

1 In the Matter of the :
 Application of Columbus :
 2 Southern Power Company for:
 Approval of a Mechanism to: Case No. 11-4920-EL-RDR
 3 Recover Deferred Fuel :
 Costs Ordered Under Ohio :
 4 Revised Code 4928.144. :

5 In the Matter of the :
 Application of Ohio Power :
 6 Company for Approval of a :
 Mechanism to Recover : Case No. 11-4921-EL-RDR
 7 Deferred Fuel Costs :
 Ordered Under Ohio Revised:
 8 Code 4928.144. :

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10 PROCEEDINGS

11 before Ms. Greta See and Mr. Jonathan Tauber,
 12 Attorney Examiners, at the Public Utilities
 13 Commission of Ohio, 180 East Broad Street, Room 11-A,
 14 Columbus, Ohio, called at 10 a.m. on Tuesday,
 15 October 4, 2011.

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17 VOLUME I

18 - - -

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22 On behalf of Ohio Manufacturers
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12 LLC.

13 Mr. Henry W. Eckhart
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15 Columbus, Ohio 43212

16 On behalf of the Sierra Club and Natural
17 Resources Defense Council.

18 Ohio Poverty Law Center
19 By Mr. Joseph V. Maskovyak
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22 Columbus, Ohio 43215

23 On behalf of Appalachian Peace and
24 Justice Network.

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and Sam's East, Inc.

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On behalf of Ormet Primary Aluminum
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By Mr. Gregory J. Poulos
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On behalf of EnerNOC.

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On behalf of the Cable Telecommunications
Association.

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1 Tuesday Morning Session,
2 October 4, 2011.

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4 EXAMINER SEE: Let's go on the record.
5 Scheduled for hearing today at this time are several
6 cases, Case Nos. 11-346, 11-348, 11-349, 11-350 being
7 entitled in the Matter of the Application of Columbus
8 Southern Power Company and Ohio Power Company for
9 Authority to Establish a Standard Service Offer
10 Pursuant to Section 4928.143 Ohio Revised Code in the
11 Form of an Electric Security Plan, et al.

12 The purpose of the hearing today is to
13 consider the stipulation filed in that case which
14 also addresses Case 10-2376-EL-UNC, Case
15 10-343-EL-ATA, 10-344-EL-ATA, 10-2929-EL-UNC, case
16 11-4920-EL-RDR, and 11-4921-EL-RDR.

17 The Bench is aware that there is also a
18 motion to add to this proceeding Case No.
19 11-533-EL-UNC, AEP Ohio's application to amend its
20 corporate separation plan.

21 My name is Greta See. On the Bench with
22 me today is Jon Tauber, we are the attorney-examiners
23 assigned to this case by the Commission. At this
24 time we'd like to take appearances of the parties.
25 We will begin with the SSO proceeding and then also

1 move to the merger case, 10-2376.

2 On behalf of AEP Ohio.

3 MR. NOURSE: Thank you, your Honor. On
4 behalf of Columbus Southern Power Company and Ohio
5 Power Company, Steven T. Nourse, Matthew J.
6 Satterwhite, Daniel R. Conway.

7 EXAMINER SEE: On behalf of the
8 Industrial Energy Users of Ohio.

9 MR. DARR: On behalf of IEU Ohio, Sam
10 Randazzo, Frank Darr, and Joe Olikier.

11 EXAMINER SEE: On behalf of Duke Energy
12 Retail Sales.

13 MR. SINENENG: Good morning, your Honors.
14 Philip Sineneng on behalf of Duke Energy Retail.

15 EXAMINER SEE: On behalf of the Ohio
16 Energy Group.

17 MR. K. BOEHM: Good morning, your Honor.
18 Kurt Boehm and Mike Kurtz.

19 EXAMINER SEE: On behalf of the Ohio
20 Hospital Association.

21 MR. O'BRIEN: Good morning, your Honor.
22 On behalf of the Ohio Hospital Association, Tom
23 O'Brien, Matt Warnock, and Rick Sites.

24 EXAMINER SEE: On behalf of the Ohio
25 Consumers' Counsel.

1 MR. ETTER: Good morning, your Honor. On
2 behalf of Ohio's residential utility customers, the
3 Office of the Ohio Consumers' Counsel, Janine L.
4 Migden-Ostrander, Consumers' Counsel, I'm Terry L.
5 Etter and with me is Maureen R. Grady, we are
6 Assistant Consumers' Counsel.

7 EXAMINER SEE: On behalf of the Kroger
8 Company.

9 MR. YURICK: On behalf of the Kroger
10 Company, John Bentine, Mark Yurick, and Zach Kravitz,
11 Chester, Willcox & Saxbe.

12 EXAMINER SEE: On behalf of FirstEnergy
13 Solutions Corporation.

14 MR. HAYDEN: Good morning, your Honors.
15 On behalf of FirstEnergy Solutions, Mark Hayden; from
16 the law firm of Calfee, Halter & Griswold, James Lang
17 and Laura McBride, and Trevor Alexander; from the law
18 firm of Jones Day, David Kutik and Allison Haedt.

19 EXAMINER SEE: Thank you. Paulding Wind
20 Farm II, LLC.

21 MR. MONTGOMERY: Good morning, your
22 Honor. On behalf of Paulding Wind Farm II,
23 Christopher Montgomery and Terrence O'Donnell from
24 the law firm of Bricker & Eckler, LLP.

25 EXAMINER SEE: Appalachian Peace and

1 Justice Network.

2 MR. SMALZ: Yes, your Honor, on behalf of
3 the Appalachian Peace and Justice Network, Michael R.
4 Smalz and Joseph V. Maskovyak.

5 EXAMINER SEE: Ohio Manufacturers
6 Association Energy Group.

7 MS. McALISTER: Thank you, your Honor, on
8 behalf of the OMA Energy Group, Bricker & Eckler by
9 Lisa McAlister and Matt Warnock, 100 South Third.

10 EXAMINER SEE: AEP Retail Partners, LLC.
11 PJM Power Providers Group.

12 MR. PETRICOFF: Yes, your Honor, on
13 behalf of PJM Power Providers, also known as P3, M.
14 Howard Petricoff and Lija Kaleps-Clark from the law
15 firm of Vorys, Sater, Seymour & Pease.

16 EXAMINER SEE: Constellation NewEnergy
17 and Constellation Energy Commodities Group.

18 MR. PETRICOFF: Thank you, your Honor.
19 On behalf of the two Constellation companies, M.
20 Howard Petricoff and Lija Kaleps-Clark.

21 EXAMINER SEE: Compete Coalition.

22 MR. PETRICOFF: On behalf of Compete
23 Coalition, William L. Massey from Covington &
24 Burling, Washington, D.C. and M. Howard Petricoff
25 from the law firm of Vorys, Sater, Seymour & Pease.

1 EXAMINER SEE: Natural Resource Defenses
2 Council and Sierra Club.

3 MR. ECKHART: Excuse me, your Honor, on
4 behalf of the Natural Resources Defense Council,
5 Henry W. Eckert, 50 West Broad -- formerly 50 West
6 Broad Street, now 1200 Chambers Road, Columbus, Ohio.

7 EXAMINER SEE: Mr. Eckhart, are you also
8 representing Sierra Club?

9 MR. ECKHART: Yes, I am, primarily the
10 Sierra Club, your Honor. Note that the Natural
11 Resources Defense Council signed the stipulation and
12 the Sierra Club did not despite some things in the
13 record that indicate they may have signed it.

14 EXAMINER SEE: Okay. So noted.
15 City of Hilliard, Ohio.

16 MR. HAQUE: Good morning, your Honor. On
17 behalf of the City of Hilliard, Ohio, Asim Z. Haque,
18 Gregory Dunn, Christopher Miller from the law firm of
19 Schottenstein, Zox & Dunn.

20 EXAMINER SEE: Retail Energy Supply
21 Association.

22 MR. PETRICOFF: Thank you, your Honor.
23 M. Howard Petricoff and Lija Kaleps-Clark from the
24 law firm of Vorys, Sater, Seymour & Pease.

25 EXAMINER SEE: Exelon Generation Company,

1 LLC.

2 MR. PETRICOFF: Thank you, your Honor.
3 On behalf of Exelon we have Sandy Grace, in-house
4 counsel, 101 Constitution Avenue, Washington DC,
5 Scott Solberg, and David Stahl of the firm of Eimer
6 Stahl, 224 South Michigan, Chicago, Illinois, and M.
7 Howard Petricoff and Lija Kaleps-Clark from the law
8 firm of Vorys, Sater, Seymour & Pease.

9 EXAMINER SEE: Okay. City of Grove City,
10 Ohio.

11 MR. HAQUE: Good morning, your Honor.
12 Asim Haque, Chris Miller, Greg Dunn, Schottenstein,
13 Zox & Dunn on behalf of the City of Grove City.

14 EXAMINER SEE: Association of Independent
15 Colleges and Universities of Ohio.

16 MR. MILLER: Your Honor, for the AICUO,
17 Christopher L. Miller and Gregory Dunn, Asim Haque
18 from the law firm of Schottenstein, Zox & Dunn.

19 EXAMINER SEE: Wal-Mart Stores East LP
20 and Sam's East, Inc.

21 MS. SMITH: Good morning, your Honor. My
22 name is Holly Rachel Smith, and I'm here to enter the
23 appearance for Wal-Mart Stores East, LP and Sam's
24 East, Inc. Also on behalf of Wal-Mart is Kenneth P.
25 Kreider of the law firm of Keating, Muething, and

1 Klekamp. Thank you very much.

2 EXAMINER SEE: Dominion Retail, Inc.

3 MR. ROYER: Thank you, your Honor. Barth
4 Royer of Bell & Royer Co., LPA.

5 EXAMINER SEE: Environmental Law and
6 Policy Center.

7 MS. SANTARELLI: Thank you, your Honor.
8 On behalf of the Environmental Law and Policy Center,
9 Tara C. Santarelli.

10 EXAMINER SEE: Ohio Environmental
11 Council.

12 MR. DOUGHERTY: On behalf of the Ohio
13 Environmental Council, Trent A. Dougherty and Nolan
14 Moser.

15 EXAMINER SEE: Ormet Primary Aluminum
16 Company.

17 MS. HAND: Thank you, your Honor. On
18 behalf of Ormet Primary Aluminum Corporation, Emma F.
19 Hand and Douglas G. Bonner with SNR Denton U.S., LLP,
20 in Washington, D.C.

21 EXAMINER SEE: EnerNOC.

22 MS. SANTARELLI: For Gregory J. Poulos,
23 on behalf of EnerNOC, 101 Federal Street, Boston,
24 Massachusetts, 02110.

25 EXAMINER SEE: Thank you. And on behalf

1 of the staff of the Public Utilities Commission of
2 Ohio.

3 MR. JONES: Good morning, your Honors.
4 On behalf of the staff of the Public Utilities
5 Commission of Ohio, Ohio Attorney General Mike
6 DeWine, Assistant Attorneys General Warner L.
7 Margard, Steve Beeler, John Jones.

8 EXAMINER SEE: One list down.

9 From what I would refer to as the merger
10 case which is 10-2376, parties in that case, on
11 behalf of the Cable Telecommunications Association.

12 MS. KALEPS-CLARK: Lija Kaleps-Clark from
13 Vorys. And, I'm sorry, and Benita Kahn from Vorys.

14 EXAMINER SEE: Duke Energy Retail, who
15 has already been asked to give an appearance, is also
16 in that case. OHA, Ohio Hospital Association,
17 OMA-EG, Ormet, First Solutions.

18 MR. RANDAZZO: Your Honor, if I may be
19 heard on this, Ohio Manufacturers Energy Group did
20 not intervene in the merger case.

21 EXAMINER SEE: My error.

22 Ormet, First Solutions, Ohio Energy
23 Group, the Ohio Consumers' Counsel, Kroger, OP&E,
24 Constellation.

25 MR. RINEBOLT: Your Honor, if I may. I

1 haven't entered an appearance yet, and I am counsel
2 in the merger case, on behalf of Ohio Partners for
3 Affordable Energy, David C. Rinebolt and Colleen L.
4 Mooney, 231 West Lima Street, Findlay, Ohio.

5 EXAMINER SEE: Okay. Constellation and
6 IEU Ohio are all parties in that case and have
7 already entered an appearance.

8 The only other party is Direct Energy
9 Services, LLC and Direct Energy Business, LLC.
10 Counsel for either of those parties?

11 EXAMINER SEE: No appearance, okay.

12 Let's go to the 10-343 and 344, what I'll
13 refer to as the energy curtailment case. EnerNOC has
14 already entered an appearance, Constellation
15 NewEnergy, IEU-Ohio, Industrial Energy Users, Ormet,
16 Ohio Energy Group, and the Ohio Consumers' Counsel.

17 Is there someone here on behalf of
18 CPower, Inc.?

19 Viridity Energy, Inc.? Energy Connect,
20 Inc.? Comverge? Enerwise? Energy Curtailment
21 Specialists, Inc.? Hess Corporation?

22 And last, well, no, in Case No. 10-2929,
23 capacity case, capacity charges case, Exelon is a
24 party, Duke Energy, First Solutions, Constellation
25 NewEnergy, Constellation Energy Commodity, OHA, OMA,

1 OPAE, OCC, IEU-Ohio, and OEG.

2 Is there anyone here, again, that wishes
3 to enter an appearance on behalf of Direct Energy?

4 And for the fuel deferral case, 11-4920
5 and 11-4921, it's my understanding that the only
6 parties that have filed a motion to intervene thus
7 far are First Solutions and OPAE. And you've
8 already -- I'm sorry. I may have that incorrect?

9 MR. RANDAZZO: IEU has intervened in both
10 the deferred fuel cases.

11 EXAMINER SEE: And all have already
12 entered an appearance.

13 MR. RINEBOLT: Your Honor, if I may.

14 EXAMINER SEE: Yes.

15 MR. RINEBOLT: I would note that in
16 Docket No. 10-2376-EL-UNC for which I've entered an
17 appearance my pro hac vice motion has not been
18 granted. I have also entered an appearance and my
19 pro hac vice motion has been granted in the
20 10-2929-EL-UNC.

21 EXAMINER SEE: Okay. It's noted.

22 EXAMINER TAUBER: Before we get into the
23 preliminary matters this morning there's a few
24 outstanding motions with requests for expedited
25 rulings. The first one is the Industrial Energy

1 Users of Ohio's motion for protective order which was
2 filed on 9/27/2011, and that was in regards to
3 testimony to question 35 and Exhibit KMM-10 of the
4 direct testimony of Kevin M. Murray.

5 The second one is First Solutions' motion
6 for protective order also filed on September 27th,
7 2011, and that's regarding aspects of the testimony
8 of Michael Schnitzer.

9 And the third motion for protective order
10 is filed by the companies on September 28th, 2011,
11 and that's also regarding the testimony of
12 Mr. Murray, Mr. Schnitzer.

13 And at this time we find that all three
14 of those motions meet the requirements of Rule
15 4901-124 OAC, and while we're on the record we'll
16 direct Docketing to maintain under seal these
17 confidential portions of the testimony of
18 Mr. Schnitzer and Mr. Murray which were filed under
19 seal in this docket on September 27th, 2011, and
20 September 28th, 2011, for a period of 18 months,
21 which will be until April 4th, 2013.

22 Also there's an outstanding motion from
23 the companies for leave to substitute testimony, and
24 I notice there's a response in regards to that and I
25 was just curious if we could get a status update from

1 one of the parties regarding that motion as filed on
2 September 19th.

3 MR. NOURSE: Your Honor, you're referring
4 to the request to substitute Mr. Nelson for
5 Mr. Munczinski.

6 EXAMINER TAUBER: Correct.

7 MR. NOURSE: I believe the response just
8 indicated we were working on scheduling a deposition
9 which we have since scheduled for this Friday,
10 correct?

11 MR. HAYDEN: Correct.

12 EXAMINER TAUBER: So Mr. Nelson -- that's
13 enough time for Mr. Nelson to testify on Tuesday, I
14 believe.

15 MR. NOURSE: Yes.

16 EXAMINER TAUBER: Well then --

17 MR. NOURSE: That's the plan, to have him
18 on Tuesday or possibly later depending on the rest of
19 the schedule.

20 EXAMINER TAUBER: Correct.

21 MR. NOURSE: Yes, your Honor.

22 EXAMINER TAUBER: Thank you.

23 We'll reserve judgment on that one at
24 this time. And the only other one I have on here
25 right now is the joint motion to consolidate which

1 obviously the Commission will take that under
2 advisement as we evaluate both entries for that.

3 Thank you.

4 Are there any preliminary matters to come
5 before us?

6 (Off the record.)

7 EXAMINER TAUBER: We're back on the
8 record now at this point in time.

9 Mr. Nourse.

10 MR. NOURSE: Are we going back to witness
11 discussion?

12 EXAMINER TAUBER: Preliminary matters.

13 MR. NOURSE: Other preliminary matters?

14 EXAMINER TAUBER: Yes.

15 MR. NOURSE: Okay. Yes, I'd like to
16 address an error that was in the stipulation, the
17 September 7th stipulation. On page 19 in footnote 4
18 there are two references -- there are three
19 references to Sierra Club in that footnote and those
20 should be stricken. Those were inadvertent
21 references to Sierra Club. Sierra Club is not a
22 signatory to the stipulation.

23 And we also have a corresponding change
24 in Mr. Hamrock's testimony where it lists signatory
25 parties and erroneously includes Sierra Club.

1 Mr. Hamrock will be making that correction when he
2 takes the stand.

3 Is that satisfactory, Mr. Eckert?

4 MR. ECKHART: That takes care of it,
5 thank you.

6 MR. NOURSE: Thank you.

7 Another preliminary matter, your Honor,
8 relates to the remand order that was issued yesterday
9 on the eve of this hearing. We've been, the company
10 has been studying the remand order and, just to be
11 clear, I'm referring to the October 3rd order on
12 remand issued in Cases 08-917-EL-SSO and
13 08-918-EL-SSO.

14 There are some potential flow-through
15 effects of the order on remand relative to the MRO
16 price test portion of the MRO in this case not to,
17 you know, adversely affects the outcome of the MRO
18 test in our opinion, your Honors, but we have
19 attempted to revise our testimony that's affected by
20 the decision yesterday in light of the timing of this
21 hearing and in light of the fact that, you know, it
22 is relevant to the price test and so we don't want to
23 go back and litigate later so we're trying to
24 implement that right away in testimony.

