

**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	)	Case No. 11-346-EL-SSO
Pursuant to §4928.143, Ohio Rev. Code, in the Form	)	Case No. 11-348-EL-SSO
of an Electric Security Plan.	)	
In the Matter of the Application of Columbus	)	
Southern Power Company and Ohio Power Company	)	Case No. 11-349-EL-AAM
for Approval of Certain Accounting Authority.	)	Case No. 11-350-EL-AAM

**DIRECT TESTIMONY OF**

**R. Reed Fraley**

**on behalf of**

**Ohio Hospital Association**

**September 13, 2011**

1 **BACKGROUND, EXPERIENCE AND PURPOSE**

2  
3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4  
5 A. My Name is R. Reed Fraley. My business address is 150 East Broad Street, 15<sup>th</sup>  
6 Floor, Columbus Ohio, 43215.  
7

8 **1. Q. BY WHOM ARE YOU EMPLOYED?**

9  
10 A. I am employed by the Ohio Hospital Association, a not-for-profit healthcare  
11 organization. As we explained in our Motion to Intervene in this case, the OHA is  
12 a private nonprofit trade association established in 1915 as the first state-level  
13 hospital association in the United States and is the only Ohio trade association  
14 representing hospitals with 168 private, state and federal government hospitals  
15 and more than 18 health systems. The approximately 50 hospitals receiving  
16 electricity from AEP Ohio are OHA members and consume significant amounts of  
17 electrical energy, relying on their host electric distribution utilities of the AEP  
18 Companies to deliver the electric power necessary to provide patient care.  
19

20 **2. Q. WHAT IS YOUR POSITION WITH THE OHIO HOSPITAL**  
21 **ASSOCIATION?**

22  
23 A. My title is Senior Vice-President.  
24

25 **3. Q. HOW LONG HAVE YOU HELD THIS POSITION?**

26  
27 A. I have held this position for seven plus years.  
28

29 **4. Q. WHAT IS THE NATURE OF YOUR DUTIES WITH THE OHA?**

30  
31 A. I am responsible for OHA's relationships with the various health systems and  
32 hospitals throughout Ohio and develop programming for hospital trustees. This  
33 responsibility includes coordinating the CEO visitation program, and being the  
34 principle liaison with many of the systems as well as several smaller hospitals.  
35

36 Prior to joining the OHA staff, I served as CEO of the Ohio State University  
37 Health System and vice president for health services for 14 years, as CEO of  
38 Presbyterian Hospital of Dallas (Texas).for 6 years, and as COO of Medical  
39 College of Virginia Hospitals for 5 years. In each of these roles, I was the officer  
40 principally responsible for the day to day operations necessary to support the care  
41 of patients.  
42

1 5. Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

2  
3 A. I have a bachelor's degree in engineering from the United States Military  
4 Academy (West Point) and a master's degree in health administration from The  
5 Ohio State University.  
6

7 6. Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?  
8

9 A. I am testifying in support of the September 7, 2011 Stipulation and  
10 Recommendation (Stipulation) that has been filed in these cases.  
11

12 7. Q. ARE YOU FAMILIAR WITH THE STIPULATION THAT HAS BEEN  
13 FILED IN THESE CASES?  
14

15 A. Only generally. I have reviewed the document and I am aware that it provides  
16 certain benefits to OHA's AEP territory members.  
17

18 8. Q. WHY IS THE OHA SUPPORTING THE STIPULATION?  
19

20 A. As an initial matter, we believe that the certainty that attends a stipulated outcome  
21 has independent value over a litigated outcome. Based on what I have been  
22 briefed by counsel, the total increase represented by the Stipulation is considerably  
23 smaller than the increase sought by AEP in its application in this case. This  
24 feature alone carries value to hospitals trying to budget their energy costs.  
25

26 Beyond this feature of the Stipulation, however, AEP has been willing to commit  
27 to work with OHA members to address issues related to hospital distribution  
28 facilities and power quality issues. To the extent that the Stipulation addresses  
29 this need, while avoiding the need to press these issues in a distribution rate case,  
30 we consider this a major benefit for our members.  
31

