of the MRO test are that Mr. Hamrock testified to that lead you to believe that the ESP is more favorable in the aggregate?
A. I recall at least one of them which struck on with me is once you go down the MRO path, you can't return to an ESP.
Q. Anything else that you recall?
A. Also the economic development aspects of it, as well as, you know, certain flexibility in an ESP versus an MRO.
Q. I believe Ms. Thomas testified that as far as she knows no one within the AEP group of companies has ever quantified the benefits of either the avoidance of, what we've called the avoidance of MRO land or economic development or any of the other qualitative aspects of the ESP. Do you have any different information from that?
THE WITNESS: Could I have that read back?
Q. Yeah, let me just ask you more

succinctly. Are you aware of anybody within AEP having quantified in any way any of the qualitative aspects of the proposed ESP?
A. Did you say quantified the qualitative aspects?
Q. That's what I said.
A. Okay. I don't believe qualitative aspects lend themselves to a quantitative analysis.
Q. So the answer is "no"?
A. The answer is "no."
Q. Okay. So no one has said here's the dollar extent to which AEP-Ohio customers would benefit from the economic development aspects of the ESP as opposed to the MRO, for example; is that correct?
A. I'm not aware of any.
Q. And that's all I can ask you today, what you know of your own personal knowledge. Fair?
A. Fair.
Q. Okay. Do you know whether since Ms. Thomas was deposed on August 10th that any changes have been made to the AEP-Ohio ESP versus MRO comparison?
A. I'm not aware of any.

Q. I want to ask you about a number of the riders that you address in your testimony, Mr. Nelson, and the first one is the phase-in recovery rider, and you testify at page 9 of your prefiled testimony beginning at line 4 that "The Company believes it may be in the best interest of customers to securitize the phase-in balance and collect the balance over a period longer than seven years, a provision in the current ESP, and to start the collection of the deferred balance at a later time." Do you see that?
A. Yes.
Q. What are the factors that led the company to reach that conclusion?
A. The factors are that the securitization can allow us to finance that balance at a lower cost.
Q. And that would be at a cost lower than the, which I think is $2.86 a megawatt-hour set forth on page 11 in your -- yeah, page 11 right above line 3? I guess it is line, yeah, right above line 3. Do you see that?
A. Yes.
Q. And is the $2.86 a megawatt-hour in fact the amount that would be recovered under the proposed

Page 21

ESP for the phase-in recovery rider?
A. It's an estimate based on the merged company view.
Q. This testimony was filed in January and I didn't see anything in your supplemental testimony that changed that number in any way. Is that still the best estimate that the company is proposing for the PIRR?
A. That's still the best estimate at this time.
Q. If the company were able to securitize the phase-in balance and collect it over a longer period of time and start the collection at a later date, has the company estimated what the amount would be recoverable through the ESP?
A. Well, the amount recoverable through the ESP is the total amount.
Q. Right. On a dollar per megawatt-hour basis.
A. I don't recall. We may have. It might be in someone else's testimony, but I haven't done that.
Q. Am I correct in assuming it would be somewhat less than $2.86 a megawatt-hour?

Page 22

A. Yes.
Q. Is it your understanding that this $2.86 a megawatt-hour would be recovered under either an MRO or under the ESP?
A. Yes.
Q. And why would it be recovered under the MRO?
A. Well, it's a nonbypassable charge.
Q. Is it your understanding that everything that the company would be authorized to recover as a nonbypassable charge under the ESP would also be recoverable under an MRO?
A. It's kind of a broad question. I'm not sure if I've thought through everything, but generally that would be the case.
Q. Generally that would be the case?
A. Yes.
Q. And is it simply because they are nonbypassable riders that lead you to that conclusion?
A. Yes, that's my assumption, that customers, whether they shop or don't shop or whether we have auctions, are responsible for paying that particular charge.

Page 23

Q. You can't point me to anything in any Commission precedent or rule or statute or anything else that you are aware of as you sit here that supports that conclusion, can you?
A. As far as the nonbypassability of a charge? I can certainly point --
Q. No. As far as the recoverability of a nonbypassable charge under an MRO.
A. That's more of a legal question. I don't know that I can answer that. But I don't think I can point you at the moment, I don't have the statute in front of me, to anything in particular.
Q. Let's turn to the environmental investment carrying cost recovery rider. You testify that the EICCR as proposed for the ESP differs from the current EICCR in several ways; is that correct?
A. That's correct.
Q. The first respect is that the company is now proposing that it be permitted to forecast the amounts to be recovered and then have a later trueup; is that correct?
A. Yes.
Q. And is the purpose of that to eliminate the delay in recoveries that the company presently

Page 24

experiences?
A. Yes. That's one of the primary reasons.
Q. Are there other reasons?
A. There might be. It might allow for, you know, the staff of the Commission to review the proposed projects on a forecast basis and have more time for audit.
Q. Do you think that would be desirable for the staff?
A. I think it would, yes.
Q. Has anybody at AEP talked to -- AEP-Ohio or the service company talked to anybody at the staff to see if the staff thinks that's a good idea and would support that notion of a forecast?
A. I don't know if anybody has. I haven't personally.
Q. There's no prohibition about talking to the staff about that, is there, as far as you know?
A. As far as I know, no.
Q. So you don't know as you sit here whether the staff would think that's a good idea or a bad idea; is that correct?
MR. CONWAY: What idea are we talking about here?

Page 25

MR. STAHL: About allowing the staff to get a look at the forecast and then perhaps that would help it in its trueup analysis.
MR. CONWAY: Okay.
A. I'm sorry. I missed the question part of that.
Q. Well, I think you said one of the other potential advantages of the move to a forecast would be to allow you to preview, and I'm characterizing this a little bit, preview this with the staff and run the forecast by them and that may assist them in their analysis and in the trueup. And my question is, as far as you know, you don't know if the staff regards that as a potential benefit for it or not, do you?
A. I don't know.
Q. The second change in the proposed EICCR is that the company will now include certain operating and maintenance expenses within the rider; is that correct?
A. That's correct.
Q. And when you say "certain operating and maintenance expenses," what kinds of O&M expenses do you have in mind?

Page 26

A. I would expect that we would request the O&M associated with major environmental equipment, for example, FGDs and SCRs. In particular, FGDs require a lot of maintenance and operating expense.
Q. So that would be the annual O&M costs associated with those kinds of equipment?
A. Yes. Now, there may be things that come up in new environmental rules and regulations that require additional O&M expenditures and, of course, we don't feel we're precluded from bringing those in, but I gave you the example.
Q. Sure. I understand. Would that be both the fixed O&M and variable O&M related to those kinds of equipment?
A. No, I'd characterize it more off the top of my head as the fixed O&M because some of the variable O&M is already in the fuel clause. For example, when you talk about what some call consumables or chemicals to operate an FGD, that would be in the fuel clause.
Q. To the extent that the O&M is not in the fuel clause would it be the company's intent to recover the O&M through the EICCR? The O&M associated with the kind of equipment that you've

Page 27

just described.
A. Yes, the O&M associated with that equipment.
Q. Whether it's fixed or variable.
A. Whether it's fixed or variable, if not recovered somewhere else.
Q. Understood.
And, finally, the company proposes to make the EICCR nonbypassable; is that correct?
A. That's correct.
Q. Would you agree with me that whether the EICCR can be made nonbypassable is largely a legal conclusion to be drawn from the statute?
A. There's certainly a legal element in it. I also think it may be a judgment on the part of the Commission as well.
Q. Would you also agree that whether O&M costs can be recovered through the EICCR is largely a legal question to be determined from the statute?
A. I think it will be debated legally. Again, I would think the Commission would have that discretion under the ESP statute.
Q. What makes you think, if the statute doesn't allow O&M costs, just for the sake of

Page 28

discussion, if the statute doesn't allow O&M costs to be recovered through the EICCR, that the Commission would nonetheless have the discretion to allow recovery of those costs?
MR. CONWAY: Objection. That mischaracterizes what he said. He said it was a factor. He said it would be a legal debate and also a matter of the Commission's discretion. It's conjunctive, not disjunctive.
Q. Would you agree that if it's not legal, the Commission would not have discretion to allow recovery of those charges through the rider?
A. If it were not legal.
Q. Yes.
A. Then I assume the Commission would be -- not have that discretion, but I don't see anything in the statute that would make it illegal.
Q. You're not here testifying as a legal expert on behalf of --
A. No, I'm not.
Q. -- AEP or anybody else, right?
A. That's correct.
Q. Now, your testimony was filed in January 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 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 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 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

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, 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 thought too much about the MRO/ESP distinction. I'll stick with it's a nonbypassable charge as we're proposing, all customers would pay that particular charge.

Q. Whether they're under an ESP or an MRO regime; is that correct?

A. Well, I characterize it more as whether they shop or don't shop.

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?

A. I recall that, yes.

Q. And do you recall him stating that AEP has estimated the compliance with new regulations may require expenditures between 2.1 and 2.8 billion between 2012 and 2020?

A. I don't recall those numbers, but I'm assuming you're reading it from his testimony.

Q. Do you recall that part of his testimony in which he stated that a more defensible number to be included through the EICCR would be between $2.17 and $4.20 a megawatt-hour?

A. I don't recall those numbers specifically.

Q. Regardless of whether you recall the specific numbers or not, either on a per megawatt-hour basis or in an absolute total sense, do you disagree with that piece of Mr. Schnitzer's testimony?

A. I haven't reviewed the calculations so I can't agree or disagree. His assumptions I haven't -- I'd have to review because I'm not sure 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

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 estimates for the EICCR, correct?

A. That's correct.

Excuse me. Could I get a glass of water?

Q. Yeah. Yeah. Sure. Absolutely. And anytime you want to take a break, just let us know, too. We usually go about an hour to take a break, but, you know, it's your convenience.

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 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.

Q. And is the support for that conclusion

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set forth in the next two sentences of your testimony?
A. That's support for it, but I believe Mr. Hamrock has also offered a fair amount of support for that concept.
Q. And do you know whether AEP-Ohio or the service company or anyone else in the AEP group of companies has made any analysis that would identify what generating facilities might be retired without a bypassable EICCR as opposed to having -- I'm sorry. Let me start that question over.
Has anybody, to the best of your knowledge, made any study or analysis of generating facilities that might be retired if the EICCR is not nonbypassable?
A. I don't know of any studies specifically on that topic.
Q. Is there any study that compares the generating facilities that might be retired if the EICCR is not nonbypassable compared to the EICCR being bypassable? That's a little complicated too, isn't it?
A. Well, I was trying to differentiate that question from the previous one.

Q. Yeah.
A. Maybe I should hear them both.
Q. Let me try and ask you another one. Is there any study or analysis that you're familiar with that looks at the effect of the rider being bypassable or not -- being nonbypassable or not nonbypassable on the retirement of any generating facilities?
A. I'm not aware of any study.
Q. And the last sentence of this answer that we're looking at on lines 5 and 6 of page 17 says "This may put pressure on generation supply in Ohio and may result in higher market prices." Do you see that?
A. Yes.
Q. And "this" refers to the additional or earlier retirements of generating facilities; does it not?
A. Yes.
Q. And, again, is there any study or analysis or report of any kind that you relied on to reach the conclusion that additional or earlier retirements of generating facilities may put pressure on generation supply in Ohio and may result in higher

market prices?
A. I didn't rely on any particular study for that.
Q. What did you rely on for that?
A. I relied on -- well, I relied on general common sense I guess is the way to characterize it. When you make an investment, certainly you want to be able to recover the costs of those investments, and if you're unsure about the recovery of those costs, you're less likely to make that investment.
Q. Has the company been unable to recover the costs of any significant new environmental investments over the last five years?
A. Are you talking about the company being just restricted to AEP-Ohio?
Q. AEP-Ohio let's say.
A. Well, certainly we've had proceedings where we may have requested a certain amount of environmental recovery and, you know, it wasn't granted in full.
Q. And that wouldn't be affected by whether a rider would be bypassable or nonbypassable, would it?
A. Well, we haven't had the nonbypassable

aspect of this rider in place for the last several years, so that wouldn't have been an issue.
Q. Well, let's look at the period of time that the EICCR as a bypassable rider has been in place. Has the company been unable to recover any of its significant new environmental investment increases during that period of time?
A. I haven't done an over- or underrecovery analysis to that detail that I can answer that we have or haven't.
Q. Let's talk about the carbon capture and sequestration rider for a minute. Is it AEP-Ohio's present intent to recover the costs of the FEED study through the carbon capture rider under the ESP as proposed?
A. Yes.
Q. That's about a million 6, correct?
A. In my testimony it was I believe a million 6 set out, I believe we might have had a slight correction to the allocation factor which would have reduced our request as filed to about a million 5 as I recall.
Q. All right. And do you recall, again, that Mr. Schnitzer quantified the effect of that to

be about 3 cents a megawatt-hour?
A. I believe he quantified it, but, again, I 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. 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?
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 ahead.
MR. STAHL: It's the world's record.
Q. (By Mr. Stahl) You can answer the question.
THE WITNESS: Could I have it repeated?
(Record read.)
A. Since I haven't reviewed it in any detail, I can't comment on that.

Q. You can't agree or disagree with it, correct?
A. I can't agree or disagree at this point.
Q. Now, the generation resource rider, you characterize that at the bottom of page 21 and the top 22 of your testimony in a way that says "This rider is nonbypassable and will be designed to recover renewable and alternative capacity additions, as well as more traditional capacity constructed or financed by the Company and approved by the Commission." That is all subject to the requirements of the statute, correct?
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. Well, I'm not going to ask you any details about that. You're not an expert on that statute, are you?