25 We've got the affected pages for our

1 testimony here today in both redline form and clean
2 revised pages, and there are three witnesses that are
3 affected by this, Laura Thomas, Bill Allen, and Joe
4 Hamrock, all three touch upon various aspects of the
5 MRO test, and the changes that were made to implement
6 the order on remand for purposes of evaluating the
7 MRO test are made in those three pieces of testimony.

8 I also wanted to address what the
9 companies are doing in that testimony which reflects
10 our understanding of the order, and there is a
11 difference between, in our view, what's in the order
12 and a reference that was made in the press release
13 that was issued yesterday by the Commission, so I'd
14 like to address that briefly.

15 The order on remand has two key
16 conclusions regarding the remand, excuse me,
17 regarding the POLR charge. On page 24 the Commission
18 concluded at the top of the page that AEP Ohio failed
19 to present evidence of its actual POLR cost, it has
20 not justified recovery of POLR charges at the level
21 reflected in its existing rates.

22 And then on page 33 in the overall
23 conclusion on POLR rider section of the order the
24 Commission finds that AEP Ohio's increased POLR
25 charges authorized as part of the ESP order are

1 insufficiently supported by the record on remand,
2 accordingly, the Commission finds that AEP Ohio
3 should back out the amount of the POLR charges
4 authorized in the ESP order and file revised tariffs
5 consistent with this order on remand.

6 So, your Honor, there was an issue
7 earlier on in that litigation in that case, in the
8 remand proceeding, where this issue of what's the
9 scope of the remand and the company's position, and
10 this is really in connection with our May 11th tariff
11 filing and then the May, what ended up being the
12 May 25th entry by the Commission, and in that, in the
13 pleadings relating to those matters the company made
14 it clear that its position is that the scope of the
15 remand was limited to the increase authorized in the
16 ESP order, the company did have a prior POLR charge
17 in place that was authorized back in 2005 for
18 collection beginning in 2006, and the 2009 ESP order
19 increased that POLR charge.

20 And we indicated in our May 20th filing
21 memo contra regarding issues raised by intervenors
22 that our proposed filing backed out the POLR increase
23 that was authorized in the ESP order, used virtually
24 the same language that the Commission used in its
25 order, and made it very clear that that was the -- it

1 was the reduced POLR that would go back to the prior
2 state of affairs before the ESP order increased the
3 POLR charge.

4 So all that fits together very clearly,
5 in our view. The difference arises from the press
6 release that was issued, it makes a reference to
7 \$78 million, a \$78 million refund, and I think that
8 that number is incorrect on a number of levels, but
9 it suggests from that number that that is seven
10 months of the full POLR charge, approximately equal
11 to \$78 million, as opposed to the increased POLR
12 charge for seven months, meaning June through
13 December, which would be \$51 million.

14 So hopefully I've made myself clear, but
15 I have the revised testimony that implements that
16 remand order and we're prepared to go forward on that
17 basis and would request that we be permitted to
18 implement yesterday's order in order to proceed with
19 this hearing.

20 EXAMINER SEE: Ms. Grady.

21 MS. GRADY: Yes, your Honor. We
22 strenuously object to the raising of this matter in
23 this forum. There is no procedural process for
24 raising these type of issues in this forum. This is
25 an application for rehearing it sounds to me like,

1 and that is to be done in writing and is associated
2 with formal action, not a motion at a hearing.

3 In addition, the two witnesses that the
4 testimony pertains to are the number one and number
5 two witnesses that are to be presenting testimony
6 this morning, and I would object in that it does not
7 allow us sufficient time to address and to be able to
8 cross-examine those witnesses. We strenuously object
9 to the statements made by Mr. Nourse as to the
10 characterization of the dollars at issue with respect
11 to the POLR as well as to the process here.

12 This is not for rehearing. It should be
13 handled in an ap. for rehearing and not in an
14 ancillary proceeding.

15 EXAMINER SEE: Mr. Randazzo.

16 MR. RANDAZZO: Yes, your Honors.
17 Actually, if I may, it's not necessary that this be
18 resolved through an application for rehearing. The
19 companies are under an obligation presently to file
20 revised tariffs. Those revised tariffs have to be
21 filed, based upon the compliance obligation.

22 The company can interpret the
23 Commission's order yesterday, we think it's clear
24 ourself, but the companies are entitled to interpret
25 the Commission's order and file tariffs reflecting

1 their interpretation, the Commission will look at the
2 tariffs to determine whether they comply with the
3 order, and the Commission will tell us all what the
4 Commission had in mind as a result of the remand
5 order.

6 I think that going forward now with sort
7 of the company's vision of what the conflicting
8 statements from the Commission, press release versus
9 order, may mean is going to be more complication than
10 it's worth.

11 I suggest we proceed with the testimony
12 as it's presently been filed and if, upon
13 clarification by the Commission, it's necessary for
14 the company to revise its testimony, we can deal with
15 that at that point in time.

16 EXAMINER SEE: Mr. Hayden.

17 MR. HAYDEN: Yes, your Honor. I would
18 concur with those comments, and I'm not really sure
19 what we just heard from Mr. Nourse. I would have to
20 assume that those comments and that evidence would be
21 presented in testimony at some later date, or maybe
22 the document that they're going to hand out. But I
23 would further say that at a minimum we should be
24 given the right to cross-examine the affected
25 witnesses at a later date and, as Ms. Grady pointed

1 out, two of the three witnesses are up today. We
2 don't even know what we're about to see, so at a
3 minimum we have to be given the right to --
4 potentially to conduct discovery and
5 cross-examination at a later date.

6 MR. NOURSE: May I respond, your Honor?

7 EXAMINER SEE: Sure, Mr. Nourse.

8 MR. NOURSE: First of all, it wasn't our
9 choice to get the remand order on the eve of this
10 hearing, but we got it and it does have an impact on
11 some issues in this case. So we are trying to be
12 responsive. We will file our compliance tariffs.
13 And I'm trying to be very clear about what our views
14 are and be open and up front and transparent about
15 that.

16 I do think it's important to avoid
17 litigating this case twice, and you're hearing that
18 the parties want to re-call witnesses or go through,
19 you know, the additional time point may be fair, if
20 that's what we're doing, then we can revise and
21 implement and there can be additional time. We don't
22 have a problem with that. But we do not want to go
23 through this twice to re-call witnesses and, you
24 know, there will undoubtedly be questions about the
25 remand order throughout the proceeding.

1 There is a fair amount of testimony that
2 refers to the remand order, the remand proceeding in
3 particular OCC's testimony extensively refers to that
4 as does IEU testimony.

5 So I would submit it would be less
6 confusing and be more clear, now that we have the
7 order, to try to implement it and talk about it for
8 what it is and not try to do this hearing twice,
9 doing it the first time ignoring the remand order and
10 then trying to pick it up at some future time and try
11 to incorporate the remand order. That's what we were
12 trying to do as quickly as we could given we just got
13 the order yesterday.

14 EXAMINER SEE: Mr. Randazzo.

15 MR. RANDAZZO: Just a brief comment, your
16 Honors. The problem with doing it now and the
17 suggestion that we will avoid doing it twice by doing
18 it now I think is incorrect. We're going to have
19 this argument, it sounds like, regarding the
20 compliance filing that's going to be made. It will
21 be presented to the Commission. The Commission can
22 make the decision and we can go from there.

23 That would give us the kind of certainty
24 I think that would avoid arguing about this in the
25 context of trying to figure out what the Commission

1 meant, which apparently is the issue that Mr. Nourse
2 has outlined.

3 So I think the suggestion of the company
4 actually will require us to litigate it twice based
5 upon the process for approving the compliance
6 tariffs.

7 EXAMINER SEE: Briefly, Ms. Grady.

8 MS. GRADY: Very briefly, your Honor.
9 OCC would urge that this Commission not sacrifice
10 fairness for Ohioans in the name of expediency that
11 the company wishes to impose upon the parties.

12 EXAMINER SEE: The Bench is aware that
13 the remand order was issued yesterday, late yesterday
14 morning, and that it has some affect on the testimony
15 that has been filed in this case. There are also a
16 number of parties that are here ready to go forward
17 on a number of other issues in this case and we need
18 to move forward on that fact.

19 If the parties need to revise their
20 testimony or allow further cross-examination, there's
21 an opportunity for that and we're going to move
22 forward today with the testimony that has been filed.

23 MR. NOURSE: Can I clarify, your Honor.

24 If we're going to proceed essentially as if the
25 remand order has not been issued --

1 EXAMINER SEE: No. If you -- you're
2 aware of the fact that the remand order has been
3 issued. If your witnesses have made some attempt to
4 take that into account, whatever their interpretation
5 is, then they're here, we're going to move forward.

6 If for some reason they need to be
7 re-called to address corrections, revisions to their
8 testimony based on your interpretation -- the
9 company's interpretation of the remand order, then
10 we'll have to facilitate that.

11 MR. NOURSE: Well, your Honor, I guess
12 the normal process, when a witness takes the stand,
13 allows for updates and corrections. That's all we're
14 doing. I was trying to be very clear about the
15 context and the background of this whole situation.

16 So they can, I mean we thought it would
17 be easier if we handed out the pages, there's not a
18 lot of them, but I mean if you're saying they should
19 just verbally make the changes or address their
20 position, I'm not sure what the difference is. I
21 think it would be more convenient to have -- clear
22 just to have the redline revised pages that would be
23 affected.

24 In Mr. Hamrock's case, the first witness,
25 there are four pages affected and there are just, it

1 may be eight or nine instances of numbers that have
2 changed. Now, that flows from Mr. Allen's testimony
3 and Mrs. Thomas's testimony which also have
4 revisions.

5 So that's all we're trying to do is
6 update and correct the testimony on the stand as we
7 begin the hearing which I don't think is that
8 unusual.

9 MR. HAYDEN: Your Honor, if I may.

10 EXAMINER SEE: Mr. Hayden.

11 MR. HAYDEN: If we could have the company
12 hand out the information and maybe go forward with
13 other witnesses that are not affected, I think that
14 would be helpful. It will give the parties time to
15 evaluate what gets handed out, we can address those
16 witnesses tomorrow or a different date.

17 EXAMINER SEE: Mr. Nourse.

18 MR. NOURSE: We have them, I've made the
19 offer to provide the parties, we have them right
20 here. Happy to do that.

21 EXAMINER SEE: But who would be your
22 first witness today?

23 MR. NOURSE: That's not affected by the
24 MRO test? I believe that would be Ms. Simmons and
25 Mr. Pearce who I believe is here. Ms. Simmons is not

1 here, but she can be here fairly quickly.

2 EXAMINER SEE: How quickly?

3 MR. NOURSE: Matt's on the phone now.

4 EXAMINER SEE: I'll tell you what,
5 distribute the revised pages for Thomas, Allen, and
6 Hamrock, we'll take a recess until 15 after and we'll
7 come back in and proceed then.

8 MR. NOURSE: Thank you, your Honor.

9 (Recess taken.)

10 EXAMINER SEE: Because the witness was
11 not expected to be called at this point in the day
12 let's go ahead and take an early lunch, we'll
13 reconvene at 12:30 and we'll get started with AEP's
14 first witness of today.

15 MR. KUTIK: Would that be Simmons?

16 MR. SATTERWHITE: Simmons and Roush
17 today.

18 MR. KUTIK: Mr. Pearce is not going to go
19 today?

20 MR. RANDAZZO: We think Roush's testimony
21 is affected in the E schedule presentation.

22 EXAMINER SEE: And we are adjourned until
23 12:30.

24 (Thereupon, at 11:20 a.m. a lunch recess
25 was taken.)

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1 Tuesday Afternoon Session,
2 October 4, 2011.

3 - - -

4 EXAMINER SEE: Let's go on the record.
5 Are there any issues we need to discuss before we
6 start?

7 MR. KUTIK: Just to make sure, can we
8 have some indication of the witnesses the company
9 intends to present this afternoon?

10 MR. NOURSE: I thought that's what we
11 were going to talk about.

12 EXAMINER SEE: Okay. You wanted some
13 clarification of the witnesses that are going forth
14 now that -- okay.

15 MR. PETRICOFF: Yes, your Honor, I do
16 have one small thing. I would like to enter an
17 appearance now for Direct Energy in the Case No.
18 10-2376, the merger case, and the 10-2929 case, the
19 capacity case. And appearing for them would be M.
20 Howard Petricoff and Lija Kaleps-Clark from Vorys.

21 EXAMINER SEE: For Direct Energy.

22 MR. PETRICOFF: For Direct Energy, yes.
23 And Direct is not involved in the SSO case.

24 MR. RANDAZZO: Your Honors, if I may be
25 heard.

1 EXAMINER SEE: Mr. Randazzo.

2 MR. RANDAZZO: Yes, intervention requests
3 were not filed by Direct Energy in either of those
4 cases.

5 MR. PETRICOFF: We will provide a copy of
6 the interventions in the 2929 and the 2376 case to
7 Mr. Randazzo.

8 MR. RANDAZZO: You're saying those were
9 already filed?

10 MR. PETRICOFF: Yeah, a long time ago.

11 MR. RANDAZZO: Okay.

12 MR. PETRICOFF: They were not -- up until
13 the time of consolidation Direct had not been active
14 in this case, but they had filed a long time ago when
15 the cases were first presented.

16 MR. RANDAZZO: Thank you, Mr. Petricoff.

17 EXAMINER SEE: With that, I think there
18 was some clarification as to the company's witnesses
19 that they plan to put on, we won't necessarily say
20 today, but the next few witnesses.

21 Mr. Nourse.

22 MR. NOURSE: Yes, your Honor. We had six
23 witnesses, as previously disclosed, that were not
24 date certain witnesses and three of them, as
25 discussed earlier, are involved with the revisions,

1 the MRO test, and we're prepared to go forward with
2 the other three witnesses now which would be Peggy
3 Simmons, David Roush, Kelly Pearce, and we're
4 prepared to go forward with Mr. Hamrock, Mr. Allen,
5 Ms. Thomas, whenever the parties are ready.

6 EXAMINER SEE: Is there anything else we
7 need to --

8 MR. RANDAZZO: Our view is Mr. Roush,
9 first off --

10 (Off the record.)

11 EXAMINER SEE: Go ahead, Mr. Randazzo.

12 MR. RANDAZZO: Yes, your Honors, in the
13 spirit of the earlier discussions regarding which
14 witnesses would go, it's our view that Mr. Roush's
15 testimony as it currently stands would be changed to
16 reflect the company's current view on the remand
17 decision. For example, his Exhibit DMR-4 identifies
18 that the calculations that he's done includes the, in
19 the current rates, includes the POLR charge, that's
20 also reflected in column C, current total bill for
21 Exhibit DMR-5, page 1 of 11. Ms. Thomas actually
22 relies, according her testimony, on Mr. Roush for the
23 legacy rates.

24 MR. NOURSE: With respect to DMR-4,
25 that's really not a quantitative exhibit and I don't

1 think there's anything that would change there, but
2 regarding DMR-5, these are, you know, the typical
3 bill comparisons and this is not connected with the
4 MRO test revisions that we were making. You know, we
5 wouldn't necessarily update and we don't intend to
6 update these schedules.

7 There are other changes that have been
8 made since the time, they were accurate at the time
9 of filing, other changes besides remand, if you were
10 going to look at this and redo it again, but that's
11 normally not required or done, and it's not connected
12 to the MRO test that's unique to this case, which is
13 what we were revising, what we are planning to
14 revise.

15 As to the calculation that Ms. Thomas
16 relies on from Mr. Roush, that was a workpaper, you
17 know, it can be discussed, but it's not part of his
18 testimony. I mean, ultimately, what I'm saying is we
19 don't intend to -- there are a couple pages that
20 Mr. Roush intends to revise in his testimony, and
21 they don't have anything to do with the remand, it
22 was just a normal update that he was going to do, but
23 we don't intend to revise DMR-5 relative to the
24 remand.

25 EXAMINER SEE: Okay. Now, there's

1 nothing further.

2 Mr. Nourse.

3 MR. HAYDEN: Your Honor, I apologize.

4 EXAMINER SEE: Mr. Hayden.

5 MR. HAYDEN: Given my comments earlier
6 about discovery, I was wondering if we could request
7 Allen and Thomas workpapers associated with the
8 changes that were made to their exhibits and
9 testimony.

10 MR. NOURSE: We can send you those right
11 away, I just received them electronically.

12 MR. HAYDEN: Okay.

13 MS. GRADY: Can you send those to all the
14 intervenors?

15 MR. NOURSE: Yes, all the parties.

16 EXAMINER SEE: Again, Mr. Nourse.

17 MR. NOURSE: Mr. Satterwhite's calling
18 our next witness.

19 EXAMINER SEE: Mr. Satterwhite.

20 MR. SATTERWHITE: I'll call Peggy Simmons
21 to the stand.

22 EXAMINER TAUBER: Please raise your right
23 hand.

24 (Witness sworn.)

25 EXAMINER TAUBER: Thank you. You may be

1 seated.

2 - - -

3 PEGGY SIMMONS

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

6 DIRECT EXAMINATION

7 By Mr. Satterwhite:

8 Q. Ms. Simmons, how are you doing?

9 A. Doing well.

10 Q. Could you please state your name and
11 address for the record?

12 A. Peggy Simmons, 155 West Nationwide
13 Boulevard, Columbus, Ohio, 43215.

14 Q. And did you cause testimony to be filed
15 in this case on September 13th, 2011?

16 A. Yes, I did.

17 Q. I'd like to present to you what I'm
18 marking as AEP Exhibit No. 1.

19 EXAMINER SEE: We need you to speak up
20 and use the microphone.

21 (EXHIBIT MARKED FOR IDENTIFICATION.)

22 Q. Do you recognize that document?

23 A. Yes, I do.

24 Q. Could you please identify that for the
25 record?

1 A. It's the testimony of Peggy Simmons in
2 support of the stipulation and recommendation on
3 behalf of Columbus Southern Power Company and Ohio
4 Power Company.

5 Q. And was this prepared under your
6 direction?

7 A. Yes, it was.

8 Q. Do you have any corrections to make to
9 this testimony?

10 A. No, I do not.

11 Q. And just for ease of reference for
12 everyone, I'd like to point out on page 3 you discuss
13 some exhibits, public and confidential, that you
14 adopted previously filed in this case; is that
15 correct?

16 A. That is correct.

17 MR. SATTERWHITE: I offer the witness for
18 cross-examination.

19 EXAMINER SEE: I believe earlier a couple
20 of the parties indicated that they had questions for
21 Ms. Simmons. That was OCC and IEU?