32 **INFORMATION ABOUT OHA MEMBER FACILITIES**  
33

34 9. Q. HOW MANY PEOPLE ARE EMPLOYED BY OHA MEMBERS IN THE  
35 AEP SERVICE TERRITORY?  
36

37 A. In excess of 55,000 people are employed by these OHA members.  
38

1 10. Q. PLEASE DESCRIBE THE GENERAL CHARACTERISTICS OF  
2 HOSPITAL FACILITIES AS CONSUMERS OF ELECTRICITY.  
3

4 A. All major hospital facilities operate around the clock, 365 days of the year. In  
5 2010, these members' hospitals averaged more than 4,450 patients in the hospital  
6 everyday and averaged more than 16,000 instances of outpatient diagnostic and  
7 treatment activities. The most important characteristic of these facilities is the fact  
8 that they must have a supply of electricity, either from the local utility, or from on-  
9 site generation facilities. This is required of any healthcare facility that provides  
10 any overnight services, provides surgical facilities, or provides care to non-  
11 ambulatory patients. These requirements, contained in the NFPA Life Safety  
12 Code 101, as well as in portions of the National Electric Code, are mandatory in  
13 Medicare's conditions of participation and in the standards of the various  
14 organizations (e.g. The Joint Commission that accredits hospitals) that Medicare  
15 authorizes to survey hospitals for compliance of standards. Failure to meet these  
16 standards could result in removal from the Medicare and Medicaid programs,  
17 which would essentially prevent such hospitals from providing care to Medicare  
18 and Medicaid patients and probably compel the closure of the hospitals.  
19

20 In addition to maintaining on-site standby generating facilities, our major facilities  
21 also employ redundant electrical feeds from the local distribution grid. These  
22 redundant service feeds provide a higher level of dependability from the local  
23 distribution system, as service can be maintained if the local circuit serving any  
24 particular feed is disrupted.  
25

26 11. Q. PLEASE DESCRIBE THE IMPORTANCE OF RELIABLE  
27 ELECTRICITY TO THE OPERATION OF HOSPITAL FACILITIES.  
28

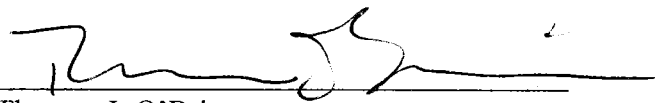
29 A. The health, and even life, of each member's patients would be at greater risk with  
30 disrupted or unavailable electricity. From the emergency rooms, surgical suites,  
31 intensive care units, labor delivery rooms, and patient rooms to high technology  
32 diagnostic (CT scanners, MRIs, ultrasound cameras) and treatment (radiation  
33 therapy machines, gamma knives, respiratory ventilators) equipment, to the  
34 lighting, heating and cooling of the facilities that are used to care for these  
35 patients, electricity is integral to the services that our members provide.  
36

37 12. Q. DOES THIS CONCLUDE YOUR TESTIMONY?  
38

39 A. Yes it does.

## CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing DIRECT TESTIMONY R. REED FRALEY was served via electronic mail upon the following, this 13<sup>th</sup> day of September 2011.



Thomas J. O'Brien

Steven T. Nourse  
Matthew J. Satterwhite  
American Electric Power Service Corporation  
1 Riverside Plaza, 29<sup>th</sup> Floor  
Columbus, OH 43215  
[stnourse@aep.com](mailto:stnourse@aep.com)  
[mjsatterwhite@aep.com](mailto:mjsatterwhite@aep.com)

Daniel R. Conway  
Porter Wright Morris & Arthur  
Huntington Center  
41 South High Street  
Columbus, Ohio 43215  
[dconway@porterwright.com](mailto:dconway@porterwright.com)

Sam Randazzo  
Joel Oilker  
Darr  
Es Wallace & Nurick LLC  
111 State Street, 17<sup>th</sup> Floor  
Columbus, OH 43215  
[sam@mwncmh.com](mailto:sam@mwncmh.com)  
[joliker@mwncmh.com](mailto:joliker@mwncmh.com)  
[fdarr@mwncmh.com](mailto:fdarr@mwncmh.com)