A. No.
Q. I do have a question about the phrase that you use in the next answer and that is that the rider will allow recovery of certain costs associated with the company's investment in facilities dedicated to serving Ohio retail customers. In what sense did you use the word "dedicated" in that answer?
A. That those facilities wouldn't be, one, transferred away from AEP-Ohio during the ESP period, and also, as reflected in the statute, there's certain things set out for dedication.
Q. Have you finished your answer?
A. Yes.
Q. Is it your understanding that all of the output of those facilities would need to be provided to Ohio retail customers in order for the investment to be recovered?
THE WITNESS: Could I have that question read back?
(Record read.)
A. Let me answer in respect to Turning Point because that's a concrete example and that's what we're asking for in this particular ESP. Yes, the output of that facility would be dedicated to all

customers.
Q. All retail customers.
A. All retail customers.
Q. The entire output of that facility, correct?
A. That's correct.
Q. And is that also your understanding of what the rule would be with respect to what you characterize as more traditional capacity constructed or financed by the company?
A. Yes. For example, if we were to build a new gas plant under this provision, that would hold true as well for that facility.
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 this new traditional gas facility, for example, that

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

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

statute, are you?

A. Sorry. Could you give me the line reference again?

Q. Yeah, line 2 on page 22 of your January testimony. Lines 2 and3, 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.

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 make sure. It is AEP-Ohio's intent to recover the costs of Turning Point, whatever they are, through the GRR if the ESP is approved as proposed, correct?

A. Yes.

Q. Has AEP identified any other potential generating resources, traditional or otherwise, the costs of which might be recovered through the GRR if the ESP is approved?

A. I'm not aware of any.

Q. And, again, Mr. Schnitzer reaches some conclusions in his testimony about additional generation that might be necessary to replace generation that AEP-Ohio may retire. Are you familiar with that piece of Mr. Schnitzer's testimony?

A. I recall reading some part of his testimony dealing with reserve margins and the like.

Q. Do you recall specifically Mr. Schnitzer reaching an approximation that AEP-Ohio's share of the costs necessary to replace generation fully exposed to environmental regulations would be between 440 and819 million dollars? Do you recall that?

A. I don't recall that.

Q. And, again, am I correct in understanding

that as you sit here you don't have any basis to either accept or reject that conclusion by Mr. Schnitzer?

MR. CONWAY: Objection. We don't agree with Mr. Schnitzer's testimony.

MR. STAHL: Well, I understand.

MR. CONWAY: So asking him -- to try to enlist him to support it on the basis that he hasn't looked at it --

MR. STAHL: I'm just trying to --

MR. CONWAY: -- is not appropriate and I object to it. You know, you can ask him if he agrees with something, and if he doesn't, if he doesn't -- isn't familiar with it, he can tell you that. I object to this whole line of questioning.

MR. STAHL: Okay.

MR. CONWAY: It's misleading.

MR. STAHL: Okay. Well, I'm sorry you think so. I don't intend it to be. You're not instructing him not to answer, are you?

MR. CONWAY: No.

MR. STAHL: Okay. Can we have the question read back and then we can get an answer and move on.

(Record read.)

A. As I sit here today I don't have any basis, but it's -- I haven't looked at it. I'm assuming -- I haven't reviewed his assumptions which obviously can drive numerical answers quite a bit. I don't know what periods he's looked at. I don't know, you know, so it's just, to me, just a number that you have mentioned.

Q. Do you know if anybody has looked at it?

A. I don't know.

Q. You haven't discussed it with anybody in your department or anyone else within the Service Corporation or within AEP-Ohio?

A. No, I haven't.

Q. Let's turn to the pool termination or modification provision. You're familiar with that; are you not?

A. I am.

Q. And you testify on page 31 of your testimony -- well, just referring to page 31 of your testimony you say that if the costs to be recovered through this rider are less than $35 million on an annual basis, then the proposed rate will not be adjusted; is that correct? Let me say it another

way.

Is it the company's intent, AEP-Ohio's intent, that if the costs that would otherwise be recoverable under this rider are not at least $35 million during a year, then the company will not seek to flow those costs through the rider?

A. Yes. Through this ESP.

Q. But if the costs are $36 million, is it then the company's intent to flow the entire 36 million through the rider?

A. No. I would think that we would attempt to flow a million dollars, but it would be a judgment call on our part whether we sought to increase the rate.

Q. Well, so are you not making a commitment as part of this ESP that if the costs are not $35 million but are slightly above $35 million, that only the excess above 35 million will be recovered from customers through the ESP?

A. No. I think we're making that commitment. I just wanted to be clear that we aren't mechanically coming in and checking against the 35 million. If it exceeds it by a million, that we are committing to making a filing.

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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.
Q. 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.

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

negotiating with various jurisdictions, I think about 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 filing under this provision and then it could -- those adjustments could be addressed at that time.
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

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

settlement discussions with a bunch of the states, including Ohio, and if everybody wanted it terminated sooner and we agree, you know, it could be done sooner.

MR. KUTIK: May I have the answer read, please.

(Record read.)

Q. Are you yourself personally involved in any of these discussions with other jurisdictions about the termination of the pool?

A. Yes.

Q. Do you have, as a result of those discussions, any indication that any of the jurisdictions are interested in terminating the agreement sooner than the three-year period?

A. No, I haven't got that indication.

Q. Do you have any indication that the -- well, based on your discussion what is your best estimate of when the pool would be terminated or modified?

A. I think it would definitely not be sooner than the three-year notice time period. I can't say definitely. I mean, that's my opinion that it wouldn't be terminated before then. I think it's

going to take that long to work through this process.

Q. But that is still within the ESP period; is it not?

A. The three year is January 1st, 2014. So you'd have another five months of the ESP period. We wouldn't propose it to be terminated on January 1st. We'd probably try to line it up with the PJM planning year, which is June 1, and that would be the start of any subsequent ESP.

Q. So that's your best estimate at the present time.

A. That's my best estimate.

Q. I do have a question about one of your pro formas here, I think it's in PJN-3 page 7. And you set forth there the financials for the three years of the ESP period; is that correct?

A. Yes. This is the income statement.

Q. And you have there the return on common equity excluding off-system sales on line 23; is that correct?

A. That's correct.

Q. Have you calculated the return on common equity inclusive of the off-system sales?

A. I don't believe I've calculated it. It

may have been calculated, but --

Q. Do you know what the number would be?

A. No, I don't.

Q. How would you calculate that number?

A. Well, you'd have to know the off-system sales income --

Q. We have that.

A. -- and you'd have to know the average common equity balance.

Q. Is it fair to say that the 11.68 percent, for example, that is shown for 2012 was calculated by dividing the 508,402 directly above it by whatever the common equity balance is?

A. Yes. And there's a footnote on that page which describes that the equity balance did not reflect any adjustment for the OSS income.

Q. Right. And is it also fair to say that to determine the return on common equity including the OSS you would divide the 647,531 on line 20 by the common equity balance?

A. I always want to think through the tax implications. I believe that's correct --

Q. Okay.

A. -- just sitting here, but I --

Q. Understood.

MR. STAHL: Thank you. With that I will pass the witness to Mr. Kutik.

MR. KUTIK: Would you like to take a break, Mr. Nelson?

MR. CONWAY: Yes, just to -- I'd like to take a break.

MR. KUTIK: Sure.

(Recess taken.)

MR. KUTIK: Let's go back on the record.

EXAMINATION

By Mr. Kutik:

Q. As I understand your testimony, sir, at one point in time you were in what's called the Energy Pricing and Regulatory Services department; is that correct?

A. That's my current position is Manager of Regulatory Pricing and Analysis.

Q. Well, let me refer you to page 2 of your testimony, and starting on line 5 you say "In 1997" and you give your title and then going on to line 6 you say ". . . in the Energy Pricing and Regulatory Services Department." Do you see that?

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A. Yes.
Q. Okay. And then today you say that you are the managing director of the Regulatory Pricing -- of Regulatory Pricing and Analysis in the Regulatory Services department. That's on page 1 of your testimony. Correct? Lines 7 and and.
A. Yes.
Q. My question to you is, are those the same departments?
A. Departments evolve over time. I can't say that they do perform all the same functions, but they're related.
Q. But it's not the same exact department.
A. Not the same exact department, no.
Q. How is it different today than it was in 1997 in terms of what your responsibilities were in the department that you worked?
A. Well, I could describe it as I've got more responsibility in my new role than just in the Energy Services department I was in in 1997. I have another group that performs the contract analysis and commercial analysis, pool analysis is also under me.
Q. And that's part of regulatory services.
A. It is.

Q. Okay. Is energy pricing under some other department now?
A. No. That's under me.
Q. They just call it a different thing?
A. Yes.
Q. Different department, okay.
So the functions of the department from 1997, the time period you were there, and today are the same except there's some expanded responsibilities that you've just described, correct?
A. I couldn't say they're the same because of the evolution of the electric utility industry in that time, you know, we have things like demand response and so forth, a lot of changes in the industry. There would be a lot of similarities.
Q. Okay. At one point in your career you were in the Corporate Planning and Budget department, correct?
A. Yes.
Q. And was there a separate group that did corporate planning and a separate group that did budgeting in that department?
A. Yes.
Q. And where did you work?

A. I worked in the financial forecasting section.
Q. How many people worked in that section?
A. It's changed over time, but --
Q. Could you give me an estimate?
A. An estimate would probably be -- let me think a minute. I'm going to get this wrong, but I'll say 20.
Q. Frankly, I'm just looking for an order of magnitude.
A. Okay.
Q. It's 20, not 200.
A. Yes.
Q. Okay. And it's not two.
A. It's not two.
Q. Is there a financial planning section today?
A. Yes.
Q. Is there a Corporate Planning and Budgeting department today?
A. There is.
Q. Now, is this financial planning section, that's the 20 or so people that you mentioned earlier?

A. Yes, that's the area that I was in.
Q. Okay. What others -- and I assume that there are sections within a department; is that the way the nomenclature works?
A. Yeah, that's a good rule.
Q. What other sections are in the Corporate Planning and Budget department?
A. There is economic and load research, there's the capital and budget section, there's, forgive me, I'll probably get the title wrong, but there is a section that deals with the preparation of IRPs and kind of a system planning function.
Q. Like resource planning.
A. Resource planning.
Q. Okay. Anything else?
A. I think that covers the major sections.
Q. So as far as you can recall there's the financial planning section; is that correct?
A. That's the way I'd characterize it, yes.
Q. There's an economic and load research section?
A. Yeah. Load forecasting.
Q. Forecasting.
There is a capital and budget section.

A. Yes.
Q. And there's a section that generally deals with system planning and resources?
A. Right.
Q. So how many people total do you think are in that department with those four sections?
A. I should know this, but I would say a rough guess is 80. Very rough guess.
Q. And you left that department to come to your current job, correct?
A. That's correct.
Q. And when you left that department, what was your title?
A. I was Director of Financial Planning, I believe.
Q. So you were basically the head of that section, correct?
A. No, I was not.
Q. Okay. Who was the head of the section?
A. I reported to Ollie Sever.
Q. His name, last name, is spelled?
A. S-e-v-e-r.
Q. And that's a Mr. Sever?
A. Yes.

Q. And Mr. Sever had what title?
A. I believe he's Managing Director of Financial Planning but, again, I'm not good with titles.
Q. Okay. And who did he report to?
A. He reported to Lonni Dieck.
Q. And that's a woman?
A. Yes.
Q. And her last name is spelled?
A. D-i-e-c-k.
Q. And what was Ms. Dieck's title?
A. I think she's a senior vice president of Corporate Planning and Budgeting.
Q. So she was in charge of the department.
A. Yes.
Q. And Mr. Sever was in charge of the section.
A. Yes.
Q. And is it the case that there were other managing directors who were part or who were heads of the other sections?
A. Yes.
Q. Now, when you were Director of Financial Planning, what did you do?

A. I assisted in the preparation of financial forecasts, financial statements for AEP and its subsidiaries, as well as provided regulatory testimony and support.
Q. And what subjects would you provide testimony in support of?
A. Cases where a forecast was used, or if there were pool issues, I'd sometimes cover that area.
Q. Have you ever testified in a long-term forecast case before the Ohio Commission?
A. No, I haven't.
Q. Have you been involved in preparing forecasts that were filed with the Commission in long-term forecasts?
A. Not specific and not without looking at a long-term forecast report I can't tell you what particular schedules might be in there may have used some of my data, but I don't recall specifically providing any sort of income statement or balance sheet or cash flow.
Q. You had no direct involvement in supplying anything that you know of.
A. It's a rather lengthy report. There's a

lot of data in there. I wouldn't swear that I didn't have any direct input into any of those numbers, but generally I would say that that's a fair statement.
Q. In other words, you can't recall getting any assignment to supply anything specifically for one of the long-term forecast reports.
A. No. I may have supplied something in Indiana I recall.
Q. But in Ohio.
A. In Ohio? Again, it's a rather large document with a lot of data in it, I very well could have. I've worked closely with that group, so --
Q. All I'm asking about is your recollection, sir.
A. My recollection. Nothing specific comes to mind.
Q. And in terms of the financial forecasts that you would do, would you do that for each subsidiary of AEP?
A. All the major subsidiaries would have a financial forecast.
Q. All right. So the two companies that make up AEP-Ohio, would they be considered major subsidiaries?