22 MR. DARR: Yes, your Honor.

23 EXAMINER SEE: Okay, Mr. Darr, do you
24 want to start?

25 MR. DARR: Yes, ma'am.

CROSS-EXAMINATION

1
2 By Mr. Darr:

3 Q. Thank you. Good afternoon.

4 A. Good afternoon.

5 Q. As you understand the terms of the
6 stipulation, ma'am, is it your understanding that
7 this is the one opportunity that the Commission will
8 have to review the Paulding Wind Farm renewable
9 energy purchase agreement, the REPA?

10 A. On page 10 of my testimony I state -- on
11 page 10 of my testimony is where I state that we have
12 a regulatory cost recovery clause per this agreement
13 and it is before the Commission and at this time,
14 yes, that is my understanding, that this is --

15 Q. And that would be subject to any trueups
16 necessary for accounting errors one way or the other,
17 correct?

18 A. While I'm not an accounting or a policy
19 witness, that would be my understanding.

20 Q. Now, this contract is set for a period of
21 20 years; is that correct?

22 A. That is correct.

23 Q. And one of the things that you point out
24 in terms of this contract and its appropriateness
25 deals with the benefits that you believe would occur

1 as a result of price certainty. Am I correct in that
2 as well?

3 A. That is correct.

4 Q. Now, this project is for a wind farm that
5 is currently operational; am I right in that as well?

6 A. Yes. The wind farm went commercial this
7 summer.

8 Q. And is AEP currently taking power under
9 that contract?

10 A. Currently it's subject to regulatory cost
11 recovery and in the event we receive an order we
12 could receive cost recovery we could begin taking
13 output from that project.

14 Q. That wasn't my question, ma'am. Are you
15 currently taking power from that project?

16 A. Currently we are not taking power from
17 that project.

18 Q. Thank you.

19 Now, one of the benefits that you
20 indicate with regard to this is that it's going to
21 provide some price certainty over the life of the
22 20-year contract, correct?

23 A. It is going to provide price certainty to
24 AEP Ohio as the off taker, yes, over the 20 years.

25 Q. And inherent in that I believe your

1 testimony is that it's going to provide a levelized
2 price as well; am I correct in that?

3 A. There's a negotiated contract that's set
4 forth in the agreement, yes.

5 Q. Now, the negotiated contract according
6 to, I believe it's JFG-2A on page 1 where there's a
7 term sheet or a summary of the term sheet, indicates
8 that there's an escalator in that contract that goes
9 at 2-1/4 percent per year; is that correct as well?

10 A. I don't have JFG-2 in front of me. If
11 you present it to me, I could confirm that.

12 Q. That was part of your testimony.

13 MR. DARR: Do you have that available for
14 her, Mr. Satterwhite?

15 MR. SATTERWHITE: Sure. It's my version.
16 Okay if I stand and look over her shoulder?

17 A. Yes, that is correct.

18 Q. Thank you. And as I understand it as
19 well, Ohio Power and CSP, which are described as the
20 purchasers, are also committing to an additional
21 undetermined amount for operating reserve or other
22 PJM charges associated with scheduling the renewable
23 energy to each purchaser of PJM's scheduling -- E
24 schedule process as well; is that correct?

25 A. That is correct.

1 Q. And you are also, as the purchaser,
2 meaning AEP Ohio or, excuse me, Ohio Power or CSP,
3 agreeing to be responsible for paying for the power
4 that is not received due to reliability curtailments
5 by PJM; is that also correct?

6 A. That is not correct. We do not pay for
7 reliability curtailments.

8 Q. Okay. If we looked at the summary on
9 JFG, can you correct me on that one, please?

10 A. Could you point me directly to where you
11 are making that reference?

12 Q. I believe it's on page 3 of JFG-2A, the
13 summary.

14 A. And which bullet are you referring to?
15 Under Scheduling Arrangement?

16 Q. I believe that's correct.

17 A. Under the contract AEP Ohio, CSP and OP,
18 are not responsible for reliability curtailments
19 under its contract.

20 Q. So when I read that it's responsible for,
21 excuse me, each purchaser is responsible for all
22 costs related to delivery and, under number 2, for
23 scheduling imbalance and congestion excluding any
24 costs related to curtailments, that's what you're
25 pulling out of that?

1 A. Yeah, per the contract that was
2 negotiated, which I was the direct person on the team
3 that negotiated that contract, CSP and OP are not
4 responsible for reliability curtailments. I can
5 point you to the reference in the actual contract
6 that states that.

7 Q. Just so the record is clear, what is that
8 reference?

9 A. Reliability curtailment.

10 Q. You are responsible for an undetermined
11 amount of scheduling imbalance and congestion costs,
12 correct?

13 A. That is correct.

14 Q. And this whole REPA is conditioned on a
15 cost recovery order; is that also correct?

16 A. Yes. This is subject to regulatory cost
17 recovery.

18 Q. Is it your understanding under the
19 agreement, and I'm referring now to the stipulation,
20 that you would be subject to any further analysis of
21 AEP Ohio's utility resource or environmental
22 compliance strategy if you are successful in
23 demonstrating the stipulation should be adopted?

24 MR. SATTERWHITE: Can I have that reread,
25 I'm sorry, I'm not sure I understand it.

1 (Record read.)

2 MR. SATTERWHITE: Are you referring, I'm
3 sorry, just for clarification, are you referring to
4 this contract or overall?

5 MR. DARR: This contract that
6 stipulation, this contract.

7 A. Under contract I am supporting the
8 prudence of the contracts that we negotiated for AEP
9 Ohio. I'm not sure I understand your question as it
10 relates to the environmental -- I'm not sure I caught
11 the reference in your question and understand that.

12 Q. That's fine, thank you.

13 MR. DARR: I have nothing further. Thank
14 you.

15 EXAMINER SEE: Mr. Etter, did you have
16 questions for this witness?

17 MR. ETTER: Just one very quick question,
18 I believe, your Honor.

19 - - -

20 CROSS-EXAMINATION

21 By Mr. Etter:

22 Q. Ms. Simmons, on page 12 of your
23 testimony, lines 11 through 15 and 16, I guess, you
24 discuss there that the RECs associated with the
25 Timber Road facility are what AEP Ohio will use in

1 part to demonstrate its compliance with a non-solar
2 in-state portion of Ohio's annual renewable energy
3 benchmarks established by SB 221.

4 What would happen if those benchmarks
5 were to go away, if there were legislation that would
6 take away those benchmarks?

7 MR. SATTERWHITE: Objection. The
8 statute's in place. I don't see the basis of a
9 hypothetical of what if everything changed in the
10 future as the basis of the question.

11 MR. ETTER: Well, your Honor, there has
12 been discussion at the legislature of taking away
13 those benchmarks.

14 MR. SATTERWHITE: Your Honor, there's
15 discussion of bills every day by individual
16 legislators, it doesn't mean that the law's changed.

17 EXAMINER SEE: Your objection is
18 sustained.

19 MR. ETTER: I have no further questions,
20 your Honor.

21 EXAMINER SEE: Earlier those were the
22 only two parties that indicated they have questions
23 for this witness. Are there any other parties to the
24 proceedings that have questions for this witness?

25 There being no further indication there's

1 cross-examination, Mr. Satterwhite.

2 MR. SATTERWHITE: The company has no
3 redirect. At this time I move admission of AEP
4 Exhibit 1 and the associated exhibits JFG-1 through
5 JFG-4B.

6 MR. DARR: No objection.

7 EXAMINER SEE: Were there any objections
8 to the admission of Company's Exhibit 1?

9 Hearing none, Company's Exhibit 1 is
10 admitted into the record.

11 (EXHIBIT ADMITTED INTO EVIDENCE.)

12 EXAMINER SEE: You may step down,
13 Ms. Simmons.

14 MR. SATTERWHITE: Just for clarification,
15 the exhibits are referenced in there as well?

16 EXAMINER SEE: The Exhibits JFG-1
17 through --

18 MR. SATTERWHITE: 4B.

19 EXAMINER SEE: 1 through 4B?

20 MR. SATTERWHITE: Correct.

21 EXAMINER SEE: They are also contained
22 within the testimony of Ms. Simmons and are admitted
23 into the record.

24 MR. SATTERWHITE: Thank you, your Honor.

25 Next, your Honor, the company would like

1 to call David Roush to the stand.

2 EXAMINER TAUBER: Please raise your right
3 hand.

4 (Witness sworn.)

5 EXAMINER TAUBER: Thank you. You may be
6 seated.

7 - - -

8 DAVID M. ROUSH

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

11 DIRECT EXAMINATION

12 By Mr. Satterwhite:

13 Q. Mr. Roush, could you please state your
14 name and business address for the record?

15 A. My name is David M. Roush. My business
16 address is 1 Riverside Plaza, Columbus, Ohio, 43215.

17 EXAMINER SEE: Mr. Roush, is the
18 microphone working? Blue light on?

19 THE WITNESS: Yes, it is. Is it not?

20 MR. RANDAZZO: It's not coming through.

21 Q. Mr. Roush, did you cause testimony to be
22 filed in this case on September 13th, 2011?

23 A. Yes, I did.

24 (EXHIBIT MARKED FOR IDENTIFICATION.)

25 Q. I'd like to place in front of you what I

1 marked as AEP Exhibit No. 2. Do you recognize that
2 document?

3 A. Yes, I do.

4 Q. Could you please identify that for the
5 record?

6 A. It's a copy of my testimony in support of
7 the stipulation and recommendation.

8 Q. Was that prepared under your direction?

9 A. Yes, it was.

10 Q. Do you have any updates or changes to
11 that testimony?

12 A. I have corrections to two pages --

13 MR. RANDAZZO: The microphone is not
14 working.

15 EXAMINER TAUBER: Let's try switching
16 these out.

17 THE WITNESS: Better?

18 I have corrections to two pages of
19 Exhibit DMR-5.

20 Q. What are those corrections? And what's
21 the reason for those corrections?

22 A. Exhibit DMR-5, pages 9 and 10 have
23 corrections to those two exhibits for a computational
24 error in the proposed bills for GS-4 tariff
25 customers.

1 Q. And where did that error take place?

2 A. The application of the energy component
3 of the load factor rider was being applied against
4 demand instead of energy.

5 MR. SATTERWHITE: And, your Honor, just
6 to make it easier the company's prepared, to correct
7 this numerical mistake, two revised pages to slip
8 into the testimony. May I approach to give the
9 Bench --

10 EXAMINER TAUBER: You may.

11 EXAMINER SEE: Mr. Satterwhite, can you
12 tell us where that error occurs?

13 MR. SATTERWHITE: I'm going to have
14 Mr. Roush tell us exactly where that error appears.

15 Q. (By Mr. Satterwhite) Mr. Roush, could you
16 go to the prefiled DMR-9 and 10 and compare that to
17 the revised 9 and 10?

18 A. Certainly. In the rows labeled GS-4
19 Primary, GS-4 Sub-Transmission, and GS-4
20 Transmission, in the columns labeled column D, column
21 G, and column J, those values changed which flowed
22 through to changes in other columns where differences
23 and percent differences are calculated.

24 Q. How about on page 10, then?

25 A. On page 10 it's the GS-4 Transmission

1 row, the same columns. On page 9 it's GS-4 Primary
2 and Sub-Transmission, those columns.

3 Q. And, again, the basis of that change was
4 a numerical mistake?

5 A. Yes.

6 Q. So with that update to your testimony if
7 I were to ask you all these same questions today,
8 would your responses be the same based on when you
9 filed this testimony?

10 A. Yes, they would.

11 MR. SATTERWHITE: With that, your Honor,
12 I turn him over for cross-examination.

13 EXAMINER SEE: Let's start with the
14 parties to the SSO proceeding. First let's try it
15 this way, by indication of hands can you tell me
16 which parties have questions for Mr. Roush?

17 That was OCC, FES, IEU, and Ormet? Okay.

18 Let's start with OCC.

19 MR. ETTER: Thank you, your Honor.

20 - - -

21 CROSS-EXAMINATION

22 By Mr. Etter:

23 Q. Good afternoon, Mr. Roush.

24 A. Good afternoon, Mr. Etter.

25 Q. Let's go specifically to page 15 of your

1 testimony. You discuss there the total bill
2 regarding implementation of the ESP in January 2012.

3 A. Yes, I see that.

4 Q. And you state there that residential
5 customers using a thousand kilowatt-hours of
6 electricity per month would see a monthly rate
7 decrease of 4.54 from CSP and an increase of 4.41 for
8 OPCo. That's just for beginning January 2012, right,
9 or correct? That's not throughout the entire ESP.

10 A. Correct. That was a comparison of rates
11 in effect on August 30th to proposed rates for
12 January 1, 2012.

13 Q. And what would happen to those rates in
14 2013?

15 A. The base generation rates would increase
16 in accordance with the stipulation. The phase-in
17 recovery rider would commence for residential
18 customers beginning in 2013. And then other riders
19 would change, for example, the MTR rider would change
20 in accordance with the stipulation, and other riders
21 that would continue to operate such as the
22 distribution investment rider, the gridSMART rider,
23 the universal service fund rider, et cetera.

24 Q. And you've done a total bill impact for
25 2013, is that right, for residential customers?

1 A. I've done annualized impacts at various
2 usage levels as shown in Exhibit DMR-5 for 2012,
3 2013, and 2014-'15.

4 Q. And what is the total bill impact on the
5 residential customers using a thousand kilowatt-hours
6 of electricity in 2013?

7 A. For Columbus Southern Power or Ohio Power
8 Company?

9 Q. Let's start with Columbus Southern.

10 A. If you turn to Exhibit DMR-5, page 1 of
11 11, I show the impacts for a schedule RR1 customer
12 using a thousand kilowatt-hours in the winter, I also
13 show the impacts for a schedule RR customer both in
14 the summer and the winter using a thousand
15 kilowatt-hours so the values are shown there.

16 Q. Well, let's, for example, look at the RR
17 customers for summer. The total bill increase would
18 be what there for 2013?

19 A. For a thousand kilowatt-hour RR customer
20 during the summer months the 2013 bill increase would
21 be \$5.51.

22 Q. And that's an increase of 4.19 percent
23 according to the exhibit?

24 A. That's correct.

25 Q. And that's an increase over what?

1 A. That is a percentage increase over a 2012
2 summer bill for a thousand kilowatt-hour customer on
3 schedule RR.

4 Q. And then the increase in 2014 is shown
5 there, right?

6 A. That's correct. 2014 and the first five
7 months of '15.

8 Q. And what's the total bill increase in
9 2014?

10 A. For a Columbus Southern RR customer using
11 a thousand kilowatt-hours during the summer months
12 the bill increase is \$3.71 in 2014 over 2013.

13 Q. And have you calculated a total bill
14 increase from 2014 over the current bill?

15 A. I have not computed that.

16 Q. Can you compute that right now looking at
17 DMR-5?

18 A. The value I get by the end of the -- by
19 the 2014-'15 period for a CSP RR customer in the
20 summer months using a thousand kilowatt-hours, the
21 increase over current rates to 2014-'15 rates is
22 7.89 percent.

23 Q. That's about \$10 a month, right?

24 A. I didn't do it that way.

25 Q. Oh, okay. Okay.

1 And you didn't or could you do a total
2 bill comparison comparing the winter rates as well,
3 the winter rate from 2014-'15 to the current bill?

4 A. I could.

5 Q. And would you do that?

6 A. For a -- I'm sorry, I got on the wrong
7 line. Just one second.

8 For a Columbus Southern RR customer using
9 a thousand kilowatt-hours in the winter months the
10 increase in 2014-'15 relative to current total bill
11 would be 5.68 percent.

12 Q. Which is about \$6.78 per month; is that
13 right?

14 A. That's correct.

15 Q. And let's go through the same thing very
16 quickly for Ohio Power customers, I think if you go
17 to page 6 of DMR-5.

18 A. Okay, I'm there.

19 Q. Okay. And it looks as though the total
20 bill for 2014-2015 on a monthly basis is 125.75; is
21 that right?

22 A. That's correct, and that's an annualized
23 value based on four summer months and eight winter
24 months.

25 Q. And the current total bill is 115.12 that

1 you have in column 1 there, or column C, excuse me.

2 A. That's correct, for an OP residential
3 customer using a thousand kilowatt-hours.

4 Q. So that's approximately a \$10 a month
5 increase; is it not?

6 A. \$10.63.

7 Q. And what percentage increase would that
8 be?

9 A. For an Ohio Power residential customer
10 using a thousand kilowatt-hours a month it's a
11 percentage increase of 9.23 percent of the rates in
12 effect in 2014-'15 relative to current.

13 Q. So that's quite a bit higher than the
14 total bill impact that you have stated in your
15 testimony; is it not?

16 A. You've asked me to calculate something
17 totally different than what I've stated in my
18 testimony.

19 Q. And what did you state in your testimony?
20 In your testimony you have the total bill impact for
21 one year, right?

22 A. In my testimony it is as it's stated on
23 page 15, lines 11, it's a comparison of what the
24 rates in January 2012 would be relative to current
25 rates.

1 Q. But the rates in 2014 are considerably
2 higher, have a considerably higher total bill impact
3 than what you have listed in your testimony.

4 MR. SATTERWHITE: Objection to the
5 characterization of "considerably higher." It's
6 mathematical.

7 EXAMINER SEE: Mr. Etter, your mic has
8 gone out. I'm going to need you to speak up or could
9 we pass down another mic.

10 MR. ETTER: I'll withdraw that question.
11 I'll withdraw the question.

12 EXAMINER SEE: Okay.

13 MR. ETTER: And actually I have no
14 further questions.

15 EXAMINER SEE: Okay. FES?

16 MR. LANG: It would be me, your Honor,
17 Jim Lang for FES.

18 - - -

19 CROSS-EXAMINATION

20 By Mr. Lang:

21 Q. Good afternoon, Mr. Roush.

22 A. Good afternoon.

23 Q. First a question for clarification. Your
24 Exhibit DMR-1, you have -- you show on your
25 Deposition Exhibit DMR-1 2012 rates, 2013 rates, and

1 2014 rates. Did the --

2 EXAMINER SEE: Mr. Lang?

3 MR. LANG: Yes.

4 EXAMINER SEE: The mics are not picking
5 up your voice. You probably need to move it a little
6 closer.

7 MR. LANG: Try this. Can you hear?

8 EXAMINER SEE: Let's try that.

9 MR. LANG: All right.

10 Q. (By Mr. Lang) The 2014 rates shown on
11 Exhibit DMR-1, are those also for the first five
12 months of 2015?

13 A. It's for the first five months of 2015 as
14 well, yes.

15 Q. So what you intend to show on DMR-1 are
16 the rates under the proposed ESP for the first 41
17 months of the ESP; is that correct?