Amy B. Spiller  
Dorothy K. Corbett  
Duke Energy Retail Sales LLC  
139 East Fourth Street, 1303-Main  
Cincinnati, OH 45202  
[amy.spiller@duke-energy.com](mailto:amy.spiller@duke-energy.com)  
[dorothy.corbett@duke-energy.com](mailto:dorothy.corbett@duke-energy.com)

David F. Boehm  
Michael L. Kurtz  
Boehm, Kurtz & Lowry  
36 East Seventh Street, Suite 1510  
Cincinnati, OH 45202  
[dboehm@bkllawfirm.com](mailto:dboehm@bkllawfirm.com)  
[mkurtz@bkllawfirm.com](mailto:mkurtz@bkllawfirm.com)  
Colleen L. Mooney  
Ohio Partners for Affordable Energy  
231 West Lima Street  
Findlay, OH 45839  
[cmooney2@columbus.rr.com](mailto:cmooney2@columbus.rr.com)

Terry L. Etter  
Maureen R. Grady  
Office of the Ohio Consumer's Counsel  
10 West Broad Street, Suite 1800  
Columbus, Ohio 43215  
[etter@occ.state.oh.us](mailto:etter@occ.state.oh.us)  
[grady@occ.state.oh](mailto:grady@occ.state.oh)

Thomas J. O'Brien  
Bricker & Eckler LLP  
100 South Third Street  
Columbus, Ohio 43215  
[tobrien@bricker.com](mailto:tobrien@bricker.com)

Richard L. Sites  
Ohio Hospital Association  
155 East Broad Street, 15th Floor  
Columbus, Ohio 43215  
[ricks@Qhanet.org](mailto:ricks@Qhanet.org)

Jay E. Jadwin  
American Electric Power Service Corp.  
1 Riverside Plaza, 29th Floor  
Columbus, Ohio 43215  
[jejadwin@aep.com](mailto:jejadwin@aep.com)

Michael R. Smalz  
Ohio Poverty Law Center  
555 Buttles Avenue  
Columbus, OH 43215  
[msmalz@ohiopoveritylaw.org](mailto:msmalz@ohiopoveritylaw.org)

John Bentine  
Mark S. Yurick  
Chester Willcox & Saxbe LLP  
65 East State Street, Suite 1000  
Columbus, Ohio 43215  
[jbentine@cwslaw.com](mailto:jbentine@cwslaw.com)  
[myurick@cwslaw.com](mailto:myurick@cwslaw.com)

Mark A. Hayden  
FirstEnergy Service Company  
76 South Main Street  
Akron, OH 44308  
[haydenm@firstenergycorp.com](mailto:haydenm@firstenergycorp.com)

James F. Lang  
Laura C. McBride  
N. Trevor Alexander  
Calfee, Halter & Griswold LLP  
1400 KeyBank Center  
800 Superior Ave,  
Cleveland, OH 44114  
[jlang@calfee.com](mailto:jlang@calfee.com)  
[lmcbride@calfee.com](mailto:lmcbride@calfee.com)  
[talexander@calfee.com](mailto:talexander@calfee.com)

Jesse A. Rodriguez  
Exelon Generation Company, LLC  
300 Exelon Way  
Kennett Square, PA 19348  
[jesse.rodriguez@exeloncorp.com](mailto:jesse.rodriguez@exeloncorp.com)

Glen Thomas  
1060 First Avenue, Suite 400  
King of Prussia, PA 19406  
[gthomas@gtpowergroup.com](mailto:gthomas@gtpowergroup.com)

Henry W. Eckhart  
2100 Chambers Road, Suite 106  
Columbus, Ohio 43212  
[henryeckhart@aol.com](mailto:henryeckhart@aol.com)

Christopher L. Miller  
Gregory H. Dunn  
Asim Z. Haque  
Schottenstein Zox & Dunn Co., LPA  
250 West Street  
Columbus, OH 43215  
[cmiller@szd.com](mailto:cmiller@szd.com)  
[gdunn@szd.com](mailto:gdunn@szd.com)  
[ahaque@szd.com](mailto:ahaque@szd.com)  
Sandy Grace  
Exelon Business Services Company  
101 Constitution Avenue N.W., Suite 400 E  
Washington, DC 20001  
[sandy.grace@exeloncorp.com](mailto:sandy.grace@exeloncorp.com)