Page 65

A. Yes.
Q. How often would you do a financial forecast?
A. It varied. We've changed over the years. At one time --
Q. How did it vary?
A. Well, it may vary, you know, at one point we may have attempted to do quarterly forecasts, other times we went to biannual, but the schedule -- I don't know exactly what schedule they're on today.
Q. And biannual, you mean twice a year?
A. Yes.
Q. When you left the department a year ago, what was the schedule?
A. Generally you'd have a, what I'll call a budget forecast which was done sometime around this time of year for the coming year. And in the spring there would be preparation of what I'll call a long-term forecast, as I recall.
Q. Okay. So two times a year that you recall at least.
A. I think two times a year as kind of an official forecast would probably be a fair statement, though they did reflect different looks, you know,

Page 66

one was more emphasized on the coming year and one was more for a longer-term view.
Q. And the long-term forecast would cover what period?
A. It varied, again. Depending on, you know, the desire of management, but generally ranged from five to ten years I would say.
Q. And when you left the financial planning section, how long was the long-term forecast, the last long-term forecast --
A. The last one?
Q. -- that you can recall?
A. I can't recall specifically whether it was a five or ten year.
Q. Did you, during your career at AEP, and I'll say any AEP company as AEP, receive any training in forecasts?
A. Yeah, would I would say I received training, you know, on the, for example, Utilities International model that we --
Q. I'm sorry?
A. Utilities International model that we use for forecasting.
Q. What is that?

Page 67

A. That's a, it's just a forecast model that's proprietary to a company called Utilities International.
Q. So it's a model and it teaches you about or it gives you certain inputs that you're allowed to put into the model and it runs its magic numbers and the numbers come out at the end, that kind of thing?
A. I wouldn't describe it that way.
Q. Okay. Why not? I mean, for example --
A. Well, can I hear the question again?
Q. Well, let me ask you this, did you make changes in the model?
A. Did AEP make changes in the model?
Q. Yes.
A. Absolutely.
Q. Okay. So that there would be changes in -- well, I'll back up.
Would the model be -- would a model be described as a series of formulas and calculations?
A. It could be. That's generally what I would describe the model as.
Q. So this international utility model or Utilities International model, that would fit within that description.

Page 68

A. Yes. It's, you know, the coding that we would use to produce reports, to make calculations within the model, produce all the financial reports we needed.
Q. Would the model allow you to change formulas?
A. We had folks that would work with Utilities International if we wanted a change in a formula.
Q. All right. And using the formulas you would have to input certain data to make the calculations that the model could do, correct?
A. Well, if you're speaking to the output of the model, yes, it would have to have inputs to have any meaningful output.
Q. Right. And did you ever develop your own sense as to -- I'll back up.
Other than your experience in working with the international -- I'll back up even further.
When you said you received training in forecasting through the use of this model, is that on-the-job training, or is that classroom training, or is it something else?
A. I believe what I said, I was trained in

use of the model, that would have been more of a classroom type training, though I may have done it on line with the support of our own internal people. As far as forecasting, obviously, a lot of my training is working with people that have been in the business a long time. That's as good a training as you're going to get.

Q. But you consider that on-the-job training.

A. On-the-job training, absolutely. And I started in my career in Wheeling Power also in the budget area so I've had a, you know, prior to my involvement more recently with Corporate Planning and Budgeting I did perform certain functions related to that at Wheeling Power Company.

Q. Now, with all these people that are involved in planning and budgeting would it be fair to say that planning and budgeting is an important part of what the service company does for the subsidiaries?

A. Yes, it's an important part.

Q. And the subsidiaries, the utilities, they rely upon these forecasts and budgets in the conduct of their business?

A. They also have input into those forecasts and budgets.

Q. Sure.

A. But, yes, I would assume they rely on them.

Q. So would it be fair to say that, in terms of forecasts that are done and budgets that are done by the AEP service company, that those budgets and forecasts are done with great care?

A. We would hope they'd be done with great care. That doesn't mean that a long-term forecast will necessarily be totally accurate. As you know, forecasts --

Q. Are forecasts.

A. -- are forecasts.

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 becomes more unknowable.

Q. More unknowable?

A. Yes.

Q. Your roots are showing in your pronunciation of that word.

A. You can speak up if I mumble.

Q. That's why I didn't hear it the first time.

In terms of -- you say after a certain period of time you have less confidence in the forecast. Did you say something to that effect?

A. No.

Q. Okay.

A. I said forecasting out for a long period in the future you have less certainty.

Q. Less certainty. So to take the converse of that, you can have more certainty with forecasts that are for a shorter period of time on a relative basis?

A. That's correct. Let me give you an example.

Q. Sure.

A. If you have an ESP and you know what rates you're charging for that particular ESP period, that's better than speculating what you're going to get in your next ESP period.

Q. Fair enough.

So a forecast over a one-, two-, or three-year period may be a forecast that has some

certainty to it.

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 than others.

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

A. Fair to say, but you can add a lot of 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.

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

A. Mr. Roush reports to me.
Q. Is there anyone else other than Mr. Hamrock who has some type of reporting relationship, and I mean direct or indirect, I don't necessarily mean that you directly report to Mr. Hamrock?
A. We as Service Corp. employees do have a lot of indirect relationships with a number of folks and Mr. Hamrock would be one that we'd have certainly an indirect relationship with.
Q. But my question was other than Mr. Hamrock and Mr. Roush, do you have reporting relationships to any other witness in this case?
A. No.
Q. Exhibit PJN-3, could you turn to that, please. Are you there, sir?
A. Yes. What page?
Q. Page 1.
A. Okay.
Q. On the first page in the first paragraph you go through some of the components of a forecast, correct?
A. Yes.
Q. And are these components the components

of a normal operating forecast?
A. Yes.
Q. One of those components is a load and demand forecast?
A. Yes.
Q. And that's done by one of the sections of the Corporate Planning and Budgeting department?
A. Yes, with input from operating companies and others that may have some relevant information.
Q. How often is that done, that forecast?
A. It's done at least once a year.
Q. Is it done any more frequently than once a year?
A. I would say, if I had to pick a number, though there's times it may be done for special analysis or whatever, but I would say twice a year might be -- but that wasn't my area, so . . .
Q. So your best thought sitting here today is you think it might be done twice a year.
A. Right.
Q. There's a generation forecast; what is that? What is a generation forecast?
A. That's primarily around modeling our generating units and I would typically tie it into

some model called a PROMOD or a GenTrader.
Q. Do you want to spell that?
A. PROMOD is all one word, P-R-O-M-O-D. And then GenTrader is one word, it's G-e-n-T-r-a-d-e-r, I believe.
Q. And is this one model or two models?
A. No; it's two separate models.
Q. And is that -- are these models attempting to provide a forecast of what units will be needed when?
A. What units will be needed when? That's not the primary function of it.
Q. What is the primary function?
A. Primary function is to see how the units will dispatch against the load based on certain assumptions around market prices, fuel prices, et cetera.
Q. Is there a document called a generation forecast that comes out as a result of the use of the models?
A. No.
Q. Is this something that's done on an ongoing basis?
A. No. The generation forecast is subsumed

within an overall financial forecast. There are reports that can be generated from these models, PROMOD and GenTrader, but they are then incorporated through an interface into the UI financial model.
Q. And is this necessary to, for example, forecast what your costs might be?
A. Yeah, with all the inputs there's certain inputs that would drive what your costs are going to be and this, of course, would take those cost inputs and determine which units might be operating, you know, based on those costs, dispatched against a market.
Q. But would it also help you, this generation forecast or this portion of the forecast, to let you know what your costs might be if you had certain units dispatching at certain periods of time or over certain periods of time?
THE WITNESS: Could I have that read back?
(Record read.)
A. You're getting a little beyond me on PROMOD and GenTrader.
Q. Okay. So you don't know?
A. I don't know if that's a good

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characterization.

Q. Okay. So you don't think what I said was correct.

A. I'm not going to judge you on your statement, but I don't --

Q. Well, I'm trying to understand if you're not answering because you don't know or because you don't agree. Can you tell me which it is?

A. I guess I'd like to have you repeat the question to see if you change any of your --

MR. KUTIK: Well, can you read it.

(Record read.)

A. Let me answer it this way: You can look at the output and determine what the costs of those units are based on certain assumptions around the market price and your load forecasts and your peak demands and so forth.

Q. So if you have certain assumptions about how the market's going to work, one of the inputs or, excuse me, the outputs that might come from this is, well, these units will be operating for certain periods of time which will then in turn cause the company to incur certain costs. Would that be a fair use of the model or the forecast?

A. A fair use of it? I'm not sure I'd use it or have used it for that purpose. I can't answer that. Someone else might use that.

Q. Okay. How would you use it? Or let me back up. Have you used it?

A. Yes, I've used it. The output, as I said, of those models come into the financial forecasts and I've used it for, you know, analysis around particular units, might be looking at a particular unit's cost and so forth.

Q. Right. So this will help you figure out what costs and what revenues might be generated from a particular unit?

A. Revenues is more difficult. Costs, yeah, you can determine costs by unit.

Q. Sure. So you might use the generation forecast to help determine a certain portion of the company's costs in a budget.

A. Yes. Certainly the PROMOD and GenTrader will determine generation costs on a system basis.

Q. And you've used it for that purpose.

A. The company uses it for that purpose.

Q. Okay. And is it the case that there isn't a particular forecast run over a particular

cycle? In other words, like we talked about the others, there might be one or two times a forecast is done in a year. Can we say anything like that for the generation forecast, as to how often that would be run?

A. It would be run whenever you would need a financial forecast, most likely, unless we do some top side adjustments, I can't say every forecast would require that run, but generally it would be run as an input to the financial forecast.

Q. So it would be at least two times a year.

A. Again, I'm not sure how many, you know, it's a fluid situation, but I would say that generally I would think it would probably have been run at least two times a year, that's a fair statement.

Q. There's also, in your testimony, reference to retail and firm wholesale operating revenue projections; is that something your department did or your section did?

A. Well, my section would have compiled a lot of this data, but the source can be various departments within the company.

Q. In other words, you would collect the

data and then the output in terms of these projections would come out of your department or your section.

A. Yes.

Q. And the section we're talking about is the financial planning section, correct?

A. That's correct.

Q. How often would that be done?

A. It's all part of the same forecast process, so --

Q. So at least two times a year?

A. I would say two times a year is fair.

Q. The O&M forecast, would that also be done two times a year?

A. Yes. Again, saying that the budget, you know, there's a budget forecast done for the coming year that we'll call the budget, there's also a forecast which might be a longer term, so generally it would fit that pattern.

Q. And the O&M forecast would be done by your department with input from the various operating units?

A. Correct.

Q. The construction expenditure forecast, would that also be something that would be done by the financial planning section?

A. Compiled by the financial planning section, yes.

Q. With input from the operating units?

A. It would also involve the budget group, we'll call it Corporate Planning and Budgeting because I don't want to attribute too much to just financial planning. As you know, there's different sections, they all contribute to this forecast.

Q. Is there one part of the Corporate Planning and Budget section that does corporate expenditure forecasts?

A. Define "corporate expenditure."

Q. I'm sorry. Construction expenditure forecasts.

A. There is a group that deals specifically with a capital forecast, that's what I described earlier, the budget and the capital forecast section.

Q. So they would be the ones primarily responsible for pulling that information together.

A. That's correct.

Q. And a financing plan, who would be responsible for pulling that together?

A. The Finance department would have input 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 best possible plan or the best possible forecast that you could do given the information you had, correct?

A. Yes, under a certain set of assumptions, that's correct.

Q. These are important parts of making sure the company is well run, correct?

A. That's correct.

Q. It's not something that's done on a haphazard and just, you know, seat of the pants type of deal, is it?

A. No.

Q. Let me refer you to PJN (Support AEM-1). Are you there, sir?

MR. CONWAY: I'm sorry. Mr. Kutik, you said "PJN"?

MR. KUTIK: And then he has --

A. Are you in the workpapers?

Q. I'm in the workpapers. Do you have those in front of you?

A. Yes.

Q. And this particular schedule I don't think has pages, or if it does, mine are not there, but let me direct you to a page that says at the top "CSP &and OPCo Environmental Post Allocated Capital Excluding AFUDC." Are you there?

A. Yes.

Q. Who prepared -- is this a document that is regularly prepared by the service company?

A. No. This would be a request to isolate environmental.

Q. Okay. And who would produce this 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?

A. No. I haven't requested any.

Q. Has there been another forecast or budget that would reflect estimated 2011 or 2000 [verbatim] costs prepared since this document was given to you?

A. I believe they're working on a forecast currently, but I haven't seen any results from it.

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Q. So as far as you know this document represents the most current estimate of those -- of these type of environmental costs.
A. Well, it's the most current estimate that was put to paper. Now, you have to realize that the environmental rules are quite uncertain at the moment.
Q. Okay. But again, this was, as far as you know, the only -- the most recent environmental costs or capital costs summary for these years.
A. As far as what I've seen.
Q. Okay. Have you asked to see a more updated version of the company's estimate of environmental costs?
A. Now, one thing I will mention, we did get a discovery request related to the press release that I think was issued in May, I believe, and it would have had -- I'm not sure it would have been in this exact form, but it would have had similar data.
Now, here again, I'm not sure that is our official forecast at this time. There's lots of iterations of things before the company would consider it a forecast.
Q. Well, I thought you told me that that

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 document.
Q. Going back to Exhibit PJN-3 of your

testimony, page 5, you set forth some assumptions that are used for your pro forma financial projection. Do you see that?
A. Yes.
Q. One of the assumptions is or involves the retirement of two units, Conesville 3 and Sporn 5. Do you see that?
A. Yes.
Q. What's the basis for that assumption?
A. The basis for that assumption is Conesville 3 unit we're pretty certain will be retired in 2012 because of NSR requirements.
Q. NSR is what?
A. New source review.
Q. Okay. And how about the other unit, the Conesville 3?
A. That's the one I was talking about, Conesville 3.
Q. How about Sporn 5?
A. Sporn 5, we requested retirement of that from the PUCO.
Q. So we know there are at least two units that the company believes are going to be retired during the period of the ESP, correct?