18 A. Mostly correct. It's not the actual
19 rates themselves, it's a summary of the realizations
20 under applying those rates during the first 41 months
21 of the ESP.

22 Q. And in Exhibit DMR-1 the fuel cost
23 reflected in the FAC for 2012 through 2014, what was
24 used as the fuel cost approved by the Commission in
25 case number 11-1281; is that correct?

1 A. That is correct except for what's shown
2 in Exhibit DMR-1 also reflects the merged value, not
3 the stand-alone CSP/OP values.

4 Q. So as the fuel cost in Case No. 11-1281,
5 in that case are there separate values for Columbus
6 Southern and Ohio Power?

7 A. Yes, there are.

8 Q. And then you've taken those separate
9 values from that case and in your Exhibit DMR-1
10 you've combined those?

11 A. I've computed what those same values
12 would be on a merged CSP/OP basis, yes.

13 Q. And that is the fuel cost approved for
14 July, August, and September of 2011, correct?

15 A. That's correct.

16 Q. Is it fair to say that you do not have an
17 opinion with regard to whether fuel costs are going
18 to go up or down during the 2012 to 2014 period?

19 A. I would say that's a fair statement, yes.

20 Q. And in your Exhibit DMR-1 you did not use
21 an AEP Ohio estimate of fuel costs during the 2012 to
22 2014 period, correct?

23 A. I'm stumbling over your use of the word
24 "estimate" because the values I'm using are an
25 estimate as well.

1 Q. But they're an estimate for the July,
2 August, and September of 2011 time period, correct?

3 A. That is correct.

4 Q. So you used the July to September 2011
5 cost and held that cost constant through the first 41
6 months of the ESP, correct?

7 A. Yes, that's correct, because as we
8 discussed earlier I can't say whether fuel costs are
9 going to go up or down during that period.

10 Q. And you also can't say whether the fuel
11 cost you used is fairly representative of where fuel
12 costs will be in 2012, '13, or 2014, correct?

13 A. I don't think I can make that
14 determination without having a forecast of '12, '13,
15 and '14 to make such a judgment.

16 Q. Now, prior to filing your testimony you
17 reviewed AEP Ohio's fuel cost estimates provided
18 confidentially to Energy Solutions in response to an
19 Energy Solutions interrogatory which was actually
20 their first interrogatory, interrogatory No. 1,
21 correct?

22 A. Prior to filing my testimony I was aware
23 of that response to the discovery.

24 MR. LANG: Your Honors, I want to mark as
25 an exhibit, we'll mark it, since we have four

1 testimonies, we'll mark it as FES No. 5.

2 EXAMINER TAUBER: It shall be so marked.

3 EXAMINER SEE: Are we moving into
4 confidential territory here at all, Mr. Lang?

5 MR. LANG: This document is confidential,
6 I will not be asking him about the specific numbers
7 in the document. I just want to confirm his
8 knowledge of the document.

9 EXAMINER SEE: Okay.

10 MR. LANG: So the goal is, and I think
11 Mr. Roush can share that goal, the goal is that on
12 the back-and-forth we will not be discussing the
13 numbers, the actual numbers that are on that
14 document. That's the numbers on page 2 that are the
15 confidential part.

16 MR. SATTERWHITE: To clarify then, should
17 we just call it a cross-examination exhibit under
18 seal and that way it doesn't have to have
19 confidential portions of it put into the record?

20 MR. LANG: That would be, well --

21 MR. SATTERWHITE: Is the purpose to admit
22 it or just --

23 MR. LANG: I don't know what that means.

24 MR. SATTERWHITE: Is the purpose to admit
25 it or just ask questions upon its foundation?

1 MR. LANG: We will be moving it into the
2 record, the exhibit itself.

3 EXAMINER SEE: Not everyone here is part
4 of the confidentiality agreement?

5 MR. SATTERWHITE: Correct.

6 MR. LANG: Which is why we have not
7 handed it out to the room.

8 EXAMINER SEE: I noticed you only handed
9 it out to the Bench, the company, a couple other
10 parties.

11 Can we hold this until the end? I'm not
12 sure if any of the other parties have confidential
13 cross-examination for this party, and then we'll
14 allow the others to leave, take a brief recess, close
15 the proceedings, and address it all at one time? For
16 that reason we'll hold off on marking this exhibit.

17 Q. (By Mr. Lang) Mr. Roush, for the time
18 being we'll move on. To confirm, the fuel cost
19 number that you did use for DMR-1 is the same fuel
20 cost that you used for your Exhibits DMR-2 and DMR-5;
21 is that correct?

22 A. That is correct.

23 Q. Now, you discuss in your testimony the
24 development of rider GSR, or I'll say the generation
25 service rider. Is it fair to say your intent is to

1 reflect market price relationships in the rider GSR?

2 A. I think there are really two intents in
3 the design of rider GSR. The first intent was to
4 meet the terms of the stipulation which established
5 the rates -- the base generation rate levels for each
6 year. The second intent was to use the relative
7 market price relationships to develop the proposed
8 rates by class, and my testimony goes into detail at
9 length on page 9 as to why the current rate
10 relationships are not appropriate.

11 Q. Those relative market price relationships
12 you mentioned, those are derived from Witness
13 Thomas's methodology for determining those price
14 relationships; is that correct?

15 A. The relative market price relationships
16 are developed based upon the competitive benchmark
17 methodology which Witness Thomas also uses. It also
18 uses seasonal scalers which I developed, and it also
19 recognizes a component of generation related items
20 that are in the current TCRR.

21 Q. Did you use Ms. Thomas's methodology to
22 set the prices for the rate classes in the GSR?

23 A. I used the competitive benchmark
24 methodology to establish relative rate relationships,
25 then I used the other adjustments that I mentioned in

1 my previous answer, the scalers, by season and by on
2 peak/off peak, and I used the stipulated base rate
3 realizations to calculate the final base generation
4 rates in the GSR.

5 Q. The price relationships are not based on
6 AEP Ohio's cost of providing service to specific rate
7 classes, correct?

8 A. That is correct. Nor are they required
9 to be.

10 Q. Now, in your testimony you describe how
11 you determine those market-based pricing
12 relationships, I think starting around page, yeah,
13 starting at page 12 of your testimony.

14 A. I'm sorry. Do you mean pages 8 and 9?

15 Q. Page 8. Starting at page 8 of your
16 testimony. I'd like to ask you about one of your
17 workpapers that supports that analysis. This is page
18 57 of your workpapers.

19 A. I have that.

20 MR. LANG: If we could have this marked
21 as an exhibit, please. I'll make this --

22 EXAMINER SEE: What number?

23 MR. LANG: FES 6.

24 EXAMINER SEE: The exhibit is so marked.

25 (EXHIBIT MARKED FOR IDENTIFICATION.)

1 Q. Now, this workpaper shows the market
2 prices you used to derive the market shaped rates
3 which carry over to the top of your Exhibit DMR-2,
4 correct?

5 A. Would you mind reading that question
6 back?

7 (Record read.)

8 A. Yes. This workpaper feeds another
9 workpaper which ultimately feeds Exhibit DMR-2.

10 Q. The computation shown on this workpaper
11 you did not do personally, right?

12 A. No, I did not.

13 Q. You believe it might be someone in the
14 AEP structuring organization who prepared this
15 workpaper; is that correct?

16 A. At my request, yes.

17 Q. But you don't know who the specific
18 person was who prepared the workpaper?

19 A. I don't know for certain who did the
20 work, no.

21 Q. And is it fair to say you don't recall
22 when you received this data from that person?

23 A. It would have been sometime during the
24 month of August or early-September.

25 Q. Do you recall the form in which you

1 received this data?

2 A. Virtually identical to the form you see
3 here. It was an Excel spreadsheet with values.

4 Q. Is it your understanding that the
5 capacity prices shown on the workpaper are based on
6 the \$255 per megawatt day price?

7 A. Yes, they are.

8 Q. Would you agree that your workpaper has
9 a -- this workpaper has a different simple swap price
10 than what Ms. Thomas used on her LJT-1?

11 A. Yes, I would agree with that. This
12 workpaper has the original simple swap values from
13 our filing in this proceeding.

14 Q. So this workpaper reflects values from
15 the filing from January of this year.

16 A. The simple swap price shown on this
17 workpaper is consistent with what was filed in
18 January of this year, that's correct.

19 Q. How about the other market price
20 components shown, what are they consistent with?

21 A. Well, as we just previously discussed,
22 the capacity values are reflective of \$255 a megawatt
23 day. The remainder of the values are consistent with
24 the calculations in January but reflect the fact
25 that, for example, losses change because the capacity

1 value changed.

2 Q. Is it fair to say that you're not
3 familiar with how the specific price components on
4 the workpaper were calculated?

5 A. No, that's not fair to say. Some of them
6 I do, some of them I don't.

7 Q. If we change the capacity prices on this
8 workpaper, that would also change the shape or change
9 the result of the market shaped rates; is that true?

10 A. The market shaped rates as shown on
11 Exhibit DMR-2 at the top of the page 1? Is that what
12 you're asking?

13 Q. I'm asking you if you change the capacity
14 prices on the workpaper, does that also change the
15 end result?

16 A. Not necessarily.

17 Q. It may or it may not.

18 A. Like I said, not necessarily, because
19 all -- I'm not using the explicit values on the page,
20 I'm using the relationships, depending on how your
21 hypothetical changes the values it may or may not
22 impact the company's proposed base generation rates.

23 Q. So if the capacity prices are changed or
24 if the simple swap price is changed, that may change
25 the relationship between the rate classes; is that

1 correct?

2 A. It could. And, in fact, I looked at
3 updating the simple swap to the values in
4 Ms. Thomas's testimony and, flowing those changes
5 through, changed only one value in the very last
6 decimal place on my Exhibit DMR-1.

7 Q. On your Exhibit DMR-2, about two thirds
8 of the way down you have a line that's entitled
9 "Current Base G Revenues."

10 A. I see that.

11 Q. And that is on page 1 of this exhibit --
12 of that exhibit, correct?

13 MR. SATTERWHITE: Is this DMR-2?

14 MR. LANG: DMR-2, page 1.

15 MR. SATTERWHITE: Okay.

16 A. Yes, I see that.

17 Q. And the number to the right of the
18 current base G revenues, what does that represent?

19 A. That represents the division of the value
20 current base G revenues by megawatt-hours.

21 Q. Does that change as a result of the
22 remand order?

23 A. No, it would not.

24 Q. So this base G revenue does not include
25 POLR or a POLR charge or POLR revenue, I would guess.

1 A. That value does not include the POLR
2 rider.

3 Q. A few lines below that, same page, it
4 says "Second Year Increase Percentage" and then the
5 percentage to the right is 4.978 percent. Can you
6 explain what increase that is -- what is that
7 compared to? What is that an increase as compared
8 to?

9 A. It is basically the comparison between
10 the 2012 stipulated base generation value of 2.45
11 cents to the 2013 stipulated value of 2.57 cents.

12 Q. So the base generation increase from 2012
13 to 2013 is slightly under 5 percent.

14 A. As I'm using it in this workpaper, yes.

15 Q. And then the base generation increase
16 from 2013 to 2014 would be two lines below that, the
17 third year increase percentage of 5.705 percent; is
18 that correct?

19 A. As I'm using it in this workpaper, that's
20 correct, yes.

21 Q. Slightly different topic. The
22 post-merger rate schedules for the merged entity,
23 which would be Ohio Power, would have -- as provided
24 in the stipulation would have separate rate areas for
25 the distribution rates; is that correct?

1 A. Yes, according to page 24 of the
2 stipulation "The Signatory Parties recommend the
3 Commission would approve the merger and closing would
4 occur after the Commission approval of the
5 Stipulation by the end of 2011, while maintaining
6 separate rate zones for distribution rates until
7 separately addressed by the Commission in a separate
8 proceeding."

9 Q. So to your understanding will there be --
10 will there still be two separate schedules, for
11 example, for residential customers depending on
12 whether those customers reside in the former Columbus
13 Southern territory or the former Ohio Power
14 territory?

15 A. There will be multiple separate
16 distribution rate schedules for Columbus Southern
17 residential and Ohio Power residential customers.
18 For example, Columbus Southern Power has schedule RR
19 and schedule RR1, among other residential schedules
20 and Ohio Power has schedule RS.

21 Q. So as you envision it, the current
22 distribution schedules will carry forward and
23 become -- and all of those will become schedules of
24 the merged Ohio Power.

25 A. Yes, applicable by former rate area.

1 It's not uncommon, we did that for years and years in
2 Michigan.

3 Q. And the availability of rate service
4 under the -- for each rate schedule will continue to
5 vary as it does today, correct?

6 MR. SATTERWHITE: Just to clarify, are
7 you asking rate service or electric service? I'm not
8 sure of the stem of that question there. I guess
9 I'll object to the stem of that question for rate
10 service.

11 EXAMINER SEE: Mr. Lang, hold on just a
12 second.

13 (Record read.)

14 MR. LANG: I think I meant to say
15 availability of service.

16 A. The availability of service for each rate
17 schedule or tariff except as modified by the
18 stipulation. For example, related to interruptible.
19 Other than changes such as that, they would not
20 change this, would continue as they currently are.

21 Q. And the generation service schedules for
22 the merged company would be the same to the extent
23 that there would be, you know, one generation
24 schedule for residential customers for Ohio Power,
25 the merged Ohio Power; is that correct?

1 A. The generation service rider would have a
2 set of rates that would be applicable to both rate
3 areas.

4 Q. So they would be applicable to all of the
5 merged Ohio Power customers.

6 A. Yes. Rider GSR would have the same
7 values that would be applicable to former Columbus
8 Southern customers and Ohio Power customers. Where
9 I'm struggling is that there's not just going to be
10 one value for residential. There's going to be a
11 value for summer/winter. There's going to be values
12 for on peak/off peak. If customers are on a
13 residential time of day tariff, for example, that's
14 where I'm struggling.

15 Q. And the same would be true for the
16 transmission schedules post-merger, they would apply
17 across the Ohio Power customer base and would not be
18 segregated the way distribution schedules are; is
19 that correct?

20 A. Yes. We go back to page 24 of the
21 stipulation, it says "Effective January 2012, CSP and
22 OPCo transmission rates will be consolidated and CSP
23 and OPCo generation rates (including the FAC rates)
24 will also be consolidated."

25 Q. At page 14 of your testimony, you

1 reference the competitive bid process, and you say
2 that additional tariffs and riders will be required.
3 I'd just like to ask you, to your understanding, what
4 additional riders and tariffs will be required?

5 A. The stipulation establishes a stakeholder
6 process so I can't answer that for certain, but what
7 I have seen from other competitive bid processes is
8 that there needs to be provisions related to supplier
9 default, adjustments for taxes including the
10 commercial activity tax, how to deal with
11 over/underrecoveries including any applicable
12 interest rate and there --

13 EXAMINER SEE: Can you just speak up,
14 Mr. Roush.

15 THE WITNESS: Sure.

16 And there may be other provisions related
17 to over/underrecovery balances. Obviously that's not
18 a comprehensive list. We've got to go through the
19 stakeholder process.

20 Q. Is it your understanding of the
21 stipulation that the FAC, the fuel adjustment clause,
22 may or may not continue after May 2015?

23 A. My understanding is that it may or may
24 not continue for a couple of different reasons. The
25 first possibility is should something ultimately be

1 approved for inclusion in the GRR, then there's the
2 possibility a modified FAC could be approved in the
3 construct of the GRR. The other way I could see the
4 possibility of the FAC or some variant thereof
5 continuing is if it was translated into some form of
6 competitive bid purchased power type pass-through
7 rider.

8 You know, it could be kind of morphed or
9 merged with the generation service rider to
10 effectuate the translation of the competitive bid
11 into retail price so.

12 Q. Would you agree the stipulation is not
13 clear as to whether the GRR fuel costs post May 2015
14 will be recovered through an FAC or through the GRR
15 rider itself?

16 A. I wouldn't call the stipulation unclear
17 on that result. I would say the stipulation is not
18 trying to prejudge some decision the Commission might
19 make in the future with regard to a GRR proposal.

20 Q. So at this point in time either one is a
21 possibility?

22 A. Yeah. I haven't been named chairman of
23 the Commission yet.

24 Q. Now, with regard to the GRR, if I can
25 back you up a few pages to page 11, and at pages 4

1 through 6 of page 11, I'm sorry, lines 4 through 6,
2 you describe the GRR, you say it's designed to
3 collect costs in accordance with Section
4 4928.143(B) (2) (c). Do you see that reference?

5 A. Yes, I do.

6 Q. By that statement you intend to say that
7 it is not designed to collect costs, to recover costs
8 under 4928.143(B) (2) (b)?

9 A. No, I wouldn't say that, because at this
10 time I don't even recall what (B) (2) (b) says.

11 Q. So are you aware of -- do you recall what
12 (B) (2) (c) says?

13 A. Not verbatim at this time. It's been a
14 while since I read it.

15 Q. Are you aware of any differences between
16 (B) (2) (b) and (B) (2) (c)?

17 MR. SATTERWHITE: Objection. Now they're
18 asking for interpretations of differences in a legal
19 statute. The witness is not an attorney.

20 MR. LANG: Just trying to understand a
21 bit of what he has in his testimony, your Honors.

22 EXAMINER SEE: I'll allow the witness to
23 answer the question with the understanding that he's
24 not an attorney.

25 A. Since I don't recall what (B) (2) (b) says

1 I can't compare and contrast (b) and (c).

2 Q. Are you familiar with how the GRR as
3 you've put it in your testimony is designed to
4 collect costs in accordance with Section
5 4928.143(B) (2) (c)?

6 A. Yes. My testimony is that if something
7 is approved by the Commission to be included in the
8 GRR in accordance with Section 4928.143(B) (2) (c),
9 then the GRR will be designed pursuant to that
10 approval and ordered to collect such costs, and at
11 this time my testimony is that the rider simply is a
12 placeholder until that approval is granted in a
13 separate proceeding.

14 Q. As a placeholder what would be in that
15 rider?

16 A. A value of zero.

17 Q. Would there be language describing how
18 the costs would be recovered through that rider?

19 A. There would generally be language like
20 all customer bills subject to the provisions of this
21 rider will be subject to a charge of zero dollars.

22 Q. And then nothing else in the rider for
23 now because of the placeholder?

24 A. That's correct. There probably would be
25 some more words than that, I was shorthanding it a

1 bit.

2 Q. At page 13 of your testimony you also
3 describe the PIRR. I'd like to ask you, what impact
4 does the remand order have on the PIRR?