M. Howard Petricoff  
Stephen Howard  
Vorys, Sater, Seymour and Pease LLP  
52 E. Gay Street  
Columbus, Ohio 43215  
[mhpetricoff@vorys.com](mailto:mhpetricoff@vorys.com)  
[smhoward@vorys.com](mailto:smhoward@vorys.com)

Gary A. Jeffries  
Dominion Resources Services, Inc.  
501 Martindale Street, Suite 400  
Pittsburgh, PA 15212-5817  
[gary.a.jeffries@dom.com](mailto:gary.a.jeffries@dom.com)

Kenneth P. Kreider  
Keating Muething & Klekamp PLL  
One East Fourth Street, Suite 1400  
Cincinnati, OH 45202  
[kpkreider@kkmklaw.com](mailto:kpkreider@kkmklaw.com)

Holly Rachel Smith  
Holly Rachel Smith, PLLC  
Hitt Business Center  
3803 Recordtown Road  
Marshall, Virginia 20115  
[holly@raysmithlaw.com](mailto:holly@raysmithlaw.com)

Gregory J. Poulos  
EnerNOC  
101 Federal Street, Suite 1100  
Boston, MA 02110  
gpoulos@enemoc.com

Phillip B. Sineneng  
Carolyn S. Flahive  
Thompson Hine LLP  
41 S. High Street, Suite 1700  
Columbus, Ohio 43215  
philip.sineneng@thompsonhine.com  
carolyn.flahive@thompsonhine.com

Steve W. Chriss  
Wal-Mart Stores, Inc.  
2001 SE 10th Street  
Bentonville, Arkansas 72716  
stephen.chriss@wal-mart.com

Barth E. Royer  
Bell & Royer Co., LPA  
33 South Grant Avenue  
Columbus, Ohio 43215-3927  
barthroyer@aol.com

Werner L. Margard III  
John H. Jones  
Assistant Attorneys General  
Public Utilities Section  
180 East Broad Street, 6\* Floor  
Columbus, OH 43215  
werner.margard@puc.state.oh.us  
john.jones@puc.state.oh.us

Emma F. Hand  
Douglas G. Bonner  
SNR Denton US LLP  
1301 K Street, NW, Suite 600, East Tower  
Washington, DC 20005-3364  
emma.hand@snrdenton.com  
doug.botmer@snrdenton.com

Shannon Fisk  
2 North Riverside Plaza, Suite 2250  
Chicago, IL 60606  
sfisk@nrdc.org

Tara C. Santarelli  
Environmental Law & Policy Center  
1207 Grandview Ave., Suite 201  
Columbus, Ohio 43212  
tsantarelli@elpc.org

Cynthia Former Brady  
550 W. Washington Street, Suite 300  
Chicago, IL 60661  
cynthia.a.fonner@constellation.com

Joseph V. Maskovyak  
Ohio Poverty Law Center  
555 Buttles Avenue  
Columbus, Ohio 43215  
jmaskovyak@ohiopovertylaw.org

Lisa G. McAlister  
Matthew W. Warnock  
Bricker & Eckler LLP  
100 South Third Street  
Columbus, Ohio 43215-4291  
lmcaster@bricker.com  
mwamock@bricker.com

William L. Massey  
Covington & Burling, LLP  
1201 Pennsylvania Ave., NW  
Washington, DC 20004  
wmassey@cov.com

Laura Chappelle  
4218 Jacob Meadows  
Okemos, Michigan 48864  
laurac@chappelleconsulting.net

E. Camille Yancey  
Nolan Moser  
Trent A. Dougherty  
Ohio Environmental Council  
1207 Grandview Avenue, Suite 201  
Columbus, Ohio 43212-3449  
camille@theoec.org  
nolan@theoec.org  
trent@theoec.org

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**9/13/2011 4:33:30 PM**

**in**

**Case No(s). 11-0346-EL-SSO**

Summary: Testimony of R. Reed Fraley electronically filed by Teresa Orahod on behalf of Ohio Hospital Association