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 under, right?
Q. Well --

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A. You're going to rely on me to say that.
Q. I don't believe that's correct. There's a rider called GRR.
A. That's where I wanted to make sure --
Q. I mean, I could have let you stew in your juices, but I decided not to. But are you familiar with the rider GSR?
A. If that's the base generation charge --
Q. Right. Let's assume it is. Perhaps I've got it wrong.
A. Maybe we should skip the acronyms if we can.
Q. All right. Well, I'll use what I'll use and hopefully you can either be comfortable or not comfortable with that. Let's just call it, if you're uncomfortable with "rider GSR," the "base generation charge."
A. Okay.
Q. There is a base generation charge that's being proposed, correct?
A. That's correct.
Q. Whatever it's called, whatever rider it's under, did you have any responsibility for the development of that charge?

A. The only responsibility I had, Dave Roush I believe developed that and he works for me.
Q. Okay. Did you have any personal involvement with the development of that charge other than the fact that you are Dave Roush's supervisor?
A. Other than reviews and so forth, no direct input. That was primarily Dave.
Q. Now, that rider is not a cost based rider; would that be fair to say?
A. That's fair to say.
Q. Nevertheless, does the company believe that the rider will recover at least the company's generation related costs less environmental and fuel?
MR. CONWAY: Could I have that question reread.
(Record read.)
A. The GSR rider excludes fuel and environmental, those are separate riders.
Q. Right. But I guess what I'm asking you is does the company expect that the revenues that would be generated by that rider, rider GSR, be more than its generation costs less environmental costs and fuel costs?
A. Based on the pro formas I would answer

that in total the ESP is producing a return as I showed on PJN-3 that we discussed a little earlier. So under that assumption we are getting a return on equity. So in total the plan would produce enough revenue to recover all our generation costs.
Q. That wasn't my question.
A. However, the, you know, the financials are based -- include T and D as well, so it's a little muddied.
Q. That wasn't -- my question wasn't about the total ESP. My question was about rider GSR.
A. I haven't done any specific financial analysis just on that rider.
Q. Okay. So we don't know whether the revenues that might be collected by rider GSR would be more or less than the company's cost of generation less fuel and environmental costs?
MR. CONWAY: And by "we" you mean you and the witness?
MR. KUTIK: The world.
Q. Do you know whether that's the case? Whether it's more or less?
A. I was going to have the question reread.
Q. Let me give it to you again. Are the

environmental revenues -- excuse me. Are the revenues that would be generated by rider GSR under the proposed ESP more than the company's proposed or projected costs for generation less fuel costs and environmental costs?
A. As I said, I haven't done any comparison so I don't know.
Q. Do you know whether anyone has done that comparison?
A. I don't know why anyone would have done that comparison.
Q. Did you ask anyone to do that comparison?
A. I didn't.
Q. Now, there was a revenue requirement that was generated, was there not, to set the level of rider GSR?
A. You'd have to ask Mr. Roush how he developed the GSR.
Q. So even though you supervised him and had input into it, you can't say whether there was a revenue requirement that was generated to develop the level of rider GSR.
A. I assume you want an accurate answer, so I suggest you ask Mr. Roush.

Page 93

Q. Well, I'm asking you, sir, can you --
MR. CONWAY: Objection. He said he didn't --
MR. KUTIK: No, he said -- hold a second. Hold a second.
MR. CONWAY: He said Mr. Roush --
MR. KUTIK: Don't coach him. Don't coach him.
MR. CONWAY: I'm not coaching him.
MR. KUTIK: Yes, you are, and you know it.
MR. CONWAY: No, I'm not.
MR. KUTIK: So stop it. Stop it right now.
MR. CONWAY: Don't yell at me.
MR. KUTIK: Well, don't coach.
MR. CONWAY: I'm not.
MR. KUTIK: Yes, you are.
MR. CONWAY: I'm objecting.
MR. KUTIK: You're not allowed to do speaking objections and you know it.
MR. CONWAY: He answered the question and --
MR. KUTIK: He did not answer the

Page 94

question.
MR. CONWAY: You didn't like the question --
MR. KUTIK: He didn't like the question but, unfortunately -- unfortunately, he has to answer the question.
MR. CONWAY: Well, his answer was Mr. Roush --
MR. KUTIK: No.
MR. CONWAY: -- would be the person to ask the question of.
MR. KUTIK: I'm asking him, and I'm entitled to ask him.
MR. CONWAY: Could I have the answer read back, please.
(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 level of rider GSR? Can you answer that question?
MR. CONWAY: He said he doesn't --
MR. KUTIK: Hold it. He hasn't answered

Page 95

it, and don't suggest the answer, and you are about to do that, so stop it.
Q. Would you answer my question.
A. Would you be more specific on "revenue requirement"? By tariff? What are you talking about?
Q. You don't know what that term means?
A. I know what "revenue requirement" is. I'm wondering if you do.
Q. Well, can you answer the question, sir?
A. Tell me what you mean by "revenue requirement."
Q. What do you mean by "revenue requirement"?
A. Revenue requirement generally in a cost of service type application means you take all your costs, your rate base, your revenues, your expenses, and you determine a reasonable return on the total rate base.
Q. Might a revenue requirement also be, sir, how much revenue that you want to generate from a particular class of customers or a particular group of customers?
A. It could be. That's why I was asking you

Page 96

to define what you meant by "revenue requirement."
Q. Let's assume it means what I've just said. Do you know whether Mr. Roush or anyone determined a revenue requirement to set the level of proposed rider GSR in this case?
A. Mr. Roush would know what revenue produced -- was produced from that rider.
Q. Okay. Do you know whether Mr. Roush did that, that's my question?
A. Mr. Roush I believe would have shown the amount of revenue produced by that rider, but I'm not positive.
Q. Okay. Did Mr. Conway just give you a note?
A. No.
Q. I saw you look over at Mr. Conway's pad.
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.
MR. CONWAY: This is foolishness.
MR. KUTIK: No. I don't want -- this is part of your coaching.

MR. CONWAY: It is not. Absolutely that's a mislead -- that's not only misleading, it's a falsehood.
MR. KUTIK: Well, he looked over at your pad --
MR. CONWAY: I didn't write anything --
MR. KUTIK: You pointed to your pad. He looked over there.
MR. CONWAY: No, I didn't.
THE REPORTER: Hang on.
THE WITNESS: That's absolutely not correct.
THE REPORTER: I can't get --
MR. KUTIK: Well, that's what happened.
THE WITNESS: Absolutely not.
MR. KUTIK: You can deny it, but that's what happened.
THE WITNESS: I will deny it.
MR. CONWAY: It's your imagination.
MR. KUTIK: It's not my imagination.
MR. CONWAY: I didn't write anything down on the pad at that point.
MR. KUTIK: I don't care what you wrote. You were pointing to your --

MR. CONWAY: I said there's nothing --
MR. KUTIK: You were pointing to your pad. He was looking at it.
MR. CONWAY: That is completely false and I object to it.
MR. KUTIK: I'm glad you do. And if I was --
MR. CONWAY: I can't believe that --
MR. KUTIK: If I did something like that and I was caught --
MR. CONWAY: I cannot believe it.
MR. KUTIK: -- I would be objecting too. All right.
THE WITNESS: I'm going to take a -- I'm going to ask for a break because this is ridiculous.
MR. KUTIK: Go ahead, take your break.
MR. CONWAY: If this keeps up, we're done. If you make more accusations like that, I will shut you down and I'll call the examiners.
MR. KUTIK: Well, don't coach. Don't coach.
THE WITNESS: He didn't coach. I did not -- I happened to glance at a --
Q. (By Mr. Kutik) All right. So you do now

admit that you were looking at his pad?
MR. CONWAY: Baloney.
Q. Were you looking at his pad?
A. I was looking at the table. Was I looking at him writing on his pad? No.
THE REPORTER: I can't get three people at a time.
MR. CONWAY: Let's take a break right now. Let's take a break. Let's take a break.
MR. STAHL: I think he is entitled to know if he was reviewing notes that you --
THE WITNESS: I answered it, and I'm under oath, and I said I did not --
MR. KUTIK: Okay. Fine.
THE WITNESS: -- read anything on his pad.
MR. KUTIK: But you looked --
THE WITNESS: And I said it several times to you.
MR. KUTIK: You looked over to his pad, you admit that.
MR. CONWAY: He's been looking around.
THE WITNESS: I looked at a lot of different things on this table.

MR. KUTIK: Right. But you looked at his pad.
MR. CONWAY: That is BS.
THE WITNESS: I'll tell you what --
MR. KUTIK: It's not BS.
MR. CONWAY: It is.
MR. KUTIK: He looked over at your pad.
MR. CONWAY: If it keeps up, you're out of here. No one has ever accused me of doing something like this in my entire career and --
MR. KUTIK: Hold on a second.
MR. CONWAY: -- no one has ever questioned my veracity as you have.
MR. KUTIK: First, you're yelling at me, you're standing over me and you --
MR. CONWAY: You're darn right I am.
THE WITNESS: Are you calling me a liar?
MR. KUTIK: I didn't say anything that --
MR. CONWAY: Off the record.
THE REPORTER: Are we going off the record?
MR. KUTIK: No.
You looked over at his pad, right? Now he walks out of the room.

Page 101

What I saw, Dan --
MR. CONWAY: That is --
MR. KUTIK: Hold on.
MR. CONWAY: -- absolutely incorrect.
MR. KUTIK: Let me talk.
MR. CONWAY: I don't care what you think you saw.
MR. KUTIK: Let me talk. Let me talk.
MR. CONWAY: No. It doesn't matter what you --
MR. KUTIK: I'm going to put on the record what I saw. I saw the witness --
MR. CONWAY: You did not see it.
MR. KUTIK: I saw the witness look over to your pad. I saw your hand placed on the pad. To me that's him looking at a pad and you potentially pointing out a note or something. That's why I asked.
MR. CONWAY: That's totally false.
MR. KUTIK: And given how you object --
MR. CONWAY: That's totally false.
MR. KUTIK: Given how you object, let me finish, which is to coach the witness, that's not inconsistent with what I was saying.

Page 102

MR. CONWAY: There is nothing on this pad which has anything to do with your current line of questions.
MR. KUTIK: Great. That's wonderful. Now, if you want to go off the record, let's go off the record. Do you want to go off the record?
MR. CONWAY: Yes.
MR. KUTIK: Okay. We're off the record.
(Recess taken.)
MR. KUTIK: Back on the record.
Q. (By Mr. Kutik) In your last answer when I was asking you about the revenue requirement, you said that Mr. Roush would have shown the revenue produced by the rider but you're not sure.
A. That's correct.
Q. Did Mr. Roush determine how much revenue the company wanted to get from that rider?
A. I don't know.
Q. Okay. Is it fair to say that with respect to the AEP pool agreement -- is that the right term for it, by the way?
A. That's fine.
Q. With respect to the AEP pool agreement, it's your best thinking as someone who's intimately

Page 103

involved with representing AEP in that agreement that it will most likely not be terminated during the proposed ESP period.
A. That's my best guess.
Q. Would there be anyone in the company who would have more intimate knowledge on that subject than you?
A. Probably not.
Q. If that's the case --
A. But, again, that's my opinion.
Q. Sure. And I understand that it requires you in some ways to speculate about what other people know or don't know.
A. And I based that opinion on some meetings with some of the other stakeholders in Virginia primarily and West Virginia.
Q. Okay. But given your involvement in the area you would think that you probably would have the best informed opinion on that within the company.
A. Best informed but it still may be wrong.
Q. Correct. Which brings me to my next question which is if it's your best thinking that the agreement will not be terminated until sometime past the proposed ESP period, why include it in the ESP at

Page 104

all?
A. It's certain protection for us. For example --
Q. I'm sorry?
A. It's certain protection for AEP.
Q. Certain protection?
A. Yes, protection.
Q. Okay.
A. We can't control the whole process and, you know, as I mentioned before, if we were able to negotiate something that was favorable to all the parties involved and they all -- and it was such that it might terminate before the three-year notice, then we might proceed with that.
Q. Is there anything that would prevent the company, if the termination happened within three years, of coming back to the Commission and asking for the recovery of costs at that time?
A. That's the purpose of this reopener rider.
Q. Okay.
A. And I shouldn't say it's a rider. It's a provision.
Q. This is the provision that has the term

in it that if the costs are less than 35 million, the company would not seek recovery, correct?
A. That's correct.
Q. How is the 35 million determined?
A. It was determined just based on judgment, that that's an amount that we might be comfortable with.
Q. Whose judgment?
A. The judgment of Joe Hamrock.
Q. Okay. Did you have any input into that judgment?
A. I may have had some input into it.
Q. Did you make a recommendation to Mr. Hamrock as to what that number should be?
A. No, I don't believe I made the first recommendation of that number. I reviewed the number and put it in my testimony and thought that that was reasonable.
Q. Okay.
MR. KUTIK: May I have the answer read, please.
(Record read.)
Q. So somebody gave you the 35 million?
A. As I recall.

Q. Who gave it to you?
A. I'm not positive who gave it to me.
Q. Okay. Was it someone within your department?
A. I suspect it was -- I'm not sure who gave me the number. Could have been someone within my department, but I'm not sure. If you're asking who picked the number --
Q. Well, first my question is literally who gave you the number.
A. Who gave me the number? Someone within Regulatory Services.
Q. Okay. Did you have discussions with any other witness in this case about that number?
A. Yes. Mr. Hamrock.
Q. And what did you and Mr. Hamrock discuss about that number?
A. The only thing I'd say we discussed is he was well aware that I have this number in my testimony, 35 million. "Mr. Hamrock, are you comfortable with that number?" and he confirmed that he was.
Q. Did he indicate that he had -- he had determined that number?