5 A. My understanding of the remand order is
6 that it has the potential to reduce the deferral
7 balance which would mathematically result in
8 potentially different collection rates in the PIRR.

9 Q. Does that affect your exhibits?

10 A. Exhibit DMR-1 and Exhibit DMR-5 have an
11 estimate of the phase-in rider included in them.
12 Again, we won't know the absolute value of the
13 phase-in rider until after the deferrals are
14 complete, the deferral period is complete. So at
15 this point I wouldn't change my exhibits.

16 Q. Is it your understanding that
17 notwithstanding the remand order issued yesterday
18 that there are -- that there will be deferrals
19 continuing through the end of this year?

20 A. I believe there could be deferrals for
21 both CSP and OP through the end of this year and that
22 the deferral balance, the final deferral balance for
23 each of those companies will continue to change.

24 Q. I want to go back to your rider GSR. Is
25 it fair to say that rider GSR is designed to recover

1 AEP Ohio's energy, capacity, and ancillary services
2 costs plus a reasonable return?

3 A. I'm sorry. I thought you were saying
4 GRR.

5 THE WITNESS: Could you read the question
6 back for me?

7 (Record read.)

8 A. No, for more than one reason. First, for
9 certain ancillary service costs which are included in
10 the TCRR, not the GSR, the second is that the rider
11 GSR produces results which, you know, we hope cover
12 AEP Ohio's costs, but Witness Allen can probably
13 better address that in his pro forma financials.

14 Q. So if I change the question to say rider
15 GSR, AEP Ohio hopes that rider GSR recovers its
16 energy, capacity, and ancillary services costs,
17 except for those ancillary services in the
18 transmission rider, plus a reasonable return, would
19 that statement be accurate?

20 THE WITNESS: Could you read that one
21 back too? I'm sorry.

22 (Record read.)

23 A. I'm glad I had it read back because there
24 are two other components that would make that
25 statement not true. The FAC clause would continue to

1 collect fuel costs which are energy related, and the
2 advanced energy rider would be collecting costs
3 related to the renewable requirement.

4 Q. With regard to the GSR, there isn't a
5 specific capacity price that's in the GSR, correct?

6 A. That's correct. There's no specific any
7 price, any price or any component in the GSR. The
8 GSR is designed to produce the stipulated
9 realizations for each year and reflect market-based
10 price relationships and seasonal factors.

11 Q. So by saying there isn't any price that's
12 in the GSR you can't say what capacity price is
13 charged to standard service offer customers today,
14 correct?

15 MR. SATTERWHITE: Just a clarification or
16 objection. There's no capacity price in the GSR,
17 correct? You said there's no price in the GSR. Or
18 could we reread the question, maybe it will clarify
19 it.

20 (Record read.)

21 EXAMINER SEE: And there was an objection
22 to the form of the question, Mr. Satterwhite?

23 MR. SATTERWHITE: Yeah. What you meant
24 was a capacity price in the beginning of the
25 question?

1 MR. LANG: I meant in the GSR he can't
2 say what capacity price is charged to standard
3 service offer customers today.

4 EXAMINER SEE: Okay.

5 A. I think we've got a couple misconnects
6 there. The GSR doesn't exist today, so -- the other
7 is I think the question you're really asking is can I
8 say in today's current base generation rates, can I
9 tell you exactly what value is in there for capacity.
10 No, I cannot. It's a bundle generation rate
11 including all services except for the services we
12 talked about that are recovered in the TCRR.

13 Q. And so to follow up on your first point,
14 for 2012 when there will be a GSR, you'd have the
15 same answer, that's a bundled rate -- there's a
16 bundled rate and you can't say what capacity price is
17 a component of that bundled rate, correct?

18 A. That's correct. There is no explicit
19 call-out of capacity separate from the other
20 components of the GSR.

21 Q. So you also, looking at the revenue
22 that's generated from the -- looking at the revenue
23 that's projected to be generated from the GSR, you
24 don't know what part of that revenue would recover
25 capacity costs, correct?

1 THE WITNESS: I'm sorry. Can you read
2 that back?

3 (Record read.)

4 A. I can't identify within the GSR how much
5 is for capacity and how much is for property taxes or
6 how much is for power plant maintenance or any of
7 those items. It's a single -- it's a stipulated
8 price.

9 Q. You can't identify how much revenue would
10 be for energy costs, correct?

11 A. Again, I go back to it is an all-in price
12 that is made up of a myriad of components.

13 Q. So the answer is correct, you can't
14 assign revenue to energy costs, correct?

15 A. Correct. The rate has not been
16 disaggregated in that manner.

17 Q. Is it fair to say that some percentage of
18 the GSR recovers capacity costs, some percentage
19 recovers energy costs, and some percentage recovers
20 ancillary services costs?

21 A. No, I don't think so because that assumes
22 a level of precision that's not in that value.

23 Q. Mr. Roush, I took your deposition twice
24 in this case; is that correct?

25 A. Yes, that's correct.

1 Q. And the first deposition was on
2 August 5th. Do you remember that?

3 A. That it occurred, yes. What date, no.

4 Q. Do you remember the first deposition was
5 in August?

6 A. I couldn't even swear to that.

7 Q. Okay. Do you remember a court reporter
8 being there?

9 A. Yes, I do.

10 Q. Do you remember it was actually, Maria
11 was there?

12 A. No, I don't know.

13 Q. That's an unfair question, I'll take that
14 back.

15 THE WITNESS: No offense, but I don't
16 remember you.

17 Q. I'd like to show you page 44 from that
18 deposition transcript. Do you see on the first page
19 of what I've handed you it has a deposition date of
20 August 5th, 2011? On the first page.

21 A. Yes, I see that.

22 Q. Now, on page 44 you see at line 6 I'm
23 asking you about the rider GSR. Correct?

24 A. Yes, I see that.

25 Q. And at line 11 the question starts "Is it

1 fair to say that some percentage of that" --
2 referring up to the rider GSR -- "is recovering
3 capacity, some percentage is recovering energy, and
4 some percentage is recovering ancillary services
5 costs?" Do you see that question?

6 A. Yes, I do.

7 Q. And your answer was: "It's fair to say
8 that, but I don't know the percentages." Was that
9 your answer?

10 A. Yes, that's correct.

11 Q. With regard to -- you just answered that
12 question.

13 A. Having had time to read this it looks
14 like I was --

15 Q. There's not a question pending, but thank
16 you, Mr. Roush.

17 Is it fair to say that if we could
18 determine what portion of the GSR goes to ancillary
19 services and what portion goes to energy, the
20 remainder would be what AEP Ohio is charging SSO
21 customers for capacity?

22 THE WITNESS: Can you read that question
23 back?

24 (Record read.)

25 A. I think I go back to -- I think it's

1 possible to do some type of mathematical calculation
2 to create the hypothetical you've suggested, but,
3 again, I go back to my previous answer which is I
4 think that's assigning a level of precision to the
5 GSR that doesn't exist.

6 Q. So does that hypothetical not make sense?

7 A. I don't know.

8 Q. You don't know whether it makes sense?

9 A. I don't know whether it makes sense or
10 not.

11 Q. I'm going to have you turn to page 45.
12 Are you there?

13 A. Yep.

14 Q. Starting at line 8 there's a question:
15 "Okay. Going back to the percentages of capacity,
16 energy, ancillary services that are in that GSR
17 revenue, if we could determine what the ancillary,
18 you know, what portion recovers the ancillary
19 services and what portion recovers energy, would the
20 remainder then be what you're charging for capacity?"
21 Do you see that question?

22 A. Yes, I do.

23 Q. And your answer was: "I think your
24 hypothetical makes sense." Correct?

25 A. That's correct.

1 Q. That was your answer?

2 A. That's correct.

3 Q. I want to ask you about the market
4 transition rider. Now, do you agree that the market
5 transition rider is a rate design component of the
6 ESP?

7 A. What do you mean by "rate design
8 component"?

9 Q. It's a component of the ESP that
10 addresses rate design. I'm not trying to be tricky
11 here.

12 A. It is a rate that was designed as part of
13 the ESP.

14 Q. Under an MRO it is also possible for AEP
15 Ohio to have a market transition rider, correct?

16 A. Maybe. I haven't thought about it.

17 Q. If I could ask you to turn to page 57 of
18 your deposition that I just gave you.

19 A. Okay.

20 Q. Starting at line 18. "Question: You
21 mentioned the market transition rider. Could AEP do
22 an MRO to satisfy its standard service offer
23 requirement and include in that a market transition
24 rider?" And your answer was: "I believe it's
25 possible." Correct?

1 A. Correct.

2 Q. Now, the market transition rider in the
3 stipulation -- well, let me ask you first, the market
4 transition rider as originally proposed in this
5 proceeding was revenue neutral, correct? You won't
6 find that in the deposition transcript.

7 A. I'm sorry. I was just finishing reading
8 the last question where I go on to say "I just don't
9 recall the statutory provisions for an MRO."

10 Q. Do you need the question read again?

11 MR. SATTERWHITE: Objection, your Honor.
12 He was just clarifying his statement from before,
13 what was provided.

14 MR. LANG: And we have moved on.

15 EXAMINER SEE: Just a minute.

16 I'm going to give the witness some
17 additional time if he needs to make sure his response
18 is complete and correct.

19 MR. SATTERWHITE: Thank you.

20 MR. LANG: If I could ask what question
21 he's responding to now. Could we have the last
22 question read back, please?

23 (Record read.)

24 A. The market transition rider as proposed
25 in our January filing was designed to be revenue

1 neutral in the context of an ESP, and since being
2 given my transcript here I stated I don't know
3 whether it could be done in an MRO because I haven't
4 thought about an MRO.

5 Q. Now, the market rate -- the market
6 transition rider that's recommended through the
7 stipulation is not revenue neutral, correct?

8 A. As stated beginning at the bottom of page
9 11 of my testimony and the top of page 12 of my
10 testimony I state that "The sum of the credits
11 provided, including the \$10-megawatt hour shopping
12 credit provided in paragraph IV.1.c, and charges
13 collected under the MTR should be 6 million -- should
14 be a \$6 million quarterly charge until the end of
15 2012 until securitization is completed, whichever is
16 earlier, and zero dollars quarterly beginning with
17 the first quarter of 2013 or the completion of
18 securitization, whichever is earlier."

19 Q. Thank you for reading that, but the
20 answer to my question is correct, it is not revenue
21 neutral.

22 A. No, your answer is -- the answer is
23 that's not correct. It is not revenue neutral till
24 the end of 2012 or securitization is completed,
25 whichever is earlier, and after that point it is

1 revenue neutral.

2 Q. So for 2012 the market transition rider
3 is not revenue neutral, correct?

4 A. That's not correct as well.

5 Q. That's not correct as well.

6 A. It's not revenue neutral until the end of
7 2012 or until securitization is completed, whichever
8 is earlier.

9 Q. There are -- the section in the
10 stipulation you were referencing provides for
11 \$6 million of revenue on a quarterly basis to AEP
12 Ohio; is that correct?

13 A. Referenced in paragraph IV.1.c of the
14 stipulation, and it states beginning at the bottom of
15 page 5, "The MTR is designed to produce a net charge
16 of \$6 million quarterly until the end of 2012 or
17 until securitization is completed, whichever is
18 earlier, at which time the MTR is designed to produce
19 a net charge of zero dollars quarterly."

20 Q. Do you know what the purposes of the
21 \$6 million in revenue?

22 A. It's just an agreed upon term of the
23 stipulation.

24 Q. Do you know whether the \$6 million
25 quarterly revenue included in this MTR would be part

1 of a market transition rider under a market rate
2 option?

3 Are you able to answer my question
4 without referring to your August deposition?
5 Mr. Roush.

6 A. I would just go back to, as stated
7 previously, I don't recall the statutory provisions
8 for an MRO because we're not proposing one, and I
9 don't know whether an MRO could include an MTR or not
10 because I haven't thought about an MRO.

11 Q. So you don't know. Your answer is you
12 don't know.

13 A. Correct.

14 Q. Okay. The market transition rider
15 includes a provision for a quarterly trueup between
16 the charges and the credits; is that right?

17 A. The market transition rider includes a
18 quarterly reconciliation of any over or under.

19 Q. And you agree that it's provided in the
20 stipulation the MTR will cease to exist on June 1,
21 2015.

22 A. The MTR rider will cease to exist with
23 the June 1, 2015, billing cycle.

24 Q. And the result of that is that the last
25 quarter will not be reconciled, correct?

1 A. I believe that's almost correct but I
2 guess the last period is only two months, not a
3 quarter.

4 Q. Mr. Roush, do you know why schools that
5 are GS1 or GS2 customers are exempt from the MTR?

6 THE WITNESS: Could you read that
7 question back?

8 (Record read.)

9 A. It was simply a term of the stipulation.

10 Q. Is it fair to say you know of no reason
11 why exempting these customers from the MTR would make
12 sense?

13 A. No, I don't believe that's fair to say.

14 Q. The MTR for GS1 and GS2 customers is a
15 charge; is that correct? A charge versus a credit.
16 For those particular customers it's a charge.

17 A. The MTR is a charge for both CSP and
18 OP GS1 and GS2 customers.

19 Q. So the result of exempting schools from
20 the MTR reduces their rates.

21 A. All other things being equal, exemption
22 from the MTR would reduce their rates, yes.

23 Q. I want to go back to the \$6 million
24 quarterly revenue for the MTR. You've referenced
25 that collection of that is conditioned on

1 securitization not being completed at some point.
2 Can you explain what happens if securitization is
3 completed in the middle of a quarter?

4 A. You're asking me what would happen if
5 securitization is completed in the middle of a
6 quarter during 2012.

7 Q. To that \$6 million revenue that's
8 collected quarterly.

9 A. If securitization were completed in the
10 middle of a quarter during 2012, I believe the \$6
11 million would be prorated in some manner for that
12 given quarter.

13 Q. Is prorating that revenue a provision of
14 the stipulation?

15 A. I don't believe the stipulation gets into
16 the mechanics of what happens in that particular
17 hypothetical.

18 Q. So is your understanding it would be
19 prorated based on, what?

20 A. One possibility I could envision is it
21 could be prorated based on number of days in the
22 quarter. For example, if the stipulation -- if the
23 securitization was completed on September 15th, that
24 would be roughly, roughly, 75 out of the 90 days in
25 the quarter, so I could envision a mechanism like

1 that.

2 Q. What I'm curious about is you said the
3 stipulation doesn't get into the details, but your
4 understanding is that there would be a prorating of
5 that amount. I'm just trying to understand, I'm
6 trying to learn where that understanding comes from
7 if it's not from the stipulation.

8 A. I kind of view it as kind of the detailed
9 implementer's reading of the language in the
10 stipulation which says it's 6 million quarterly until
11 securitization is completed.

12 Q. So at least your testimony is if that
13 becomes an issue in 2012, the way AEP would handle it
14 would be through proration.

15 A. I believe that makes sense.

16 Q. Now, Mr. Etter earlier asked you about
17 Exhibit DMR-5.

18 MR. SATTERWHITE: Can I raise one point?
19 I know he's been on the stand for over 90 minutes,
20 you're moving on to a new area, I don't know if it's
21 a good time to take a break or not.

22 EXAMINER SEE: Let's take a 15-minute
23 break.

24 (Recess taken.)

25 EXAMINER SEE: Mr. Lang, go ahead,

1 please, with your next question.

2 MR. LANG: Thank you, your Honor.

3 Q. (By Mr. Lang) Mr. Roush, going back to
4 Exhibit DMR-5, this exhibit shows projected rate
5 impacts that include generation, distribution,
6 transmission, and all riders to the extent you have
7 values for those riders, correct?

8 A. I think that's generally correct.

9 Q. To the extent you did not have a value
10 for a rider and it's not included in the projected
11 rate impact, correct?

12 A. Specifically there is no estimate of the
13 potential GRR. Also, there would be no estimate of
14 the pool termination or modification provision, and
15 the AER is included in the FAC value.

16 Q. Do transmission, the transmission rates
17 stay constant from 2011 forward?

18 A. In which exhibit, DMR-5? Is that what
19 you're asking?

20 Q. Correct.

21 A. In Exhibit DMR-5 I'm using the same
22 transmission rates for current and 2012, 2013,
23 2014-'15.

24 Q. With regard to the distribution rate,
25 what are you using for the distribution rate?

1 A. I guess with specifically the base
2 distribution rates are the current base distribution
3 rates, in addition there would be reflected in
4 Exhibit DMR-5 the distribution investment recovery
5 rider at the settlement maximum amounts, and there
6 would be the existing levels of the other
7 distribution riders such as universal service fund,
8 kilowatt-hour tax, gridSMART rider, enhanced service
9 reliability rider, et cetera.

10 Q. So the components of the distribution
11 rate that are in current rates are carried through
12 the analysis at current levels; is that correct?

13 A. With the exception of the distribution
14 investment rider which reflects the settlement
15 maximum amounts.

16 Q. And the distribution investment rider is
17 not in current rates, correct?

18 A. Yeah, the rider does not exist today.

19 Q. Is the transmission rate that you used
20 the same rate that you used in your January filing?

21 A. I don't recall for certain, but I think I
22 may have updated that rate based on a more current
23 rate.

24 Q. Is there a way to tell from the
25 workpapers whether you updated it?

1 A. Yes, it would have been updated because I
2 used all current rates in riders as of September 13
3 except for the SEET rider for CSP which isn't
4 included, I used the estimated full cost 2011 FAC,
5 and then the current typical bills -- these are all
6 the assumptions for the current typical bills, and
7 the phase-in recovery rider was shown was for OP only
8 and that's shown on my workpaper 145.

9 Q. Now, Ms. Thomas has an Exhibit LJT-2 and
10 the first couple lines of that exhibit is the base
11 generation price. Am I correct that that base
12 generation price, or those base generation prices, is
13 data that you provided to Ms. Thomas?

14 A. That sounds correct, but it would be
15 helpful if I had a copy of that.

16 MR. LANG: Could you?

17 MR. SATTERWHITE: LJT-2, right?

18 MR. LANG: Yes.

19 Is this the nonupdated from this morning?
20 Which is fine if it is.

21 MR. SATTERWHITE: This is the old
22 version.

23 Q. (By Mr. Lang) So, Mr. Roush, looking at
24 that LJT-2, there's numbers on the left side, row
25 numbers on the left side, is it rows number 1, 2, and

1 3 that you provided to Ms. Thomas?

2 A. Yes, that's correct.

3 Q. On line 1, the 2011 base ESP G rate, is
4 it correct that that includes a generation price
5 component, a transmission adjustment, and a POLR
6 rate?