A. I don't know that I asked him specifically, no.
Q. Okay. Well, you said earlier that you thought that the number was a matter of judgment and the judgment was Mr. Hamrock's, so I assume from that that it was your view that Mr. Hamrock was the one who decided the 35 million number was correct; is my assumption correct?
A. I base that on the fact that Mr. Hamrock is President of AEP-Ohio so, yes, I would think that he would have some say in that commitment.
Q. Okay. But in terms of how that number was developed, you couldn't tell me other than it was a, quote, judgment.
A. I think that's the best way to characterize that number.
Q. Was it based on reference to any analysis, study, budget that the company had?
A. Not that I'm aware.
Q. Was it based on anything?
A. You'd have to ask Mr. Hamrock.
Q. Would it be fair to say that whenever the agreement is terminated, you cannot at this time determine the financial impact, if any, on the

company of that termination because the manner which the termination will occur has not been determined?
A. I wouldn't say it's the manner of the termination. I would say what replaces it.
Q. Okay. Well, can you give me some examples of the type of things that might replace it?
A. Yeah, I could give you some examples, not trying to prejudge how settlement discussions might go, but --
Q. Right.
A. -- APCo is the most deficit company in the pool and they buy a lot of power from Ohio Power as well as some from I&M, Indiana-Michigan, so with respect to that company they're going to have to get replacement power and and of the ways they could do that is another contract with Ohio Power directly.
We could also look at maybe transferring some generating asset to Appalachian Power.
Q. Okay.
A. They could also, the other option is to go to the market, but we've heard many times that Virginia and West Virginia are not interested in relying on the market.
Q. So somehow, taking this particular

example, APCo will need to procure additional generation and the manner in which that may be done is up in the air and may have an pact on AEP-Ohio?
A. Sure. Because each of the state commissions will have their desires about what should replace the pool and that will be part of this process, which I think will take a fair amount of time to work through.
Q. Has AEP-Ohio or has any AEP company or any affiliate, including the service company, projected whether AEP-Ohio will have surplus capacity as of June 2014?
A. AEP-Ohio have surplus capacity?
Q. Yes.
A. Right now all our projections are based on an AEP system basis and pool and, yeah, there would be -- our IRPs that we filed would show capacity positions based on a certain set of assumptions. Now, some of those assumptions may be affected by recent developments on the EPA front.
Q. But my question was really that there are projections that have been made within the AEP universe to determine whether or not AEP-Ohio would have a surplus position as of June 2014.

A. I think within those projections typically we wouldn't project AEP-Ohio's position. I mean, the current IRPs reflect a continuation of the pools. We're more interested in the overall PJM East company pool position, but I think within those documents like IRP you would be able to ascertain AEP-Ohio's particular generating assets versus the peak loads.
Q. So there are projections that exist from which one could determine whether AEP-Ohio would have surplus capacity as of June of 2014.
A. I think it would only be relevant under the pool scenario, though.
Q. But there are those projections, correct?
A. I believe so, but I'm not positive. As I said, I don't have the IRP in front of me and I'd have to look at it to see if they actually are within that document.
Q. Well, you said earlier that the company does load forecasting, correct?
A. That's correct.
Q. And it does load forecasting more than a year or two; does it not?
A. It does.

Q. And in terms of load forecasting it also compares it to generation capacity, correct?
A. That would be part of the process.
Q. Right. And so that's also done in a process that goes beyond two years, correct?
A. Correct.
Q. Do you know whether there is any forecast of whether AEP-Ohio would have net sales of capacity to the AEP pool in 2014?
A. Yes. Under the scenario the pool continues, AEP-Ohio would expect to have -- make sales to sister companies.
Q. So there would be some document, some figure within the company that would be an estimate of what those sales might be.
A. Yes.
Q. Does the company, and again I mean anyone within AEP, compute off-system sales by unit? And by "unit" I mean generating unit.
A. No. That wouldn't be typically something we would do as a matter of course.
Q. Is that something that the company could easily do?
A. Easily do? No, I wouldn't say it would

be easily done. It could perhaps be done.
Q. It would require a modification of your accounting systems.
A. I'm not sure.
Q. Okay. But it's certainly not something that you are familiar with the company doing.
A. I can't think of a reason to look at off-system sales. We can determine which units are making off-system sales.
Q. All right.
A. But in the sense that, you know, units are stacked and so forth, but I don't think that was your question.
Q. My question was simply the company doesn't currently keep track of the revenue obtained by off-system sales by unit. Is that correct?
A. Yeah, not the revenue by unit, I don't believe.
Q. Does the company keep track of costs by generating unit?
A. We can determine variable costs of production by generating unit, at least in the forecast world.
Q. Okay.

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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.

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

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

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

A. Just saying a negative outcome, I don't think I'd make a judgment just on that term. It could be a minor overcomeable --
Q. Okay. Is there anywhere in the materials filed by AEP-Ohio where I could find a detailed description of the Mountaineer project?
A. Yes.
Q. Where?
A. Attached to Mr. Hamrock's testimony.
Q. And would that be it? Anywhere else?
A. In stuff filed by AEP-Ohio?
Q. Yes.
A. I believe that's the most comprehensive.
Q. But, again, my question is anywhere else other than that?
A. Well, my testimony has some description.
Q. Anywhere else?
A. There's probably something in the application.
Q. Okay. Anywhere else?
A. Don't know if there's anything in the cover letter of Mr. Hamrock, but it might be in there.
Q. But to the best that you know, if I

Page 118

wanted to learn everything there was to learn about the Mountaineer project materials that had been filed by AEP-Ohio, I could look at Mr. Hamrock's letter, the application, Mr. Hamrock's testimony and attachments, and your testimony.
A. As far as filed material.
Q. Yes.
A. That's probably correct. And you're not including discovery requests.
Q. No, I'm not.
So what I said was correct?
A. Off the top of my head I'd say that probably covers it. Can I say that absolutely no one else has mentioned it and given any details? I don't know.
Q. To the best of your knowledge.
A. Best of my knowledge, Joe Hamrock's probably -- the attachment to his testimony is the most comprehensive.
Q. Would it be fair to say that the expenses involved with the FEED study do not qualify as construction work in progress?
A. I don't think that would be a fair characterization.

Page 119

Q. Why not?
A. Because ultimately a FEED study could be incorporated into, if you move forward with the project, it would be part of the capital costs of that project and would run through CWIP.
Q. It would run through but it wouldn't necessarily be collected as CWIP, would it?
A. What do you mean by "collected as CWIP"?
Q. It wouldn't be recovered as a CWIP item. In other words, as an addition to rate base or whatever CWIP stands for.
A. Would you explain your definition of CWIP and recovery of CWIP?
Q. Well, what does "CWIP" stand for?
A. Construction work in progress.
Q. What does that mean?
A. That means construction work in progress.
Q. Right. What does that mean? Other than using those terms can you explain it?
A. You said recovery of CWIP --
Q. Well, first, can you explain what construction work in progress means?
A. I just did.
Q. No, you didn't.

Page 120

A. Oh, construction work in progress.
Q. You used the words, sir.
A. It means that --
Q. Can you describe it without just using those words?
A. Yes. It's an accounting term well used in the utility business, it's recorded in account 107, and it's while you're building a project when it's -- before it goes into service it's classified as construction work in progress ultimately to be transferred to plant in service.
Q. Is it the case from time to time that CWIP is recovered through rates?
A. No, I wouldn't say that CWIP is recovered through rates. A return on CWIP can be recovered through rates. Usually, if you're recovering CWIP, it's a contribution in aid of construction, so . . .
Q. Okay. Would you view the company's recovery of the costs of the -- well, I'll back up.
The company is seeking the recovery of Ohio AEP's portion of the FEED study cost, correct?
A. Yes.
Q. And not just any carrying costs or interest that might be associated with those costs,

correct?

A. Well here I want to back up a minute. Our original request we filed in January 27th was a return on the FEED study. It would be treated as a capital investment with a return on and of over a 25-year life investment or life period.

With respect to the suspension of construction of the facility, we're probably going to characterize or classify this expenditure as a regulatory asset.

And in a discovery request I've gotten that particular question, that's one of the more recent ones, I believe it was OCC, and they've asked whether our revenue requirement has changed because of the suspension. And I said yes, the revenue requirement has changed because now what we're going to be asking for, I'll be asking for when I testify on the stand, is a recovery of the regulatory asset over the 29-month ESP period. And that would involve recovery of just those expenditures, not a return on and of. A return of, I guess, to regulatory asset, but not a return on.

Q. Okay. So you are seeking to recover the costs of the study, not any return on those costs.

A. That's correct.

Q. With respect to the project is it correct to say that one of the potential benefits of the project would be to determine the feasibility of a particular type of technology?

THE WITNESS: I'm sorry. I wanted to read -- could I have that the question reread?

(Record read.)

A. I'm not positive if that's one of the parts of the FEED study. I've got in my testimony the particular benefits associated with the FEED study, but I'm not sure it rules out any additional or changes in technology if that's your question.

Q. No. And I don't mean it's the only benefit. But the whole point of this, that I understood it, from this Mountaineer project was it was going to use this, you know, environmental technology, this carbon sequestration. I mean, is that correct?

A. I think sitting here today I would think that that would be a fair assumption. We've had a 20-megawatt demonstration project on this technology. The thing I don't know is whether, you know, there will be any tweaks to that technology and so forth,

but I assume that, you know, the FEED study will consider technological options, but I am not positive.

Q. And are those technological options being developed by AEP or are they being developed by someone else?

A. I can't answer that.

Q. Do you know whether the technological options that may be used potentially in the Mountaineer project whenever it goes forward would be proprietary to AEP?

A. Don't know.

Q. Do you know whether the technology that might come from this project could be shared with other Ohio utilities?

A. Don't know.

Q. The Mountaineer project itself is located in West Virginia?

A. Yes.

Q. Or would be located in West Virginia. Correct?

A. Well, if it's at Mountaineer, Mountaineer plant's located in West Virginia.

Q. Okay. Is that plant dedicated to

AEP-Ohio?

A. No.

Q. Is any part of the generation from that plant currently supplying power to AEP-Ohio?

A. It could at times.

Q. Okay. Is the -- would it be the intent of AEP, the general company, to use the Mountaineer project to be dedicated to Ohio customers or to supply Ohio customers?

MR. CONWAY: Could I have that question read back, please.

(Record read.)

A. No, I don't believe we would dedicate Mountaineer plant to Ohio customers.

Q. Would that be dedicated to any of AEP -- any of AEP's subsidiaries' customers?

A. Mountaineer plant is a plant owned by Appalachian Power Company.

Q. So would it be fair to assume, then, that anything that would be built at that plant as part of this project would be dedicated to the customers of that company?

A. "Dedicated" is a term that only appears in the Ohio statute so I'm not sure how to answer that from the perspective of a utility that's operated in states like West Virginia and Virginia that's a bundled situation, and they don't use that term, dedicated.

AEP, as you know, has a pool and power flows among the units and is shared on a system basis, so it's hard to, you know, isolate Mountaineer in the pool.

Q. Would Mountaineer be used to satisfy the load requirements of AEP-Ohio?

A. It could sell energy. Appalachian rarely sells energy, but it could sell energy to AEP-Ohio.

Q. So it wouldn't be the primary purpose of that plant to serve the needs of AEP-Ohio customers.

A. It wasn't built or owned by AEP-Ohio.

Q. So the answer to my question is "yes"?

A. Primary purpose is --

Q. Yes.

A. -- what was in your -- I wouldn't say the primary purpose would be that. I agree with you, yes.

Q. Okay. With respect to the nonbypassability of various costs, you are aware that there are some statutory provisions that deal with

when certain costs can be nonbypassable or when the recovery of certain costs can be nonbypassable.

A. Nonbypassability is specifically mentioned in the statute in at least one area, I believe it's mentioned in at least two I'm familiar with because counter to nonbypassability is -- bypassability is mentioned as well as nonbypassability in the statute.

Q. And as part of your work have you become familiar with the statute? And by "statute" you mean SB 221?

A. Familiar, yes. In my characterization of "familiar."

Q. And how would you characterize "familiar"?

A. Less familiar than a lawyer would be familiar with that statute.

Q. But certainly would be it fair to say that given your own views and as advised by counsel you came to a view as to whether certain types of costs could be recovered on a nonbypassable basis? Correct?

A. Yes, I would have discussions with counsel about nonbypassability issue.

Q. Now, you're aware, are you not, of 4928.142(B)(2)(b) and (c)?

A. They sound like provisions of the statute.

Q. And when I mention those, do you know what those deal with?

A. A general concept, but I would prefer to have the statute in front of me if you are going to ask any specific questions of it.

Q. Sure. Actually, I have the statute. By the way, I was mistaken. I meant to refer to 4928.143.

Let me refer you to 4928.143(B)(2)(b) and (c). I'm handing you the statute.

A. Okay.

Q. And with respect to rider CCR do you have an understanding as to which of those statutes is the basis for a nonbypassable rider?

MR. CONWAY: You've used the reference "CCR" a couple of times now, Mr. Kutik. Do you mean CCSR?

MR. KUTIK: Yes. I'm sorry. Thank you.

Q. Is that how you understood my comments?

A. Yes. You're talking about the carbon

capture?

Q. Yes.

A. Okay. Yeah, I would say little (d).

Q. Little (d)? Okay.

A. But I wouldn't limit myself to that provision, I'll take the advice of counsel, but that to me would seem doable.

Q. Okay. So when you say "little (d)," it's section 4928.143(B)(2)(d).

A. (d) as in dog.

MR. CONWAY: Could you read back for me the prior Q and A please.

(Record read.)

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Let me show you what's been marked as Exhibit 1 in your deposition, and do you recognize that as Industrial Energy Users-Ohio discovery request, third set, interrogatory 149 and the response to that?

A. Yes, I recognize this data request.

Q. Okay. And it indicates that the response was prepared by you, correct?

A. Yes.

Q. In this response the company or, excuse

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me, IEU is asking, is it not, about your testimony and specifically about the request in your testimony that the carbon capture sequestration rider be a nonbypassable charge, correct?

A. Okay.

Q. That was correct.

A. That's correct.

Q. All right. And it also asks if the company's position is that the CCSR is governed by, then it mentions two statutes, correct?

A. That's correct.

Q. One is 149 -- excuse me, 4928.143(B)(2)(b) and the other statute that's mentioned is section 4928.143(B)(2)(c), correct?

A. Correct.

Q. And your answer is, for each of those questions, "Not exclusively." Correct?

A. Correct.

Q. What does that mean?

A. I just referred you to another provision in the statute that I think would apply and in my opinion might be more relevant, being a nonattorney, but I referred you to (d) as in dog.

Q. Is the company's position that CCSR is

governed at least in part by section 4928.143(B)(2)(b)?

A. No. That wasn't the basis of my response. My response was it may be approval by the Commission under those provisions, (b) and (c), but it may as well be approved by the Commission under (d).

Q. Okay.

A. And it could be approved by either.

Q. Is it your view that the Commission could approve rider CCSR under section 4928.143(B)(2)(b)?

A. Yes, I believe the Commission could.

Q. Is it the company's position that the CCSR could be approved under section 4928.143(B)(2)(c)?

A. I'd have to defer to my attorneys on that, but I would think that (b) would be more relevant.

Q. May I have that, please.

A. Okay.

MR. KUTIK: Let's go off the record.

(Discussion off the record.)

MR. KUTIK: Let's go back on the record.

Q. With respect to rider EICCR, I'm going to

call that the environmental rider.

A. Okay.

Q. That rider or a version of that rider is currently in place, correct?

A. Yes.

Q. And it's currently a rider that's nonbypassable -- that is bypassable, excuse me.

A. That's correct.

Q. And the rider both as it currently exists and as proposed deals with the recovery of certain generation related costs, correct?

A. Environmental related generation costs.

Q. But as opposed to distribution or transmission costs, these are generation related costs, correct?

A. That's correct.

Q. The costs of the Turning Point project, that is not -- those costs are not being sought to be recovered under the environmental rider, correct?

A. That's correct.

Q. Those costs are sought to be recovered under rider GRR, correct?

A. That's correct.

Q. Now, when the company makes budgets, do

the company budgets reflect potential costs on a monthly basis?

A. We have monthly budgets, yes.

Q. And with respect to your long-term projection, you said there were two kinds of forecasts, one was like a budget and the other was a long-term, five to ten years. Those long-term forecasts, are they sometimes done on a monthly basis?

A. As I recall, the early years might be done on a monthly basis, the outer years most likely not.

Q. So would the monthly -- what did you call it, the early years?

A. Yes.

Q. Is that the words you used? Would the early years be the first two or three years?

A. That's a fair characterization. I don't recall exactly how many years we went out on a monthly basis.

Q. Okay. So, for example, with respect to environmental costs, would the company have environmental costs for the next three years on a monthly basis?

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A. We would have, I would think, O&M, environmental costs, for example, allowance, expense, consumables, things like that on a monthly basis.

Q. How about other environmental costs?

A. Other, do you mean capital?

Q. Yes, if that's what you would consider to be the environmental costs.

A. Yeah, capital I believe we would have monthly cash flows of expenditures, but I don't know that typically I've looked at that detail recently, so . . .

Q. Well, would there be any of the type of environmental costs that you would seek to be recovered under the environmental rider that the company wouldn't have on a monthly basis being projected for the next three years?

A. Well, you said what we would seek to recover. With respect to capital we're seeking to recover a return on and of that. The capital forecast itself, which is kind of the principal, the return on and of is the carrying cost, I don't think we've done a calculation monthly on that. I don't believe --

Q. On the return or the capital?

A. On the return. No, the capital itself, I would think that we could get that on a monthly basis.

Q. So with respect to variable costs and fixed costs that you would seek to have recovered under the environmental rider, those you would have on a monthly basis three years out.

A. I believe so.

Q. The parts that's missing would be calculating returns on a monthly basis.

A. That's correct. As far as, you know, taking the revenue requirement and identifying that specifically on a monthly basis, I don't know if that's available off the top of my head. I'm just not sure.

Q. Is that something that can be calculated on a monthly basis?

A. Yes, you could calculate that on a monthly basis.

Q. What would you need to know to calculate it on a monthly basis?

A. Well, you'd need to know your carrying cost rate for a month and the capital investment for that month.

Q. Okay.

A. Under our method if you were to do a full traditional cost of service, you might need some additional information on a monthly basis.

MR. KUTIK: Let's mark this as the next exhibit.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. The court reporter has just handed you what's been marked Exhibit 2. Do you recognize this as an interrogatory from Industrial Energy Users-Ohio, second set, interrogatory 73 and the response?

A. I'm sorry. I was reading the response in question.

Q. Do you recognize this as IEU's second set, interrogatory No. 73 and the response?

A. Yes.

Q. And this was, it indicates it was prepared by you, correct?

A. Yes.

Q. And it also indicates that the company has not calculated a dollar amount of such environmental compliance costs for the 29-month ESP period, correct?

A. Correct.

Q. Although the company has not calculated that number, would it be fair to say the company could calculate that number?

A. The company could calculate that number.

Q. And would it be fair to say that you're not aware of anybody doing that calculation?

A. No.

Q. You haven't asked anybody to do that calculation.

A. No.

Q. You're not aware of anybody being asked to do that calculation.

A. No.

Q. Okay. Earlier I asked you some questions about the statutory basis for potential recovery of costs on a nonbypassable basis with respect to rider CCSR. Do you remember that?

A. Yes.

Q. If I asked you those questions about recovery of costs under rider EICCR, would your answers be the same?

A. Well, I'll answer it that -- with respect to nonbypassability is your question?

Q. Yes.
A. Yeah, I think it's available to the Commission to determine nonbypassability on at least two sections of the statute, perhaps three, but (b) and (d).
Q. And you said there was perhaps a third. What would the third be?
A. I don't have the statute in front of me again, so --
Q. I'll, again, give it to you.
A. Okay.
Q. I assume you're referring to section 4928.143.
A. That's correct.
I would add (e) to that, as in Edward.
Q. The company is seeking to recover more than just a carrying cost or a return on costs, correct, through rider EICCR?
A. Under EICCR as we've proposed it we're seeking a return on and of the capital investment as well as the O&M costs that I've identified.
Q. Right. So there are O&M costs that are not carrying charges, correct?
A. That's correct.

Q. And those are costs that you're seeking to have recovered, correct?
A. That's correct.
Q. Now, I assume that, or is it correct to assume -- let me back up.
As I think you discussed with Mr. Stahl, the company proposes to do a forecast of costs, include those forecasts and then -- in the charge to set the charge and then do a trueup as costs are incurred. Fair to say?
A. That's correct.
Q. The forecasting methodology that would be used to establish the charge, would that be any different than the forecasting that the company does in the normal course of its business?
A. Well, we'd have to specifically ask for forecast data related to this particular rider. So there wouldn't be something just set out in the forecast report where you gather all this data, we'd have to query by things that we have identified as environmental in the forecasts and, you know, request a run of that information and develop the revenue requirement and, you know, present that.
Q. So you would do something similar to what you did in asking certain folks in the Regulatory Services department, I think, or the Corporate Budget and Planning department for the run that is part of I think workpaper PJM (Support AEM-1) that we looked at earlier, correct?

MR. CONWAY: PJN?
MR. KUTIK: PJN, thank you.
A. More to the point I think we go to AEM-1 which is I think the methodology used to present the revenue requirement with support of -- detailed support that was contained in my workpapers.
Q. Okay.
A. And whatever else staff wanted to review.
Q. Okay. But in terms of the kind of general methodology that would be used to come up with that, it's really no different than the environmental costs of the budgeting process and the forecasting process that AEP does in the normal course, correct?
A. Yes, we'd be able to identify environmental costs.
Q. With respect to the specific costs that are sought to be recovered and are displayed as part of your workpapers, does the company's filing in this case include any specific information as to any specific facility at which these particular capital expenditures and O&M expenses would be incurred?

A. Would you define "facility" for me?
Q. Unit.
A. Unit?
Q. Or plant.
A. Yes, the workpaper would identify it by plant where appropriate. Some are -- and unit where appropriate. Some are common facilities.
Q. Would it indicate anything with respect to the need for those facilities?
A. This particular workpaper? No.
Q. Are you aware of anything in the company's filing in this case that you could point me to that would discuss the need for the plant or unit that would be associated with any cost that would be identified for recovery under rider EICCR?
A. Did you say the need for the unit?
Q. Yes. Or plant.
A. I'm not sure -- and you're asking specifically for have we identified the need for Amos 3 unit without consideration of any environmental expenditures?

Q. With or without.
A. With or without, okay. I'm not sure if the IRP supplement filed in December 2010 is incorporated in this case or not, that's a question I don't know, but obviously the Commission itself has documents from the company that would support the need for those units.
Q. Okay. And my question was about in this case. So if the IRP has not been filed in this case, would it be fair to say that there are no such documents in this case?
A. If it hasn't been either filed in this case or consolidated with this case, I assume that's a true statement. I don't think there's anything else specifically around does AEP-Ohio need, for example, Amos 3 in this particular filing.
Q. Did you participate in the development of the IRP filing that was done in December?
A. No.
Q. Do you know whether there are any witnesses in this case that participated in developing that IRP?
A. "Participated" is a pretty broad term. Joe Hamrock would have participated from being

President of the company and would be very interested in, you know, the plan for generation for his company, so I assume he participated in that.
Q. Anybody else?
A. If I had a list of witnesses, that might help, but I know we have quite a few. Not as many as the intervenors, but quite a few. I'm trying to think if there's folks in Joe's organization that are witnesses, he has a couple witnesses that work for AEP-Ohio, but off the top of my head I would say that I can't -- no one comes to mind that would have had a substantial role in that filing for the witnesses that I'm thinking of.
Q. Right. Let me refer you to your workpapers, and I'm going to ask you again to look at the series of workpapers that support AEM-1. And particularly the first page. Does this purport to be an estimate of 2012 O&M environmental expenses?
A. Yes, this is our estimate that we've included in AEM-1 for 2012.
Q. Looking at the top, is it fair to read those headings of the various columns as, or most of them, as indicating months for 2010?
A. That's correct.

Q. So this, at some place, provides us with the costs, the O&M costs, environmental O&M costs for 2010, correct?
A. No.
Q. All right. Why is that statement wrong?
A. You'll have to read the footnote.
Q. Okay. This footnote indicates that there is -- an average of certain costs for July through December was used as an estimate for January through June on one of the units, correct?
A. That's correct.
Q. So with that exception was the actual costs calculated?
A. With that exception I believe the other months are actual.
Q. Okay. And then to come up with a 2012 estimate there was an assumption of an increase, correct, from 2010?
A. I believe what I did is I just used the 2010 as a proxy for estimating 2012 and then increased 2 percent per year.
Q. Right. My point was you took the 2010 and you assumed that there would be a certain increase per year --

A. Right.
Q. -- from 2010, right?
A. Right.
Q. And the assumption was a 2 percent per year increase, correct?
A. That's correct.
Q. What was that based on?
A. That's a general inflation rate that we're using for planning purposes.
Q. So it wasn't based upon any assumption that environmental costs would be more in 2012 than 2010 on a nominal basis.
A. That's correct. We did round up a little bit, other than that.
Q. But you were just trying to basically account for kind of a low inflation number.
A. Well, in this instance I felt that the use of 2010 was a good proxy for the forecast, again, took the 2 percent increase to get it to 2012 dollars.
Q. Did you compare these O&M figures with any forecasted O&M figures for 2012?
A. No.
Q. Why not?

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A. We wouldn't have forecasted on this level of detail.
Q. *How about on a more macro* basis, did you do any calculations or comparisons?
A. I don't understand what you do with it on a macro basis.
Q. Well, it looks like you were trying to determine environmental O&M costs, correct?
A. Specific environmental O&M costs, not all environmental O&M costs.
Q. All right. What specific environmental costs are you talking about?
A. The costs associated with FGDs and SCRs.
Q. And those are what?
A. As far as type of equipment, fluidized gas desulfurization equipment as well as selective catalytic reduction equipment.
Q. And are there forecasts of those costs that are done?
A. No, not specifically this type of information. No, there's not specific forecasts that *I'm aware that would, for example, say how much* maintenance you're going to have on an FGD.
Q. Okay. Is there a forecast, well, are

there other environmental O&M costs other than the ones that appear in this document?
A. Yes.
Q. And why didn't you determine those in this document?
A. As I mentioned previously, some of those environmental O&M costs are included in the fuel clause.
Q. So with respect to -- would it be fair to say, then, that with respect to the O&M costs that this page represents, the company does not have a forecast for those costs for 2012?
A. I don't believe we have a forecast for these specific costs for 2012.
Q. Okay. Did you ask to determine whether the company has such a forecast?
A. Yes, I believe I did. I consulted with folks to get these numbers and I was trying to come up with the best forecast I could for 2012, and I don't believe it was available. It's been a while, but I think what I selected was what I thought was the most reliable forecast at this point in time, at the time I did my testimony for this.
Q. So you did it this way because you were

of the belief that there wasn't a better way to forecast it.
A. Yes.
Q. I want to talk to you now about rider GRR. Do you know what that rider is for now?
A. Yes. Turning Point is contained in it.
Q. Okay. Very good.
Is it the intent of AEP-Ohio to recover the costs potentially of renewable projects under that rider?
A. Could you repeat that? I'm sorry.
MR. KUTIK: Could you please, Maria.
(Record read.)
A. I'd characterize it a little differently. It's more intended to -- it wouldn't exclude renewable projects like Turning Point, but it's not the intent of that rider to recover all renewable projects. There may be -- and I'd like to qualify that by saying, you know, purchased power contracts for renewable would not be included there.
Q. And that wasn't the point of my question.
A. *Okay.*
Q. It was really project costs as opposed to power purchases.