7 A. For example, the 2712 for 2012?

8 Q. Yes.

9 A. That would include the base generation or
10 GSR rates, a transmission adjustment, and 2011 full
11 cost environmental and POLR.

12 Q. And what was the amount, you used that as
13 an example for what you just referred to for 2012,
14 what was the amount for POLR?

15 A. \$3.07 per megawatt-hour.

16 Q. And in the numbers you provided to
17 Ms. Thomas was that 3.07 cents per megawatt-hour also
18 included in the 2013 and 2014 base ESP G rate?

19 A. In the values shown on line 1 of Exhibit
20 LJT-2, yes, it was.

21 Q. On line 15 of LJT-2 called "Stipulation
22 ESP Price," did you also provide those values to
23 Ms. Thomas?

24 A. Yes, I did.

25 Q. I want to ask you just a few more

1 questions. This deals with the switching rules which
2 you briefly touch on in your testimony. And one of
3 those rules that is addressed in the stipulation is a
4 provision for, call it the 12-month stay provision.
5 Are you familiar with that provision?

6 A. Yes, I am.

7 Q. You referred to it in your testimony as
8 the 12-month minimum stay requirement. And under the
9 stipulation that will be eliminated by June 1, 2015.
10 Am I reading that correctly?

11 A. Yes, that will be eliminated by June 1,
12 2015.

13 Q. Is the 12-month minimum stay requirement
14 related to the provision with regard to GS2 customers
15 giving 90 days' notice before switching to a CRES
16 provider?

17 A. They're really effectively two different
18 12-month minimum stay requirements.

19 Q. Could you --

20 A. The first is for customers returning from
21 service from a CRES, and then there's the second one
22 which I believe is the one you were referencing which
23 is the provision where a customer can provide --
24 provides 90 days' notice to shop and then if they
25 have not shopped after that 90-day notice expires,

1 then they're subject to a 12-month minimum stay.

2 Q. Thank you for that explanation.

3 The first example, customers who are
4 shopping, return to standard service offer, they have
5 this 12-month minimum stay requirement, in that
6 example does the minimum stay requirement apply to
7 all customers, all customer classes?

8 A. The first requirement that we were
9 discussing for a returning customer applies to
10 commercial and industrial customers. There's a
11 different provision for residential customers.

12 Q. The second provision, the second example
13 where a customer gives 90 days' notice that they're
14 going to shop but then end up not shopping, if they
15 don't, they're still bound by this 12-month minimum
16 stay requirement. Do you recall what the purpose of
17 that requirement is for that type of customer?

18 A. That's been in place for a while so I'd
19 only be speculating.

20 Q. So then I don't want to ask you to
21 speculate, so outside of the realm of speculation as
22 you're sharing it today you don't know.

23 MR. SATTERWHITE: Objection. He already
24 said he doesn't know, he would be speculating, so no
25 reason to follow up.

1 MR. LANG: I'm not sure I heard the "I
2 don't know" part is why I was following up.

3 EXAMINER SEE: The objection is
4 overruled.

5 Mr. Roush, you can answer the question.

6 A. As I said, it's been in place for a while
7 so I don't recall the specific bases for it.

8 Q. You also reference in your testimony the
9 stipulation includes an agreement to discuss reducing
10 the \$10 switching fee by January 2012. Is your
11 understanding of that commitment that it's an
12 agreement to talk and not actually an agreement to
13 reduce the fee?

14 A. Yes, I would agree this stipulation does
15 not require a reduction in the fee.

16 Q. Do you know whether AEP today has any
17 intention to reduce the fee?

18 A. I don't know because I don't know that
19 the discussions have taken place yet.

20 Q. By including this in the stipulation does
21 that mean that prior to the stipulation date AEP Ohio
22 has not been willing to discuss reducing the
23 switching fee?

24 THE WITNESS: I'm sorry, I missed one
25 word. Could you reed that back?

1 (Record read.)

2 A. I don't know, but generally changes to
3 those kinds of values are done in, you know, in the
4 context of a rate case. So I don't know whether AEP
5 Ohio has or has not been willing in the past.

6 MR. LANG: Those are all the questions I
7 have, your Honor.

8 EXAMINER SEE: Thank you.

9 IEU?

10 MR. DARR: Thank you.

11 - - -

12 CROSS-EXAMINATION

13 By Mr. Darr:

14 Q. Mr. Roush, turning in your testimony to
15 page 15, lines --

16 A. Could you move the microphone closer,
17 please?

18 Q. Sure, I'll see if this one works.

19 EXAMINER SEE: I'm not sure it's even on.

20 Q. Page 15, lines 5 through 8 of your
21 testimony, given the decision that the Commission
22 issued yesterday does this testimony need to be
23 revised?

24 A. No, because whatever the then-current
25 POLR rates would continue whether they be -- whatever

1 value they are.

2 Q. And it's your understanding that there's
3 going to be a POLR rate post-October 3rd, 2011?

4 A. That's my understanding as well discussed
5 by counsel.

6 Q. With regard to the changes that you
7 outlined in your bill impacts, DMR-5 I believe it is,
8 did you make any adjustments for changes in the
9 alternative energy rider that might occur?

10 A. No, I did not, because I don't know what
11 they're going to be.

12 Q. And there is another provision in the
13 settlement that talks about the possibility -- let me
14 rephrase that question.

15 Is there any provision in there for the
16 recovery of nongeneration related corporation
17 separation costs?

18 A. The provision which I believe you're
19 referencing is section -- paragraph IV.1.q at the
20 very end which explicitly states "Generation-related
21 costs associated with implementing corporate
22 separation shall not be recoverable from customers."

23 Q. And my question was the opposite of that.
24 Is there any provision in DMR-5 for recovery of
25 nongeneration costs associated with corporate

1 separation?

2 THE WITNESS: I'm sorry, I missed a word.

3 Can you read it back.

4 (Record read.)

5 A. There's nothing in DMR-5 reflecting any
6 potential costs for nongeneration related corporate
7 separation.

8 Q. You indicated earlier that FES Exhibit
9 No. 6 was prepared in January 2011; is that correct?

10 A. No, that's not correct.

11 Q. When was that prepared?

12 A. It was either late-August or
13 early-September of 2011.

14 Q. And was that prepared in anticipation of
15 the filing of the stipulation?

16 A. It was prepared as part of my development
17 of the workpapers supporting my testimony.

18 Q. And that included the 255 capacity cost,
19 255 per megawatt day capacity cost, correct?

20 A. Exhibit FES 6, which is also workpaper
21 DMR-57, includes the \$255 per megawatt day capacity
22 cost.

23 Q. Did you prepare this prior to
24 September 7th or post-September 7th, if you know?

25 And I'm speaking now specifically of FES Exhibit

1 No. 6.

2 A. It was right around that time frame. I
3 don't recall the exact date.

4 Q. As you were preparing both your testimony
5 and the workpapers supporting your testimony did you
6 seek out the fuel forecast information for the period
7 of the proposed ESP?

8 A. No, I did not.

9 Q. Is it true that you had access to that
10 information?

11 A. No, I don't believe I did.

12 Q. The case that you used was the 11-281
13 case for the fuel numbers, correct?

14 A. Yes, that's correct. Case No.
15 11-281-EL-FAC.

16 Q. Is it your understanding that the rate
17 approved for those months in 2011 fairly represented
18 where the fuel costs will be in 2012, 2013, or 2014?

19 MR. SATTERWHITE: Can I have that reread,
20 please?

21 (Record read.)

22 MR. SATTERWHITE: Thank you.

23 A. No, I don't know what fuel costs will
24 ultimately be in 2012, 2013, 2014.

25 Q. Turning to DMR-1, now, you have not

1 updated this exhibit today, have you?

2 A. No, I have not.

3 Q. And so this Exhibit DMR-1 in the first
4 page, would be the seventh column of numerical
5 entries, those would not be updated for yesterday's
6 decision in the remand case; is that correct?

7 A. No, they are not. Nor is column 8.

8 Q. Good point.

9 And did you provide numbers for the
10 proposed recalculation of the ESP or the legacy ESP
11 price to Ms. Thomas?

12 A. I'm sorry, could you try that one again.
13 I thought there were kind of two questions jumbled
14 there.

15 Q. I hope not but let's try it again. Did
16 you provide to Ms. Thomas a new calculation of the
17 legacy ESP rate? Specifically after the remand
18 decision.

19 A. I provided Ms. Thomas an updated
20 calculation of the POLR component of the current
21 market based -- market comparable base generation
22 price.

23 Q. And is that reflected in the workpapers
24 that we received today?

25 MR. SATTERWHITE: I guess I'll object.

1 He didn't have -- I object, they're not his
2 workpapers. I don't know that he knows what's in
3 those.

4 MR. DARR: Well, will the company
5 stipulate whether they are or aren't?

6 MR. SATTERWHITE: We don't know if you're
7 referring to the ones that were e-mailed around or
8 the ones that we provided.

9 MR. DARR: The ones that were e-mailed.
10 Can you stipulate that that contains the updated
11 numbers or not?

12 MR. SATTERWHITE: We're trying to figure
13 out what you're talking about. Take it easy. Maybe
14 we should go off the record for a second so I can see
15 what AEP said so we can figure out whether we can
16 stipulate to it or not.

17 EXAMINER SEE: Let's go off the record
18 for just a minute.

19 (Discussion off the record.)

20 EXAMINER SEE: Let's go back on the
21 record.

22 MR. DARR: Is the company stipulating
23 that we have received Ms. Thomas's workpapers but
24 we -- let's start there.

25 MR. SATTERWHITE: An electronic file was

1 sent to you this afternoon with Ms. Thomas's
2 workpapers, yes.

3 MR. DARR: Did this include a workpaper
4 for the -- from Mr. Roush that provided the
5 calculation that Ms. Thomas uses?

6 MR. SATTERWHITE: Mrs. Thomas's
7 workpapers are her workpapers that have a value in
8 there supplied by Mr. Roush but not a workpaper
9 provided by Mr. Roush.

10 MR. DARR: Are there any workpapers --

11 MR. SATTERWHITE: Let me ask this, is
12 there a specific question you have on this? I mean,
13 you can cross-examine me on what's on the electronic
14 file for a half an hour but I don't know where that
15 gets us.

16 MR. DARR: What we're trying to determine
17 is the methodology by which Mr. Roush calculated the
18 number that is being used by Ms. Thomas. Are we able
19 to discern that from the materials that were given
20 today?

21 MR. SATTERWHITE: Well, if you have a
22 question for Mr. Roush, he can answer that question.
23 I have represented to you what was in the workpapers
24 you received. I don't know what more I can tell you.
25 If you have that workpaper and you have a question

1 for Mr. Roush based on that, pull that out and ask
2 him.

3 MR. DARR: If I may inquire --

4 EXAMINER SEE: Go ahead.

5 MR. DARR: -- of Mr. Roush.

6 Q. (By Mr. Darr) Mr. Roush, have you
7 performed a calculation as to the effect of the
8 remand decision on the POLR charge?

9 A. Yes. I provided Witness Thomas with
10 numbers which are included in her workpaper that was
11 sent electronically which apply the previous POLR
12 rates to the billing units to compute the -- a
13 revised POLR number.

14 Q. Did you prepare any workpapers associated
15 with that?

16 A. No, I just did the calculation and gave
17 the number to Witness Thomas.

18 Q. When did that take place?

19 A. I gave it to Witness Thomas yesterday, I
20 think.

21 Q. Can I take it from your answer that
22 there's no Excel spreadsheet that you could turn to
23 and give us that information?

24 A. I don't think I have it but it would be
25 as simple as taking the -- my workpapers which have

1 already been provided electronically and dropping in
2 the old POLR rates.

3 Q. And when you say "the old POLR rates,"
4 what are you referring to?

5 A. The POLR rates that were in effect in
6 2008.

7 Q. So those would be rates that were in
8 effect prior to this ESP, correct? Meaning the
9 2009-2011 ESP.

10 A. That's correct.

11 Q. Is it fair to say that the increases that
12 are -- excuse me, the generation rates that are
13 provided for in paragraph IV.1.f of the stipulation
14 are not directly related to the cost of service or to
15 increases in the cost of service?

16 A. The values shown in paragraph IV.1.f are
17 not directly related to a traditional cost of service
18 as that term existed back in 1999.

19 Q. So is it fair to say that the results
20 that are contained in that paragraph are basically
21 there because that's what you agreed to?

22 THE WITNESS: Could you read that back.

23 (Record read.)

24 A. They're absolutely there because that's
25 what the stipulating parties agreed to.

1 Q. Going back to my original question, it's
2 fair to say that there's no traditional cost of
3 service calculation that would generate those rates;
4 is that correct?

5 A. There may be one but none was performed.

6 Q. It's fair to say that you have not
7 performed a cost of service study that would generate
8 these rates; is that correct?

9 A. That is correct, I have not done a cost
10 of service study for CSP and OP.

11 Q. Are you aware of anyone else that's done
12 that?

13 A. I'm not aware of anyone at the company
14 that's done one. I don't know what others have done.

15 Q. With regard to the generation resource
16 rider, the GRR, would you agree that the most recent
17 available cost information regarding Turning Point is
18 in the company's July 1st, 2011, filing?

19 A. I would agree --

20 MR. SATTERWHITE: Object, your Honor.
21 This case doesn't involve any of the costs of Turning
22 Point. It was clear in the stipulation that that
23 would be subject to a future proceeding. It's really
24 not relevant to the signatory parties' stipulation.

25 MR. DARR: If I may, your Honor.

1 EXAMINER SEE: Go ahead.

2 MR. DARR: The companies are certainly
3 going to -- have this placeholder in there for a
4 reason. The Commission is going to properly evaluate
5 the benefits and the costs. It needs to have some
6 idea what that cost might be and one of those is the
7 potential GRR addition for both Turning Point and for
8 Muskingum River 6.

9 MR. SATTERWHITE: If I may, your Honor,
10 I'm sure Mr. Darr and I will be back in this room
11 during that hearing discussing it at that point.

12 EXAMINER SEE: And the objection is
13 sustained.

14 Q. (By Mr. Darr) Has AEP calculated the
15 costs or rate impacts of the Muskingum River project
16 at this point?

17 MR. SATTERWHITE: Same objection.

18 EXAMINER SEE: Sustained.

19 Q. Mr. Roush, have you made any
20 determination of the amount of the PIRR which would
21 be allocated to nonresidential customers?

22 A. I've not done that specific calculation.
23 What I have done in my testimony and exhibits is
24 compute an estimated PIRR and computed rates for the
25 PIRR by voltage and presented that information in my

1 workpapers, so I think from that information one
2 could determine how much of the PIRR collection is
3 residential versus commercial versus industrial.

4 Q. Subject to check, would you agree that
5 the GS1 and GS2 shopping schools currently aggregate
6 to about a hundred, excuse me, 100,931,285 kWh for
7 the 12 months ending July 2011?

8 MR. PETRICOFF: Your Honor, can I have
9 the question read back?

10 EXAMINER SEE: Yes.

11 (Record read.)

12 A. That's an awfully precise number for me
13 to check subject to check.

14 Q. Well, would it help if you looked at --
15 it's discovery response to IEU-Ohio stipulation
16 discovery No. 8.

17 MR. SATTERWHITE: I don't have that. Put
18 it in front of him?

19 MR. DARR: If I may.

20 May I approach?

21 EXAMINER SEE: Yes.

22 A. Thank you.

23 THE WITNESS: Can you read back the
24 question now?

25 Q. Sure, why don't I. Is it correct that

1 the 12-month aggregate kWh usage for GS1 and GS2
2 shopping schools for the year ended July 2011 was a
3 100,931,285 kWh?

4 A. I'm sorry, I'm just having hearing
5 problems now.

6 THE WITNESS: Can you read that back.

7 (Record read.)

8 A. Yes, I would agree to that.

9 Q. Now, there is currently a shopping
10 credit, as I understand it, for 1 million
11 megawatt-hours; is that correct? For GS2.

12 A. Under the stipulation so -- I just wanted
13 to clarify, not currently. Under the stipulation
14 there would be a \$10 a megawatt hour shopping credit
15 for the first thousand megawatt-hours of usage per
16 calendar year which would be prorated for 2015, and
17 that would apply to GS2 customers that switch to a
18 CRES provider after September 6th, 2011, and all GS1
19 and GS2 schools which are currently shopping.

20 Q. And if all of that is not used up, some
21 portion of it would be reallocated; is that right?

22 A. To the extent that the amount is not used
23 up, I think two things can happen. The first item I
24 think would be best to check with Witness Allen, but
25 I believe there might be a carryover from year to

1 year so that if it wasn't all used up in 2012, it
2 could carry forward into 2013, but that would be best
3 to confirm with Witness Allen because he's the expert
4 on that.

5 The second part would be to the extent
6 that it ultimately -- if, hypothetically, it never
7 gets fully utilized, it would be reconciled in the
8 quarterly MTR over/underrecoveries.

9 Q. This reallocation, is that specified in
10 the stipulation or is that something that's going to
11 have to be worked out?

12 A. I think, again, I'm not sure which part
13 you're calling the reallocation, the
14 over/underrecovery is explicit in the stipulation,
15 and I think also the carryover is explicit in the
16 stipulation, I just failed to read far enough along.
17 It says if less than a million megawatt hours of load
18 is received as credit, this limitation shall be
19 adjusted in future years so that the annual credit
20 equals \$10 million per calendar year.

21 Q. Does it explain how that's going to be
22 done? The stipulation, does it explain how that's
23 going to be done?

24 EXAMINER SEE: Mr. Darr, you're going to
25 need to speak up.

1 A. I think the language kind of speaks for
2 itself.

3 Q. Mr. Roush, you testified earlier that you
4 provided Ms. Thomas with an updated or revised POLR
5 number as a result of the Commission's remand
6 decision. Do you recall that?

7 A. Yes, I do.

8 Q. Do you know what the per -- dollars per
9 megawatt-hour that you provided Ms. Thomas for that
10 revised POLR for 2012, '13, and '14 through '15?

11 A. I don't recall. I'm sure it's in her
12 workpaper. Or at least pretty sure.

13 Q. Did you supply her with any information
14 on the weighted average revised POLR through the
15 period 2012 to 2015?

16 A. I'm trying to recall. I think it was the
17 2012 weighted POLR. I don't recall whether there was
18 a 2013 or '14. I don't think there was.

19 Q. What was the weighting that you used?
20 What was the weighting?

21 A. It would have been the load included in
22 my workpapers filed here.

23 Q. Did she ask you to provide anything else?

24 A. Not to my knowledge related to the
25 remand, no.

1 Q. Was the valuation that you gave or the
2 number that you gave to Ms. Thomas, was that a
3 constant through the whole period or did it change
4 from year to year?

5 A. Again, as I said, I don't recall. I
6 recall giving her 2012 numbers, I don't recall
7 whether there were '13 or '14 numbers.

8 Q. Did you provide her anything for 2013,
9 2014, or 2015, if you recall?

10 A. I believe all I provided was based upon
11 current rates, in this instance remand POLR rates,
12 and volume weighted based upon the energy
13 projections.

14 Q. And what energy projections did you use?

15 A. The same ones I've been using throughout
16 this proceeding as shown in my workpapers.

17 Q. Was there any other information that you
18 provided Ms. Thomas regarding this ESP proceeding?
19 And I'm talking about over the last 24 hours.

20 A. Not to my knowledge.

21 Q. What did Ms. Thomas ask you to provide in
22 the way of a revised POLR number?

23 A. Updated per kilowatt-hour rates for CSP
24 and OP based upon the remand POLR rates.

25 Q. And did you give those on a combined

1 basis or for each company separately?

2 A. I believe I provided it separately for
3 each company and then a weighted a combined value.

4 MR. DARR: Thank you.

5 THE WITNESS: You're welcome.

6 EXAMINER SEE: Is that all you have,
7 Mr. Darr?

8 MR. DARR: Yes, ma'am.

9 EXAMINER SEE: Ms. Hand?

10 MS. HAND: I have about 15 to 30 minutes,
11 are you okay to continue, Mr. Roush? Would you like
12 a break?

13 THE WITNESS: I'm fine as long as the
14 Bench is fine.

15 EXAMINER SEE: The Bench is good.

16 EXAMINER TAUBER: Let's go.

17 MS. HAND: I have a few exhibits.

18 Permission to approach and distribute.

19 EXAMINER SEE: Yes.

20 MS. HAND: I've asked folks to take one
21 per party and pass them down. If anyone doesn't get
22 one and wants one, let me know, I'll be happy to have
23 more copies in the morning.

24 EXAMINER SEE: Ms. Hand, you're asking
25 for each of these to be marked?

1 MS. HAND: Yes. And I'm going to walk
2 through them in just a moment.

3 EXAMINER SEE: Okay.

4 MS. HAND: Mr. Roush, if you'll let me
5 know when you feel you've had enough time to take a
6 look at them.

7 I'm asking that these be marked Exhibits
8 ORM-1 through ORM-4.

9 MR. SATTERWHITE: One, we can't hear you
10 so if you can get a microphone. And if it helps save
11 time as the witness is reviewing it, we'd object to
12 the marking of Ormet Exhibit No. 4. This appears to
13 be his deposition, I don't think that's the proper
14 usage to just dump a deposition into an evidentiary
15 record. If you have questions on it based on what
16 he's asked, that's one thing.

17 MS. HAND: Are you objecting to having it
18 marked or having it admitted?

19 MR. SATTERWHITE: I don't even want to
20 have it marked because I think it's improper to try
21 to use it as an exhibit at this point until you can
22 show how you can use it. He would have to read
23 through his entire deposition, if you ask him to read
24 everything.

25 MS. HAND: I'll ask him the questions and

1 if we need to refer to the deposition, we'll have it
2 marked at that time.

3 EXAMINER SEE: Yes.

4 (EXHIBITS MARKED FOR IDENTIFICATION.)

5 THE WITNESS: I'm good with the first
6 three. I've read through the first three no problem.
7 The fourth one I haven't got all the way through.

8 MS. HAND: Can I be heard clearly?

9 MR. SATTERWHITE: Still kind of tough.

10 (Discussion off the record.)

11 - - -

12 CROSS-EXAMINATION

13 By Ms. Hand:

14 Q. Exhibit No. ORM-1, Mr. Roush, are you
15 familiar with Exhibit ORM-1?

16 A. Yes, I am.

17 Q. And you agree that it is AEP's response
18 to Ormet's interrogatory numbered STIP-ORM-INT-1-001?

19 A. Yes, that's correct.

20 Q. And you were the author of that document?

21 A. Yes, I was.

22 Q. And if you were asked the same thing
23 today, would your response be the same?

24 A. At least the first part. The last part
25 I'm sure counsel put on.

1 Q. Okay. But your response would be that
2 there's one customer.

3 A. Yes.

4 Q. With respect to Exhibit No. ORM-2, you
5 agree that that is AEP Ohio's response to Ormet
6 interrogatory numbered STIP-ORM-INT-1-004?

7 A. Yes.

8 Q. And you were the author of that
9 interrogatory, that response?

10 A. I was responsible for it. Someone else
11 wrote it.

12 Q. And if you were asked that question,
13 would your response be the same?

14 A. Yes.

15 Q. With respect to Exhibit No. ORM-3, you
16 agree that that is AEP Ohio's response to the
17 interrogatory from Ormet numbered STIP-ORM-INT-1-005?

18 A. Yes.

19 Q. And you agree that you're the author of
20 that response?

21 A. I'm responsible for it. Someone else
22 wrote it.

23 Q. But your response to the question would
24 be the same.

25 A. Yes, it would.

1 Q. Do you agree that Ormet is the only
2 retail customer of AEP Ohio with a monthly peak
3 demand in excess of 250 megawatts?

4 A. At this time, yes.

5 Q. And do you agree that Ormet is the
6 largest industrial ratepayer of AEP Ohio in Ohio?

7 A. It might depend on how you define
8 "largest." In terms of megawatt-hours at a single
9 site, yes.

10 Q. Okay. Do you agree that the impact on
11 Ormet of being excluded from the load factor
12 provision is roughly \$18 million per year?

13 A. I'm having flashbacks to my deposition so
14 let me just double-check the arithmetic. One moment.

15 Q. If it helps, you might want to look at
16 page 62.

17 A. I don't think I had a calculator with me
18 at that time so I'm going to double-check.

19 Having the advantage of having a
20 calculator I think the number is actually closer to
21 17 million, but that is the impact of applying the
22 load factor rider as is to Ormet, but the design of
23 the load factor rider would necessitate a change in
24 the actual rates in the load factor rider so it gets
25 a little circular.

1 Q. Would you agree that the impact upon
2 Ormet of including 250 megawatts of Ormet's load in
3 the load factor provision would be roughly half of
4 that figure?

5 A. Yes, that's a reasonable approximation.

6 Q. And do you know what criteria were used
7 in setting 250 megawatts as the cap for the load
8 factor provision?

9 A. It was simply a term of the stipulation.

10 Q. Thank you. That's all --

11 A. I'm sure each party had their own basis,
12 but I'm not aware.

13 MS. HAND: Thank you. That's all I have.

14 EXAMINER SEE: Okay.

15 MS. HAND: I would like to move Exhibits
16 ORM-1 through 3 into the record.

17 EXAMINER SEE: And I recognize that
18 you've moved those exhibits in.

19 Mr. Lang, do you have some questions that
20 you wanted to pose to the witness that may venture
21 into some competitively sensitive information?

22 MR. SMALZ: Your Honor, before we do that
23 I may add I have a few questions.

24 EXAMINER SEE: I'm sorry. Is there any
25 other party besides Mr. Sites that has questions for

1 this witness?

2 Go ahead, Mr. Sites.

3 - - -

4 CROSS-EXAMINATION

5 By Mr. Smalz:

6 Q. Good afternoon, Mr. Roush. Can everyone
7 hear me? Hopefully this works to some degree. Turn
8 to page 8 of your testimony beginning on page, excuse
9 me, line 9 which reads "The first step in the design
10 of the proposed base non-FAC generation rates" --

11 EXAMINER SEE: Mr. Sites, excuse me for
12 just one movement.

13 (Discussion off the record.)

14 MR. SATTERWHITE: What number were you on
15 again? Sorry.

16 Q. Mr. Roush, my name is Michael Smalz and I
17 represent the Appalachian Peace and Justice Network,
18 and again I call your attention to page 8 of your
19 testimony beginning on line 9 which reads "The first
20 step in the design of the proposed base non-FAC
21 generation rates was to determine the market-based
22 price relationship for the various types of customer
23 usage. This was accomplished by applying the
24 methodology used by Company witness Thomas to develop
25 the competitive benchmark prices to the specific

1 customer class load shapes."

2 This market based price relationship that
3 is incorporated into the rate design in the
4 stipulation, is that the same rate redesign that was
5 proposed in the company's original application,
6 original ESP application?

7 A. In our January filing?

8 Q. Yes.

9 A. In our January filing, it is the same
10 methodology but the values have changed.

11 Q. And how have the values changed?

12 A. As we were discussing earlier, the
13 market-based price relationship as shown on -- or the
14 calculation begins on workpaper DMR-57. Those values
15 were updated to reflect a \$255-megawatt day capacity
16 value instead of the original capacity value proposed
17 by the company.

18 Q. And were they updated in any other way?

19 A. There would have been flow-through
20 effects on some of the other items, for example,
21 losses would have changed because the capacity number
22 changed, so other values would have changed as a
23 result of changing the capacity value.

24 Q. Okay. Is it possible that these market
25 price relationships change from year to year?

1 A. The market price relationships? The
2 absolute level of the market prices will change from
3 year to year. The general market price relationships
4 wherein a higher load factor customer is cheaper than
5 a lower load factor customer, those fundamental
6 relationships would be constant over time.

7 Q. But the relationships, let's say the
8 relationships that were used to justify increasing
9 the rates for residential customers, can those change
10 from year to year?

11 A. I guess fundamentally the market price
12 relationships are going to move a little bit from
13 year to year or maybe even -- but it's the relative
14 relationship among the classes that's really what's
15 important and what's driving the rate design which is
16 that, kind of what I went back to before, that a
17 hundred percent load factor flat load customer is
18 cheaper to serve than a customer that is lower load
19 factor and peaks when the weather's hot in the summer
20 and cold in the winter.

21 Q. But can those relative relationships
22 change from year to year?

23 A. I think arithmetically the relative
24 relationships will change a little bit from year to
25 year. I think the direction, and I'm not saying this

1 very well for you, the directional relationship has
2 to be rational which is that summer peaking customers
3 are more expensive to serve than flat-load customers,
4 that's just a fundamental relationship that it may
5 change, you know, a little bit over time depending on
6 what capacity value you use or what the energy
7 markets are doing, but the relative relationship
8 would still be directionally the same.

9 Q. Okay. Mr. Roush, now we're talking about
10 a rate redesign which affects the rates for
11 nonshopping customers; is that correct?

12 A. Yes. Everything we've been talking about
13 is relative to the generation service rider or base
14 generation rates, yes.

15 Q. So we're going to design -- what AEP is
16 proposing to do in this stipulation is designing
17 rates for nonshopping residential customers based on,
18 quote/unquote, market-based price relationships; is
19 that correct?

20 A. I think fundamentally what we're doing is
21 trying to recognize that by 2015-'16 we are going to
22 be competitively bidding all this load out so it will
23 be priced based upon, you know, whatever the
24 transformation of those bids into retail prices
25 mechanics are. And rather than wait until 2015-'16

1 to do something about that we need to start moving
2 that direction between now and that point in time.

3 So what we're doing here is basically
4 saying we know where the in-state is now, let's start
5 to gradually move away from these legacy unbundled
6 rates from rate cases back in the '90s adjusted for
7 this, that, and the other to what the environment for
8 tomorrow's going to be which is a competitive bid,
9 slice of system I believe, translated into default
10 rate for all customers.

11 Q. But until 2015 to 2016 these customers
12 who are being assessed these rates will not be in the
13 market.

14 A. I'm not sure I agree with your statement
15 they won't be in the market. They will not be
16 shopping, that's correct.

17 Q. Okay.

18 A. But we've got to, rather than have a
19 flash cut in 2015, what we've -- what the stipulation
20 includes is a transition to get us there and a glide
21 path to get us there.

22 Q. Now, I think you earlier testified that
23 there was no cost-of-service basis for the rate
24 redesign; is that correct?

25 A. It is -- the rate redesign is not based

1 upon, you know, pre -- you know, 1999 vintage cost of
2 service as that was understood in Ohio.

3 Q. So is it your testimony that there's no
4 cost basis for these rate redesign changes?

5 A. No. I think the exact opposite if you
6 really think about it in terms of what is Columbus
7 Southern and Ohio Power going to look like in
8 2015-'16. We're going to look like a wires business
9 who is buying their needs for the default service
10 customers through an auction.

11 So what we're doing here is basically
12 taking that same view of saying well here's what it's
13 going to look like at the end and let's start making
14 that transition now. So I guess fundamentally there
15 is, you know, in that in-state paradigm the costs for
16 the wires company will be based on an auction so it
17 will be a market cost. And so I guess kind of
18 implicitly in this rate design is an underlying kind
19 of market cost more used for the market cost
20 relationship than actual absolute values of market
21 costs.

22 Q. But these redesigned rates are not based
23 on the company's current costs; is that correct?

24 A. I think it goes back to that word I used
25 previously which was "hope" which was, you know, in

1 the designing of this, you know, in the company being
2 able to agree to the stipulation we hope this covers
3 our costs, but there's no guarantee whatsoever that
4 it will and it's not based on 1999 cost of service,
5 style cost of service.

6 Q. Along those lines I'd like to call your
7 attention to the next page, page 9, line 10,
8 beginning on line 10 where it reads "As such, the
9 generation rates reflect an amalgamation of very old
10 cost relationships, including any historic levels of
11 cross-subsidization among tariff classes."

12 Did the company do any study of current
13 cost relationships?

14 A. Again, only in the context of what we're
15 discussing, kind of a more of a market cost. We did
16 not do a cost of service study. My recollection from
17 those last cases, which I happened to work on both of
18 those, was that at the time, based on the cost of
19 service the companies filed, residential customers
20 were receiving significant subsidies.

21 Q. And did the company do any specific
22 comparison of old cost relationships and current cost
23 relationships?

24 A. No. Again, as we've been discussing, I
25 don't think cost relationships are relevant so we did

1 not make that comparison on a traditional 1999
2 vintage cost of service type analysis.

3 Q. By the way, Mr. Roush, is it fair to say
4 that the rate redesign results in a disproportionate
5 increase in base generation rates for residential
6 customers as compared to other classes?

7 A. No, I wouldn't agree with that.

8 Q. Are you saying, then, that residential
9 customers are treated just as favorably as other
10 customers under the rate redesign?

11 A. I'd say that they're being treated
12 appropriately given the direction we're heading,
13 which is towards a competitive bid auction based SSO,
14 and the stipulation actually includes provisions such
15 as the MTR to ease that transition. So, I mean, my
16 position is that the company is doing everything it
17 can to make this transition a reasonable one.

18 Q. Putting aside the MTR and comparing the
19 rates under the rate redesign with current rates,
20 would residential customers experience a higher rate
21 increase than other -- than certain other customer
22 classes?

23 MS. GRADY: Can I have that question
24 reread?

25 (Record read.)

1 A. I would say the answer to that's kind of
2 yes and no. Certain customer classes are seeing
3 higher increases than residential, other customer
4 classes are seeing lower increases than residential.
5 At the end of the day the rates that are being
6 designed are the appropriate rates and the
7 appropriate direction to head. What's really the
8 problem is the legacy rates to some extent which are
9 kind of a, like you've read right out of my
10 testimony, an amalgamation of lots of different
11 things.

12 So, you know, what to one person can be
13 viewed as residential might be seeing a higher
14 increase than certain other customer classes, certain
15 other customer classes are also seeing higher
16 increases than residential so I'm really hard-pressed
17 to agree to your statement.

18 Q. So which customer classes are seeing
19 lower rate increases than residential customers?

20 A. I think probably the easiest thing to do
21 is to look at my Exhibit DMR-5 which, you know, I
22 mean it's -- because there's various rates and
23 tariffs you can see in Exhibit DMR-5 for, in 2012 for
24 Columbus Southern Power residential customers, on
25 page 1 of 11, in 2012 they're seeing increases that

1 range anywhere from decreases to increases, you know,
2 in the 20 percent range depending on the nature of
3 their usage.

4 Similarly, you can see -- so some of it's
5 a function of particular usage even within the
6 residential class themselves. There are some
7 customer classes that are seeing rate reductions out
8 of the company's proposal. Specifically page 2 of
9 11, residential energy storage are all seeing
10 reductions in 2012. GS1 unmetered are seeing
11 increases. Regular GS1, some of those customers are
12 seeing increases or decreases. So it really is kind
13 of a hard comparison to make.

14 Q. Mr. Roush, I understand that for 2012
15 there's a one-year delay in imposing the PIRR
16 increases in residential customers; is that right?

17 A. The phase-in recovery rider does not
18 apply to residential customers in 2012.

19 Q. So looking over the entire term of the
20 ESP including 2013 and 2014, what classes of
21 customers are seeing lower rate increases than
22 residential customers? Do you know the answer to
23 that?

24 MR. SATTERWHITE: Can I get that reread I
25 guess at the end.

1 (Record read.)

2 MR. ECKHART: Clarification, are we
3 talking about a higher rate of increase or decrease
4 or just a higher basic increase? A higher rate of
5 increase, is that what you're talking about?

6 MR. SMALZ: The higher rate of -- well,
7 actually my current question is what classes are
8 seeing lower rate increases, then I'll get to higher
9 rate increases, but, yes, the question relates to the
10 rate of increase if that helps.

11 MR. ECKHART: The rate of increase.

12 A. Would you mind asking the question one
13 more time rather than have the reporter read it back.

14 Q. Okay. Over the entire term of the ESP
15 which customer classes are seeing lower percentage
16 rate increases than residential customers?

17 A. And I haven't done that specific
18 calculation although it could be computed from my
19 exhibits and workpapers, but -- with one caveat, that
20 I only have through May of 2015, the ESP term is
21 actually through May of 2016, but I'd say generally
22 the residential customers' percentage increase over
23 the term is higher than most other classes.

24 Q. Thank you, Mr. Roush.

25 Now, the reason for the market transition

1 rider is to push that rate shock on certain customer
2 classes; is that your understanding?

3 A. No. I wouldn't use any of those words.
4 The purpose of the market transition rider, and let
5 me go back to my testimony, is it facilitates the
6 transition from CSP and OP's current generation rates
7 to the market based SSO generation service rates.

8 Q. Well, to translate that into plain
9 English, is the reason for the market transition
10 rider to push the impact of the rate changes on
11 certain customer classes?

12 A. It's to provide and manage the transition
13 from the current rates to the rates that will be in
14 2015-'16 when we go to a competitive bid.

15 Q. To provide and manage the transition for
16 what purpose?

17 A. To manage both sides of the equation. To
18 manage the increases that customer classes are seeing
19 and the decreases that customer classes are seeing.