A. At this point there's that possibility. What I've considered in this ESP is really a concrete project that we think fits under this rider which is Turning Point. At this time we don't anticipate any additional projects that we would have under the GRR. Obviously, if we have one of those projects develop in this 29-month period, then we'll make that judgment of whether we'd include it under the GRR.
Q. Is the Turning Point project considered to be a renewable project, in your view?
A. It's a project that will meet the requirements of Senate Bill 221 around alternative energy and, you know, so it will help meet that commitment.
Q. Does the statute specifically call out a requirement for renewable energy?
A. The whole statute?
Q. Yes.
A. Or are you talking specifically about --
Q. No; the whole statute, Senate Bill 221.
A. Senate Bill 221 does have a section on renewable, but I'm not real versed on that and, again, I don't have the statute in front of me but I believe it has the requirements set out.

Page 149

Q. So there are requirements that the company has to meet with respect to renewable energy, correct?
A. Yes.
Q. And will the Turning Point project help fill those renewable energy requirements?
A. Yes.
Q. Do you know whether there is any prohibition in Senate Bill 221 with respect to the nonbypassability of riders seeking to recovery renewable energy costs?
A. I'm not aware of anything that would preclude our treatment of Turning Point that we've proposed.
Q. So the answer is you're not aware that there is such a prohibition?
A. A prohibition related to Turning Point, that's the only way I can answer that. I'm not sure if there's another.
Q. All right. Well, we indicated that Turning Point is built perhaps in part to meet some renewable requirements, correct?
A. Yes.
Q. Would you view Turning Point's costs as

Page 150

renewable energy costs?
A. No, not all of it.
Q. Okay. Some of it might be.
A. Some of it might be, the REC portion.
Q. Now, do you know whether -- well, when I use the term "CRES provider," do you know what I mean? Have you heard that term before?
A. Yes.
Q. Do CRES providers need to meet alternative and renewable energy requirements set out in SB 221 as far as you know?
A. As far as I know, yes.
Q. With respect to what's sought to be recovered with respect to Turning Point under rider GRR, would it be fair to say that the costs include costs other than just the carrying costs?
A. Yes. Attached to my supplemental testimony are the costs that are included in the revenue requirement we've estimated.
Q. *And those costs would include capital* costs?
A. They would include capital cost return of and on.
Q. So they would include at least capital

Page 151

costs among other things.
A. Right.
Q. Would it include O&M costs?
A. Yes.
Q. Has the company determined that the Turning Point plant is the lowest cost alternative for producing 4.9 megawatts?
A. Did you say "4.9 megawatts"?
Q. Yes.
A. I believe it's 49 megawatts.
Q. I'm sorry. With that correction. Do you want me to give it to you again?
A. Yes.
Q. Has the company determined whether the Turning Point plant is or would be the lowest cost alternative for producing 49 megawatts?
A. I'll have to say that, first, you'd have to put some premise around producing 49 megawatts, one is over, you know, what period of time you're talking about.
Q. Any period of time.
A. Any period of time?
Q. Has the company done that analysis?
A. I wouldn't think that Turning Point would

Page 152

be the lowest cost for supporting the megawatts. I can tell you we don't need an analysis for that.
Q. Okay.
A. What Turning Point obviously is meant to accomplish is meeting the renewable requirement.
Q. So it would be fair to say that Turning Point is not the lowest cost alternative for producing the 49 megawatts that it's proposed to produce.
A. Yeah. If you're comparing to, say, a combined cycle gas plant or coal-fired generation, I don't believe, you know, that it would be the lowest cost when compared to those options.
Q. Is the Turning Point project the only new generation plant currently contemplated to be constructed through May of 2014?
A. For AEP-Ohio?
Q. Well, start there.
A. Okay. I'm not aware of any additional *plants that would be constructed in that period*, but I can't rule out that we don't have some plans to add generation or we might start construction, that's a short time frame now. The other thing I would have to put a caveat on is with the renewable requirements

we could add some solar panels to a service center that produces some generation, you know, things like that that we could do.

Q. What I'm --

A. But I'm not aware of anything specific at this time.

Q. What I was trying to understand is your knowledge, and to the best of your knowledge the Turning Point plant is the only generating unit or plant that AEP-Ohio proposes to construct through May of 2014, correct?

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

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.

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.

Q. 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 say?

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.

Q. 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

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.

Q. 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.

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Q. Okay. So as far as you know with respect to either generating plants or generating units, all the units that are currently in operation and owned by AEP-Ohio were in operation as of June 1st, 2009, or at least in service in 2009.
A. I believe that's the case.
Q. Okay. Same question but moving the date back to December 31st, 2000.
A. There's been a number of units added.
Q. Okay. Do you know which units have been added since December 31st, 2000?
A. There's been Darby, I forget how many units that has, but Waterford which has a number of units. I'd count Lawrenceburg even though it's a purchased power contract with AEG, I'd look through that as CSP being the beneficial owner of that.
Q. Any other plants or units?
A. There's been solar facilities added to service centers. Those are things that come to mind at the moment.
Q. And with respect -- with the exception of Lawrenceburg, the Darby and Waterford unit are a hundred percent owned by AEP-Ohio?
A. CSP, yes.

Q. Okay. That would be AEP-Ohio, right?
A. Doing business as.
Q. Okay. Are you aware of the estimated life of the Turning Point project, estimated useful life of that project?
A. Yes.
Q. What is it?
A. Twenty-five years.
Q. And does the company expect that its costs with regard to the Turning Point project will be the same for each year of the useful life of that project?
A. I wouldn't expect the costs to be the same.
Q. Do you know whether the revenue requirement developed with respect to the Turning Point project assumes a revenue requirement the same for each year of the useful life of the project?
A. I wouldn't expect anything to be the same for the whole period. The lease payment, the principal part of the expense, is the same, but the, you know, there would be O&M expense, taxes and so forth, I would expect those to change.
Q. So you would expect that the revenue

requirement would be different for each year of the --
A. Yes.
Q. -- useful life of the Turning Point project?
A. Different, yes.
Q. Does AEP intend to recover the capacity costs of Turning Point through rider GRR?
A. Yes, as part of the capital costs. I would consider fixed costs to be capacity costs. Is that what you're asking?
Q. Well, however you define that term.
A. Yeah, that's how I -- fixed costs, yes, would be recoverable.
MR. KUTIK: Let's go off the record.
(Recess taken.)
MR. KUTIK: Let's go back on the record.
Q. The company does intend to recover the costs of purchased power through the fuel adjustment clause or rider FAC, correct?
A. Yes.
Q. And that would include the cost of purchasing capacity and energy in the market?
A. Yes.

Q. Would it also include the cost of purchasing capacity and energy in the market if those purchases were required to serve shopping customers who returned?
MR. CONWAY: I'm sorry. Could you reread that question back for me.
(Record read.)
A. I have a little problem answering that because I'm not sure what the deal is when shopping customers return. That's not a question that I can answer.
Q. Okay. Assume for me that the company had to go out and purchase either energy or capacity or both to serve shopping customers. Are you with me so far? That returned. Are you with me so far?
A. So far.
Q. Okay. Would you think that the company could request that those costs be recovered through rider FAC?
A. I think the company could request that. I don't know, again, what the particulars would be.
Q. All right. Fair enough.
Now, have you been involved in coming up with any projections of assumed levels of shopping?

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 formas prepared?
A. Yes.
Q. I assume you didn't prepare them yourself. You had -- you had a team or others who work 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.
Q. Did you familiarize yourself with what assumptions were made with respect to the level of shopping?
A. I probably knew at one time. I don't recall.
Q. Did you do anything to satisfy yourself that those assumptions were reasonable assumptions?

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.
A. I wouldn't know.
Q. And you certainly don't know what the bases of those assumptions are, correct?
A. No.
Q. What I said is correct.
A. I do not know the bases of those assumptions.
Q. Okay. Thank you.
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 -- at least during the course of the ESP, correct?
A. I think I said --
Q. Let me rephrase it.
A. Right.

Q. Let me rephrase it. You are aware of at least two units that are currently in service that will be retired by the end of the proposed ESP period, correct?
A. Correct.
Q. Are you aware of whether the company is considering the retirement of any other specific units during that period?
A. I think the company is evaluating EPA regulations and may, in fact, be contemplating additional retirements. Now, I don't know whether they're, in fact, within the 29-month ESP period. And I would add that, you know, until the MACT rule comes out, M-A-C-T, in the fall, you know, that a lot of this is up in the air.
Q. Okay. 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

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 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 plan -- there's been analysis. I'm not sure if there's a specific plan at this point.
MR. KUTIK: Can you read my question, please.
(Record read.)
Q. I'm not sure you answered that question. Did you? Have you?
A. Have I seen the plans? I've seen our press release. I don't know that that's considered a

plan, that's why I'm qualifying.
Q. Okay.
A. You know, it's based on our understanding of a rule at a point in time, as I said, that that understanding can change, and we need really to have the final rules that are going to come into place in November to really, what I would consider a plan.
Q. So with respect to any particular plan to deal with the MACT rule or rules, other than the press release you don't think you can say you've seen anything that might be called the plan.
A. I haven't seen anything that I would characterize as a plan --
Q. Even including the press release.
A. -- that has any degree of certainty around it. As I recall, the press release had quite a wide range of options in it so that's kind of why I'm obviously explaining, you know, that caveat.
Q. Were you involved in work that went into that press release?
A. No, I don't believe I was.
Q. And the press release we're talking about was a press release for June 9, 2011; does that ring a bell?

A. I'm not sure when it came out.
Q. Okay. Well, it talked about what it would do, this press release, to comply with proposed EPA regulation, correct?
A. Well, the press release will say whatever it says.
Q. No, I'm asking you about your recollection of the press release.
A. I think it would be characterized more as what we might do.
Q. And what the company might do included the retirement of certain plants, correct?
A. I think that was addressed in the press release, right.
Q. And there were specific units that were identified as candidates for retirement, correct?
A. That's what I recall.
Q. Would the company issue a press release that it knew was false?
A. No.
Q. Would the company, in talking to the outside world about its plans, provide the best information it had about those plans?
A. I think it would provide the best

information at that point in time.
Q. Okay. So could we say that the press release reflected the company's best information about what it might do to comply with the EPA regulations?
A. Yeah, I would think that that would represent what, a certain set, based on an interpretation of the rule at the time, what it might result in.
Q. Let me ask you a couple of questions about the phase-in of the deferred fuel balance. What's the period of time that that deferral was accrued?
A. It was during the ESP period, last ESP. It continues through the end of this year. It was part of the phase-in plan under the statute.
Q. And when you say it was part of the phase-in plan under the statute, what does that mean?
A. That means that there's a specific provision in the statute for a phase-in of rates and that's what we -- that's the reason that we had a limit on the amount of fuel that we could charge during the current ESP period.
Q. By the way, are you aware of any

additions or corrections that need to be made to either your testimony or your supplemental testimony?
A. I'm aware of some general comments, one I gave you is on the revenue requirement earlier we discussed around the carbon capture rider.
Q. And what is that?
A. To repeat, that was the idea that we're now requesting the 29-month amortization period and we established the FEED study cost as a regulatory asset to be recovered over that 29-month period as opposed to what was proposed in the testimony.
Q. Okay. Anything else?
A. There is one other thing that comes to mind.
Q. Where is that?
MR. CONWAY: Where is what?
MR. KUTIK: The other thing that comes to mind. He's looking through his testimony.
A. It's on page 26.
Q. Of your direct testimony?
A. Correct.
Q. And what about your testimony at page 26 needs to be revised or revisited?
A. The question beginning on line 7, the

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response would now be "No," and the rest of it be can be stricken.

There will probably be other corrections perhaps, but those are the ones that come to mind.

Q. And why have you made the change you just mentioned?

A. Because the answer to the question is "no."

Q. Well, was it wrong when it was first written, or is it wrong because you no longer intend to do what is indicated in that answer?

A. It wasn't wrong then, it isn't wrong now, just the question says "Are you aware of . . . which the Company will be seeking approval," and we said "The Company is actively pursuing engineered fuel." We're no longer actively pursuing that.

Q. So that was the change.

A. That was the change.

Q. And as far as you know that's all you can tell me with respect to potential additions or corrections, correct?

A. The only other thing that comes to mind, but this I think becomes moot with the change we just discussed on the 29 months, is the allocation factor

for the CCS FEED study I think was revised and we provide that in a data request. Changed the revenue requirement slightly, but, again, I think it's moot because of the other change we just discussed.

Q. Let me refer you now to page 8 of your testimony. At the bottom of the page you talk about the advice you received with respect to the nonbypassable basis for the phase-in of the deferred fuel balances. Do you see that?

A. Yes.

Q. That's the statute you're relying on?

A. That's correct.

Q. That's section 4928.44?

MR. CONWAY: Hold on.

Q. Is that correct? Have I read it correctly?

A. You've read it correctly.

Q. Thank you.

The deferrals that you're referring to are deferrals that are not distribution rates? These costs aren't distribution costs, are they?

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

rate was that?

A. The ESP rate.

Q. Okay.

A. Now, the ESP had certain components that might be considered distribution.

Q. Is the fuel cost considered a distribution cost?

A. No. The fuel cost would be considered generation and that was kind of the result of the phase-in plan is where we -- it was the last item standing, in a sense.

MR. CONWAY: Before we continue I just would like to point out that his counsel improperly advised him on the correct statutory section.

MR. KUTIK: And I understand that. You can make that change at the hearing.

THE WITNESS: Can you tell me what it is?

MR. CONWAY: I will advise you that it's 4928.144.

THE WITNESS: Okay.

Q. (By Mr. Kutik) Are you aware of what 4928.144 says?

A. I'm certainly aware of it. I don't have the statute in front of me.

Q. Well, let me give it to you.

MR. CONWAY: Maybe that advice is subject to check yet again, still.

Q. Can you explain to me your understanding of why the phase-in would be nonbypassable under that statute?

A. Because the section says it will be.

Q. Well, can you be more specific?

A. I could read the section to you.

Q. Okay. Go ahead.

A. Okay. "If the commission's order includes such a phase-in, the order shall provide for the creation of regulatory assets pursuant to generally accepted accounting principles, by authorizing the deferral of incurred costs equal to the amount not collected, plus carrying costs on that amount. Further, the order shall authorize the collection of these deferrals through a nonbypassable surcharge on any such rate or price so established for the electric distribution utility by the commission."

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

section related to is a phase-in plan, which is what we have.

Q. But can you answer my question?

A. I'm not sure it has --

MR. CONWAY: Could I have the question reiterated.

MR. KUTIK: Sure.

Could you read it please, Maria.

(Record read.)

A. Yes. Well, let me -- it relates to everything that is entailed in the phase-in.

Q. Well, so that would include things other than distribution costs, correct?

A. It would include both distribution as part of the phase-in as well as any other components.

Q. My question was could it apply to the phase-in of costs, of the recovery of costs other than distribution costs? And I think your answer was yes. Is that correct?

A. Yes.

Q. Okay. In terms of how the recovery of the deferrals will take place, as I understand it each company has a different amount of deferrals, correct?

Page 174

A. Yes.

Q. Will the deferrals for each company be recovered only from the customers for that company?

A. Our proposal is once the companies are merged, that those costs would be spread over the full customer base.

Q. So it could be that formerly CSP customers are paying for OP deferrals or vice versa.

A. Sure. And, conversely, there's some riders, when we merge, that would now apply to CSP would also apply to Ohio Power customers.

Q. Let me refer you to page 12, and at the bottom of the page the sentence that begins on line 21, "Capacity will be valued using the capacity price relevant to AEP's Fixed Resource Requirement . . . designation." Do you see that?

A. Yes.

Q. And then over on page 13 you use the number for capacity of $12 in that little table, correct?

A. Correct.

Q. Where did that $12 number come from?

A. It was just pure example.

Q. Okay.

Page 175

A. No basis.

Q. All right. So you're not suggesting that that's the proper cost for capacity.

A. No.

Q. And when you say that the capacity will be valued using the capacity price relevant to AEP-Ohio's, and I'll just say FRR designation, what does that mean?

A. That means what is ultimately determined to be the charge for capacity related to our RA section of the PJM tariff would be applied.

Q. So, for example, if the Commission comes to a determination in case -- well, I'll back up. Are you familiar with a case number at the Commission 10-2929?

A. Yes.

Q. If the Commission comes to the determination as to what -- a result in 10-2929, would that be the result that would then be plugged into this calculation that you discuss?

A. Perhaps. The only other question is whether they actually had the jurisdiction or FERC does, so it may not be resolved.

Q. All right. So what would be plugged in

Page 176

there would be the resolution of either proceedings at the FERC or the 10-2929 case, or both.

A. Yes. That was the intention, whatever is -- however it's resolved and whoever has jurisdiction would be used.

Q. Do you know whether there's anyone within the company that is doing any kind of analysis of Mr. Schnitzer's testimony?

A. We certainly will be doing an analysis, but I don't know at the moment if anybody has.

Q. Are you part of that group?

A. I would certainly want to look through it.

Q. But you haven't tasked anybody with that job.

A. No, I haven't tasked anybody.

Q. And you don't know whether anyone is, in fact, doing that, correct?

A. I don't know at the moment whether anyone's doing it at this time. It will be done.

Q. All right. So you would expect by the time you take the stand to have seen an analysis of Mr. Schnitzer's testimony?

A. I will expect to have reviewed his

testimony and present any rebuttal, if permitted, in the proceeding that I see fit to my testimony.
Q. I'm not sure that's my question. My question is assuming that you go on the stand Monday or Tuesday, do you expect that by that time you will have reviewed any analysis of Mr. Schnitzer's testimony?
A. I don't have any expectations. That's when the direct case begins, on Monday.
Q. Okay.
A. So Mr. Schnitzer I wouldn't expect to be on for a while.
Q. All right. So if you do see any analysis, you expect it would be before you would return potentially as a rebuttal witness; fair to say?
A. Yes. If I have any issues to rebut, I would expect to do an analysis or do my evaluation of the testimony before that time.
Q. You had some discussion with Mr. Stahl about whether prices, energy prices, were volatile in the market versus regulatory. Do you remember that?
A. I certainly do.
Q. Do you consider capacity, the capacity

market, to be volatile?
A. Bilateral or -- are you talking about RPM?
Q. Let's say RPM.
A. And you're talking PJM?
Q. Yes.
A. Yes, very volatile.
Q. Well, is it the case -- is it the case that a buyer or seller of capacity basically knows the price for capacity in PJM three years ahead of time?
THE WITNESS: Can I have that repeated?
(Record read.)
A. Are you talking about a buyer in the auction, RPM auction?
Q. Or of capacity generally.
A. Not necessarily. You can do bilateral capacity purchases that you wouldn't necessarily know three years in advance.
Q. Okay. Would you think that the -- if bilateral transactions were allowed to buy capacity within PJM, that those prices would be near the PJM auction prices, the RPM prices?
A. I don't think -- which year? For which

year?
Q. For any year.
A. Certainly no bilateral transaction for capacity is going to get to $16 a megawatt day. Any long-term capacity purchases will be much higher than that.
Q. You believe that the company could have a rider EICCR if the company procured SSO load through an MRO?
A. I have no idea. I haven't thought about the MRO option.
Q. Okay.
MR. KUTIK: Let's go off the record.
(Recess taken.)
MR. KUTIK: Mr. Nelson, I have no further questions. Mr. Stahl has some follow-ups.
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FURTHER EXAMINATION
By Mr. Stahl:
Q. Mr. Nelson, just going back to the Mountaineer CCS project, I thought I knew the answer to this, now I'm not so sure. If the company, if AEP-Ohio proceeds with that project during the ESP period, is it the intent to recover the costs or any

part of the costs of the project itself through the CCSR rider?
A. I wouldn't preclude us from making that request, yes.
Q. And your testimony refers on page 20 to a preliminary estimate for the costs of the project of about $610 million. Is that still the best estimate you have?
A. Yes. Until the FEED study is done I believe that's the best estimate we have.
Q. And is the in-service date still estimated to be sometime in 2015?
A. I haven't heard -- because we suspended the project I don't know that I could say there's a specific in-service date at this point. I would expect it to slip.
Q. Even if it slips, would you expect that certainly some of the costs of that project, costs that would be allocated to AEP-Ohio, would be incurred in the 29-month ESP period?
A. It's possible that they could be incurred during that period. I think the likelihood is rather low at this time.
Q. Really?

And in order to calculate the amount that would be included in the rider, would you take AEP-Ohio's share of the total costs during that period and apply your carrying charge rate to that?

A. Yes. I think as far as what we would request if we went forward with the project, it would be AEP-Ohio's share and allocated in a similar fashion to what I show on page 21.

Q. Yes. And the carrying charge rate depends on the investment life of the particular project; is that correct?

A. Yes.

Q. And do you have any idea what the investment life of the Mountaineer CCS project would be?

A. I don't have a specific estimate at this time. It's too early in the process.

Q. The carrying charge rates are set forth in Exhibit PJN-2 to your testimony; is that correct?

A. Yes.

Q. And are those still effective carrying charge rates to the best of your knowledge?

A. Yes.

Q. Okay. I know that's six questions, but I

still have two areas I'd like to talk about. The next one has to do with the pool agreement termination, you and I discussed that earlier I think, and I think you had some questions from Mr. Kutik on it too. Just to clarify, I think you said earlier that the pool agreement termination you would not expect to be effective during the 29-month ESP period; is that correct?

A. That's correct. Based on my --

Q. Sure.

A. -- opinion.

Q. Understood. And just to clarify that, does that mean that you would not expect to receive the order approving that pool termination during the ESP period?

A. Not necessarily. You could reach settlement to have a specific date to terminate it, for example, and you may get approval to terminate on that particular date.

Q. So you may have approval to terminate within the ESP period, but effective after the end of the ESP period?

A. Sure. You could -- I think what we're required to do, if I recall, at FERC is to file 60

days in advance of the termination and, you know, the process that we hope prevails is we reach some sort of settlement with the major stakeholders in each jurisdiction. So we might go ahead once we've reached that agreement and say that agreement says I'm going to terminate it, just as an example, one month in 2015 --

Q. Right.

A. -- but you may reach that agreement prior to.

Q. Understood. And if you haven't sliced it this finely yet, just let me know, but it is possible you could have the FERC approval -- I think you already answer this. Let me strike it.

Is it your expectation you would have FERC approval before the end of the ESP period and then effective afterwards?

A. That would probably be a better question for the FERC attorneys, but, you know, it may be just that, you know, since we're terminating the contract it may not be a drawn-out proceeding at FERC, we would hope. We just have to give them 60 days' notice. Particularly if you have the state commissions on board with it. So I would think that

you would -- and it would depend upon the timing of the filing. So I'm getting a little beyond, not being an attorney, what might happen.

Q. I understand, and if you don't know the details --

A. Okay.

Q. -- or if you haven't thought it through, that's fine. I'm just trying to find out what your expectation is, and I think you're telling me you don't really have an expectation one way or the other whether the FERC order will be entered before the end of the ESP or after the end of the ESP, it could be either.

A. From my perspective I think it could be either.

Q. All right. And if you had to give me your best judgment on when the FERC order approving the termination would be, either before or after, would you be able to do that?

A. Are you still asking within the 29-month period?

Q. Yes. Yeah.

A. Okay. It's -- our expectation or our hope would be it would be before the end of the

Page 185

29-month period, but really the FERC order is subservient to when we can reach the agreements if we get agreements with the parties, so that's not going to be a driving factor. It's going to be more what the, if we do get the settlement, what the settlement says with respect to the termination.

And then I think the requirement, as I understand it, is we have to give at least 60 days notice. We may want to give the FERC more time, you know, open the proceeding a little longer, but, again, I haven't gotten to those details.

Q. Okay. Finally, the last line of questioning had to do with these monthly environmental budgets that you discussed with Mr. Kutik, and I think you said that your company has the ability to calculate the costs on a monthly basis to be recovered through the EICCR for the entire ESP period. Did I hear that correctly?

A. Yeah, I would think that we could do the calculation, it's just math.

Q. But you have also said that the company has not done that calculation, correct?

A. That's correct. We don't have any point in our proposal to do that. We would be changing the

Page 186

rate once a year, we've provided the first year, 2012, and in subsequent filings we present the next year.

Q. And is that the only reason that you can think of why the company has not, in fact, made that calculation through the entire ESP period, namely that the rates would be changing every year?

A. Yeah, I didn't need it for purposes of my testimony.

Q. Were you ever instructed by anyone not to make that calculation?

A. No.

Q. Okay. Thank you.

MR. STAHL: I have nothing further.

MR. KUTIK: As part of the deposition process, Mr. Nelson, you have the right to review the transcript for transcription errors and you also have the ability to waive that right. You need to indicate on the transcript whether you wish to read your transcript or whether you wish to waive your right.

MR. CONWAY: We will not waive the right. We'll read it first.

MR. KUTIK: Thank you. We are concluded.

Page 187

(The deposition concluded at 2:43 p.m.)

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State of Ohio :
: SS:
County of ________________ :

I, Philip J. Nelson, do hereby certify that I have read the foregoing transcript of my deposition given on Wednesday, August 24, 2011; that together with the correction page attached hereto noting changes in form or substance, if any, it is true and correct.

____
Philip J. Nelson

I do hereby certify that the foregoing transcript of the deposition of Philip J. Nelson was submitted to the witness for reading and signing; that after he had stated to the undersigned Notary Public that he had read and examined his deposition, he signed the same in my presence on the ________ day of __________________, 2011.

____
Notary Public

My commission expires ______________, ________.

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Page 188

CERTIFICATE

State of Ohio :
: SS:
County of Franklin :

I, Maria DiPaolo Jones, Notary Public in and for the State of Ohio, duly commissioned and qualified, certify that the within named Philip J. Nelson was by me duly sworn to testify to the whole truth in the cause aforesaid; that the testimony was taken down by me in stenotypy in the presence of said witness, afterwards transcribed upon a computer; that the foregoing is a true and correct transcript of the testimony given by said witness taken at the time and place in the foregoing caption specified and completed without adjournment.

I certify that I am not a relative, employee, or attorney of any of the parties hereto, or of any attorney or counsel employed by the parties, or financially interested in the action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office at Columbus, Ohio, on this 25th day of August, 2011.

____
Maria DiPaolo Jones, Registered Diplomate Reporter, CRR and Notary Public in and for the State of Ohio.

My commission expires June 19, 2016.
(MDJ-3883)

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DEPOSITION EXHIBIT
#1
Nelson

**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 #2 Nelson

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