20 Q. And by "manage" do you mean to mitigate
21 those increases or decreases?

22 A. I don't know if mitigate's the right
23 word, but transition is.

24 Q. Does the market transition rider reduce
25 the immediate impact of the rate increases?

1 A. The market transition rider reduces the
2 increases for some classes but increases the increase
3 for other classes or, conversely, reduces the
4 decreases for other classes to allow for a glide path
5 to the 2015-'16 date.

6 Q. Thank you, Mr. Roush.

7 Turn to page 15 of your testimony,
8 beginning at line 11 which reads "Upon implementation
9 in January 2012, residential customers using 1,000
10 kilowatt-hours of electricity per month would see a
11 monthly rate decrease of \$4.50 for CSP and increase
12 of \$4.41 for OPCo."

13 Now, this statement I assume does not
14 take into effect the impact of yesterday's remand
15 order from the Commission; is that correct?

16 A. That statement does not reflect any
17 impact of yesterday's remand order. And just to
18 clarify it's a monthly rate decrease of \$4.54 for
19 CSP, I think as I previously stated it was a
20 comparison of the rates in effect on August 30, 2011,
21 to the rates that would be in effect in January '12.

22 Q. If it did reflect the impact of
23 yesterday's remand order, would these numbers be
24 different than they are stated here?

25 A. Yes, the answer would be different based

1 upon yesterday's remand.

2 Q. And how would they be different?

3 A. I haven't done the specific calculation,
4 but in general the decrease would be less of a
5 decrease and the increase would be more of an
6 increase in January '12, but then in 2013 the
7 increases as shown would be less because of any
8 potential reduction to the deferrals.

9 Q. Is it your testimony that the rate
10 increases for 2013 and 2014 would be less if your
11 numbers in DMR-5 reflected the impact of the remand
12 order?

13 A. Yes. Specifically in 2013 because that
14 is when residential customers would begin paying the
15 phase-in recovery rider. So that phase-in recovery
16 rider, assuming the remand reduces the deferral
17 balance, the phase-in recovery rider would be lower
18 so the impact on customers in 2013 would be lower.

19 Q. Now, are you referring to the impact of
20 rates in 2013 as compared to current bill rates?

21 A. Compared to 2012.

22 Q. I see. Okay. But the increases in 2013
23 as compared to current billed rates, would those be
24 greater or lower?

25 A. I don't know without running through all

1 that math, which I haven't done.

2 Q. In any case, the figures that you provide
3 for 2013 and 2014 in Exhibit DMR-5 would be different
4 if they reflected the impact of the remand order.

5 THE WITNESS: Can you read that one back?

6 (Record read.)

7 A. Yes, I think as a question previously
8 discussed what I have included was an estimate of
9 what the phase-in deferrals would be. The ultimate
10 phase-in rider will reflect whatever the actual
11 deferrals are which, based upon the remand, I would
12 expect the level of the deferrals to possibly be
13 lower.

14 Q. And when you refer to the impact on the
15 deferrals, are you referring to the flow-through
16 effects of the elimination of the POLR charge?

17 A. I guess I'm not sure what you mean by
18 that.

19 Q. Well, let me ask you, what do you mean by
20 the impact of the changes in deferrals resulting from
21 the remand order?

22 A. The remand would result in applying
23 certain moneys towards, first against any deferred
24 fuel balance and then as a refund to customers. So
25 to the extent that the remand applies moneys to

1 change the deferral balance, the deferral balance is
2 what is used to compute the phase-in recovery rider
3 so a lower deferral balance translates into a lower
4 phase-in recovery rider.

5 MR. SMALZ: I see.

6 I have no further questions, your Honor.

7 EXAMINER SEE: Am I correct that none of
8 the other parties have questions for this witness?

9 Okay. FES had some questions that they
10 wanted to ask and the Bench is concerned that this
11 may --

12 MR. SATTERWHITE: I think we handled it.

13 MR. LANG: Your Honor, I did discuss this
14 with Mr. Satterwhite during one of the breaks and I
15 think what our objective would be is to, because it
16 is a question with regard to a discovery response,
17 that we would stipulate that discovery response in as
18 FES 5. It would be the -- the confidentiality of it
19 would be maintained so the exhibit itself would be
20 under seal.

21 The questions that I have for Mr. Roush
22 do not go to the confidential data that's in that
23 exhibit, they just go to his knowledge and use of it,
24 so I believe that I can ask the questions and he can
25 provide answers on an open record without having to

1 ask anyone to leave the room.

2 EXAMINER SEE: Okay. With the
3 clarification that we previously said this was going
4 to be FES 6.

5 MR. HAYDEN: This is 5, your Honor.

6 EXAMINER SEE: This is going to be 5?
7 Okay.

8 MR. PETRICOFF: Your Honor --

9 EXAMINER SEE: And it's going to be a
10 confidential exhibit. And do the appropriate
11 individuals have a copy of this?

12 MR. LANG: Yes.

13 MR. PETRICOFF: That's just what I was
14 going to ask. If we could have it sent out, e-mailed
15 to those who are on the confidentiality list, that
16 would be helpful. I don't think we need it
17 immediately.

18 MR. NOURSE: I can do that this evening,
19 but I can't do it right now.

20 MR. PETRICOFF: That's what I'm saying,
21 we don't need it for right now, but if we can make
22 arrangements for that, it would be fine.

23 MR. LANG: And since it is a discovery
24 response the parties that did sign the protective
25 agreement I believe have all received this, the

1 response to FES Interrogatory No. 1, which is this
2 response.

3 EXAMINER SEE: Okay.

4 MR. NOURSE: That's true. Good answer.

5 MR. PETRICOFF: Among the thousands of
6 others.

7 MR. SATTERWHITE: We know.

8 EXAMINER SEE: Go ahead, Mr. Lang.

9 MR. LANG: Thank you, your Honor.

10 - - -

11 CROSS-EXAMINATION (Continued)

12 By Mr. Lang:

13 Q. Mr. Roush, do you have that document in
14 front of you that's been marked FES No. 5?

15 A. Yes, I do.

16 Q. And this is the AEP Ohio's responses to
17 FirstEnergy Solutions Interrogatory No. 1.

18 A. Yes, it is.

19 Q. Prior to filing your testimony, I mean
20 your stipulation testimony, you were able to review
21 that document and in particular the fuel cost
22 estimates attached to that document that is page 2 of
23 that exhibit; is that correct?

24 A. Yes, that's correct.

25 Q. And that document provides fuel cost

1 estimates for calendar years 2012, 2013, and 2014,
2 correct?

3 A. Yes, that's correct.

4 Q. In your testimony you elected not to use
5 the fuel cost estimates developed by AEP for 2012,
6 2013, and 2014, correct?

7 A. Yes, that's correct.

8 MR. LANG: Those are all my questions.

9 EXAMINER SEE: Okay. Thank you.

10 MR. SATTERWHITE: Just take a five-minute
11 recess and see if we have any redirect?

12 EXAMINER SEE: We'll take a five-minute
13 break.

14 (Recess taken.)

15 EXAMINER SEE: Let's go back on the
16 record.

17 Any redirect for Mr. Roush,
18 Mr. Satterwhite?

19 MR. SATTERWHITE: Just one question,
20 thank you, your Honor.

21 - - -

22 REDIRECT EXAMINATION

23 By Mr. Satterwhite:

24 Q. Mr. Roush, FES 5, the confidential
25 exhibit given to you by Mr. Lang, on that it's listed

1 a "prepared by." Are you the individual that
2 prepared that response?

3 A. No, I am not.

4 MR. SATTERWHITE: Two questions.

5 Q. Who is that person?

6 A. Philip J. Nelson.

7 MR. SATTERWHITE: Thank you. That's all
8 I have.

9 EXAMINER SEE: Okay.

10 MR. SATTERWHITE: At this point, your
11 Honor, I move for the admission of AEP Exhibit No. 2,
12 the direct testimony of Mr. Roush as presented today.

13 EXAMINER SEE: Are there any objections
14 to the admission of AEP Ohio Exhibit 2, stipulated
15 direct testimony from Mr. Roush?

16 Hearing none, AEP Ohio Exhibit 2 is
17 admitted into the record.

18 (EXHIBIT ADMITTED INTO EVIDENCE.)

19 EXAMINER SEE: I think Ms. Hand also
20 moved for the admission of Ormet Exhibits 1, 2, and
21 3. Are there any objections to the admission of
22 those exhibits?

23 MR. SATTERWHITE: None, your Honor.

24 EXAMINER SEE: Ormet Exhibits 1, 2, and 3
25 are admitted into the record.

1 (EXHIBITS ADMITTED INTO EVIDENCE.)

2 EXAMINER SEE: And FES has confidential
3 Exhibit 5, is my understanding, correct?

4 There are no objections to the admission
5 of that exhibit, and it will be held in confidence.

6 (EXHIBIT MARKED FOR IDENTIFICATION.)

7 MR. SATTERWHITE: No. He also had FES 6.

8 MR. LANG: And FES 6 that we moved.

9 EXAMINER SEE: But they're not both
10 confidential, are they?

11 MR. LANG: No.

12 EXAMINER SEE: Okay. 5 is being held in
13 confidence and we ask is there any objection to FES
14 6?

15 MR. SATTERWHITE: No, your Honor.

16 EXAMINER SEE: FES Exhibit 6 should be
17 admitted into the record.

18 (EXHIBITS ADMITTED INTO EVIDENCE.)

19 EXAMINER SEE: Let's go off the record
20 for a minute.

21 (Discussion held off record.)

22 EXAMINER SEE: Let's go back on the
23 record. Thank you, Mr. Roush.

24 THE WITNESS: Thank you.

25 EXAMINER SEE: Mr. Darr.

1 MR. DARR: Thank you, your Honor. And I
2 apologize for jumping the gun there.

3 EXAMINER SEE: That's okay.

4 MR. DARR: I would like to proffer the
5 following out of OCC Interrogatory 362 with regard to
6 the two questions that you sustained objections on
7 with regard to relevance, specifically the question
8 with regard to Turning Point, I believe the testimony
9 would have been as follows: The Turning Point
10 project, see company testimony filed July 1, 2011, in
11 the ESP cases. And with regard to the MR6 question,
12 I believe that the response would have been for MR6
13 the requested calculation has not been performed.

14 EXAMINER SEE: Okay.

15 MR. DARR: And I offer that as a proffer
16 for the evidence that would have been otherwise, what
17 I believe would have been elicited on
18 cross-examination.

19 EXAMINER SEE: You gave a number for
20 those two?

21 MR. DARR: Interrogatory 362, OCC 362.
22 And if you would like, there are a number of other
23 answers in that, so basically what I did was read the
24 one that I was seeking to solicit.

25 EXAMINER SEE: Okay.

1 MR. SATTERWHITE: I couldn't really hear
2 all of that. I don't know what numbers. I heard 362
3 I think.

4 MR. DARR: 362A. OCC 362A is where I
5 drew the information from.

6 MR. SATTERWHITE: For both?

7 MR. DARR: Yes.

8 MR. SATTERWHITE: Okay.

9 EXAMINER SEE: I believe the company was
10 planning its next witness, you said, would be Pearce,
11 at least that was the indication this morning.

12 MR. SATTERWHITE: Yes.

13 EXAMINER SEE: Okay. When we started the
14 hearing this morning, the company provided the
15 parties some revised testimony regarding the remand
16 decision that was issued yesterday. And I understand
17 that this is based on the company's interpretation of
18 the remand order.

19 Is that correct, Mr. Nourse?

20 MR. NOURSE: Yes.

21 EXAMINER SEE: And that you removed --
22 your numbers are based on the company's
23 interpretation of what the POLR charge that remains
24 in rates should be. Is that correct?

25 MR. NOURSE: Yes. The company's

1 interpretation as reflected in the revised testimony
2 was that the increase to the POLR charge authorized
3 in the ESP order in 2009 would be backed out of the
4 rate versus a full removal or elimination of the
5 rider, the POLR rider.

6 EXAMINER SEE: And I understand there
7 are -- Mr. Randazzo.

8 MR. RANDAZZO: Your Honor, I was just
9 going to say that Mr. Roush's cross-examination
10 highlighted what the company's interpretation is, if
11 I could suggest to you that, and it was to go back to
12 the --

13 EXAMINER SEE: Just a minute,
14 Mr. Randazzo, okay?

15 MR. RANDAZZO: Sure.

16 EXAMINER SEE: You might get there.

17 MR. RANDAZZO: All right.

18 EXAMINER SEE: Is it possible for the
19 companies to totally remove the POLR and revise again
20 the testimony of Hamrock, Thomas, and Allen?

21 MR. NOURSE: Well, of course it's
22 possible, your Honor.

23 EXAMINER SEE: Good answer. How quickly
24 could that be done?

25 MR. NOURSE: I think it could be done

1 fairly quickly. I guess, you know, if you're
2 directing us to do that, we're willing to do that, of
3 course.

4 EXAMINER SEE: I recognize that it's not
5 the company's interpretation of the remand order, but
6 there were --

7 MR. NOURSE: We'd rather do that than go
8 through this hearing twice, okay? So if we want to,
9 you know, if we want to go back on the record and you
10 direct us to do that, we'll do it.

11 EXAMINER SEE: We are on the record,
12 Mr. Nourse.

13 MR. NOURSE: Okay, I'm sorry. I thought
14 we were off the record. But if you're directing us
15 to do that, we can do it and circulate it either
16 later this evening or first thing in the morning as
17 a, you know, as a B version, an alternative version
18 of the revisions that would reflect a full removal of
19 the -- elimination of the POLR rider altogether.

20 EXAMINER SEE: Then yes, let it be a
21 Bench ordered revision recognizing that it's not the
22 company's position.

23 With that, I know the company said that
24 they wanted to put or was willing to put Pearce on
25 next.

1 MR. NOURSE: Yes.

2 EXAMINER SEE: I'd like, as we spoke off
3 the record, Mr. Sites -- and I'm sorry I called
4 Mr. Smalz Mr. Sites earlier today -- if it's
5 possible, rather than lose the rest of the day, if
6 you'd like to put Mr. Fraley on, is that okay?

7 MR. SITES: I'm checking with him. He
8 said he would be available tomorrow afternoon.

9 EXAMINER SEE: Okay. So we do Pearce and
10 Fraley tomorrow.

11 Mr. Randazzo.

12 MR. RANDAZZO: Yes, your Honors, if I
13 might request that if the company's going to
14 circulate a revised testimony per the Bench's
15 instructions, if they could sort of anticipate that
16 we're going to be requesting workpapers and get the
17 workpapers supplied with that, it may save some time
18 also.

19 MR. NOURSE: Yeah, we'll circulate the
20 same workpapers we did today with different numbers.
21 Sure.

22 EXAMINER SEE: Okay. Thank you.

23 I would also note that on the hearing
24 calendar it says that we are starting at 9 o'clock
25 each day from this day forward. That's because we do

1 not have the technical ability anymore to say that we
2 will announce the starting time the evening before.
3 So that may not always be the case, but for tomorrow
4 9 o'clock.

5 MR. HAYDEN: Your Honor, if I may, there
6 was some discussion earlier about availability of
7 staff witnesses. I wanted to verify that Mr. Fortney
8 would be available to testify on Thursday before I
9 believe he leaves.

10 MR. NOURSE: I thought the suggestion was
11 October 18th earlier.

12 MR. SATTERWHITE: Yes.

13 MR. JONES: Your Honor, we can make
14 Mr. Fortney available depending on the lineup of
15 other witnesses that are certain to be -- that have
16 to go on this week still. The one we wanted to make
17 sure we got in this week was Dan Johnson. But
18 provided that we're on schedule with witnesses and
19 get all the other certain witnesses in for this week
20 we could have Mr. Fortney provide testimony Thursday
21 too if that would work for the Bench.

22 MR. KUTIK: Is Mr. Fortney available next
23 week?

24 MR. JONES: No, the 18th would be the
25 next opportunity.

1 EXAMINER SEE: And we have scheduled,
2 without guarantee, Baron, Ervin, and Ringenbach.

3 MR. PETRICOFF: Yes, your Honor.

4 EXAMINER SEE: Say it again.

5 MR. PETRICOFF: Ringenbach.

6 EXAMINER SEE: Ringenbach, okay.

7 MR. KUTIK: But there's some flexibility
8 with Ms. Ringenbach, is there not?

9 MR. PETRICOFF: There is some
10 flexibility.

11 EXAMINER SEE: So she would also be
12 available on Friday?

13 MR. PETRICOFF: Yeah. And, in fact, I
14 guess at this point maybe it makes sense given that
15 list that it probably would be Friday.

16 EXAMINER SEE: More than likely. So the
17 hope is to put Mr. Fortney on Thursday, Mr. Beeler,
18 Mr. Jones?

19 MR. JONES: Yes.

20 EXAMINER SEE: We'll make an attempt to
21 get Mr. Fortney in on Thursday?

22 MR. JONES: On Thursday, yes.

23 EXAMINER SEE: All right. Any other
24 issues before we adjourn for the day?

25 MR. NOURSE: I'm sorry. Are we

1 presume -- I didn't hear all of what you said. Are
2 we presuming that Mr. Hamrock is not going to testify
3 tomorrow?

4 EXAMINER SEE: Not tomorrow.

5 MR. NOURSE: So it will be a short day
6 with those two witnesses.

7 MS. GRADY: Could be.

8 MR. RANDAZZO: So you might start at 10.

9 EXAMINER SEE: Giving parties a little
10 more time given the changes today and the changes
11 that you plan to file, is that a problem?

12 MR. NOURSE: It's not a problem for me,
13 your Honor, I'm just trying to clarify.

14 EXAMINER SEE: Is Mr. Hamrock going out
15 of the country?

16 MR. HAMROCK: Not that I know of.

17 EXAMINER SEE: Thank you, Mr. Hamrock.

18 Is there anything else? We're adjourned
19 for the day and we'll go for 9, 9 tomorrow morning.

20 (Thereupon, the hearing was adjourned at
21 5:27 p.m.)

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CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by me in this matter on Tuesday, October 4, 2011, and carefully compared with my original stenographic notes.

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

My commission expires June 19, 2016.

(MDJ-3901)

- - -

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Case No(s). 10-2376-EL-UNC, 11-0346-EL-SSO, 11-0348-EL-SSO, 11-0349-EL-AAM, 11-0350-EL-AAM

Summary: Transcript Transcript of Columbus Southern Power Company and Ohio Power Company hearing held on 10/04/11 - Vol I electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Jones, Maria DiPaolo Mrs.