

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of: :
: Case No. 12-1230-EL-SSO
The Application of The :
Ohio Edison Company, :
The Cleveland Electric :
Illuminating Company, :
and The Toledo Edison :
Company for Authority to :
Provide for a Standard :
Service Offer Pursuant to :
R.C. Section 4928.143 in :
the Form of an Electric :
Security Plan. :

- - -

PROCEEDINGS

before Mr. Gregory Price and Ms. Mandy L. Willey,
Hearing Examiners, at the Public Utilities Commission
of Ohio, 180 East Broad Street, Room 11-C, Columbus,
Ohio, on June 4, 2012, called at 10:00 a.m.

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VOLUME I

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3 By Mr. David A. Kutik

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7 and

8 FirstEnergy Service Company

9 By Mr. James W. Burk,

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11 Ms. Kathy Kolich,

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13 76 South Main Street

14 Akron, Ohio 44308

15 On behalf of The Ohio Edison Company,

16 The Cleveland Electric Illuminating

17 Company and The Toledo Edison Company

18 Bricker & Eckler, LLP

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9 Company, and Constellation NewEnergy,
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21 On behalf of Ohio Power Company.

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of The Ohio Edison Company, The Cleveland
Electric Illuminating Company and The
Toledo Edison Company.

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5 By Mr. Thomas W. McNamee,
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9 On behalf of the Staff of the Public
10 Utilities Commission of Ohio.

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14 On behalf of the Material Sciences
15 Corporation.

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18 Mr. David Boehm,
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22 On behalf of Ohio Energy Group.

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24 By Mr. Christopher J. Allwein
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10 On behalf of Duke Energy Retail Sales and
11 Duke Energy Commercial Asset Management.

12 Bricker & Eckler, LLP
13 By Ms. Lisa Gatchell McAlister
14 and Mr. J. Thomas Siwo
15 100 South Third Street
16 Columbus, Ohio 43215-4291

17 On behalf of Ohio Manufacturers
18 Association.

19 Ohio Environmental Council
20 By Ms. Cathryn N. Loucas
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23 On behalf of Ohio Environmental Council.

24 Ohio Partners for Affordable Energy
25 By Ms. Colleen Mooney
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4 On behalf of the Dayton Power & Light.

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9 On behalf of the Industrial Energy Users
10 of Ohio.

11 City of Akron

By Ms. Sherry B. Cunningham, Director of Law,

12 161 South High Street, Suite 202

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17 On behalf of the City of Akron.

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21 On behalf of the Environmental Law &
22 Policy Center.

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25 On behalf of Cleveland Municipal School

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7 On behalf of Nucor Steel Marion.

8 Interstate Gas Supply, Inc.
9 By Mr. Matthew White
10 6100 Emerald Parkway
11 Dublin, Ohio 43016

12 On behalf of Interstate Gas Supply, Inc.

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Monday Morning Session,

June 4, 2010.

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EXAMINER PRICE: Let's go on the record.

Good morning. The Public Utilities Commission has set for hearing at this place and this time Case No. 12-1230-EL-SSO, being In the Matter of the Application of The Ohio Edison Company, The Cleveland Electric Illuminating Company and the Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to Section 4928.143 Revised Code in the Form of an Electric Security Plan.

My name is Gregory Price. With me is Mandy Willey. We are the attorney examiners assigned to preside over today's hearing.

Let's begin by taking appearances of the parties, starting with the company.

MR. BURK: On behalf of the companies, your Honor, James W. Burk, Arthur Korkosz, Kathy Kolich and Carrie Dunn, 76 South Main Street, Akron, Ohio 44308.

And also on behalf of the companies, David Kutik with the Jones Day law firm, 901 Lakeside Avenue, Cleveland, Ohio.

EXAMINER PRICE: Thank you.

1 MR. PETRICOFF: Thank you, your Honor.
2 On behalf of the Retail Energy Supply Association, M.
3 Howard Petricoff and Lija Kaleps-Clark, from the law
4 firm of Vorys Sater, Seymour and Pease, 52 East Gay
5 Street, Columbus, Ohio.

6 On behalf of Exelon Energy -- I'm sorry
7 Exelon Generation and Exelon -- I'm sorry,
8 Constellation NewEnergy, David Stahl, from Eimer,
9 Stahl, Chicago, Illinois; M. Howard Petricoff, Lija
10 Kaleps-Clark from Vorys Sater, Seymour and Pease.
11 Thank you.

12 MR. BOEHM: On behalf of the Ohio Energy
13 Group, David Boehm and Michael L. Kurtz, from the law
14 firm of Boehm, Kurtz and Lowery, 36 East Seventh
15 Street, Cincinnati, Ohio 45202.

16 MR. ALLWEIN: Good morning, your Honors.
17 On behalf of the Sierra Club, Christopher J. Allwein,
18 1373 Grandview Avenue, Suite 212, Columbus, Ohio
19 43212; and Robb Kapla, 85 Second Street, Second
20 Floor, San Francisco, California 94105.

21 MS. McCONNELL: On behalf of the Ohio
22 Power Company, Marilyn McConnell, AEP Electric
23 Service Corporation, One Riverside Plaza, Columbus,
24 Ohio 43215.

25 MR. DORTCH: Good morning, your Honors.

1 On behalf of AEP Retail Energy Partners, LLC, Michael
2 D. Dortch, from the law firm of Kravitz, Brown &
3 Dortch, LLC, 65 East State Street, Suite 200,
4 Columbus, Ohio.

5 MR. SAUER: Thank you. On behalf of the
6 residential customers of the FirstEnergy Companies,
7 the Office of the Ohio Consumers' Counsel, Bruce J.
8 Weston, Consumers' Counsel Larry S. Sauer and Melissa
9 Yost, Terry Etter, Assistant Consumers' Counsel, 10
10 West Broad Street, Suite 1800, Columbus, Ohio 43215.
11 Thank you.

12 MR. POULOS: Good morning, your Honor.
13 Gregory J. Poulos, on behalf of the EnerNOC, 471 East
14 Broad Street, Columbus, Ohio 43215.

15 MR. WARNOCK: On behalf of the Northeast
16 Ohio Public Energy Council and the Ohio Schools
17 Council, Matthew W. Warnock and Glenn S. Krassen,
18 from the law firm of Bricker & Eckler.

19 MR. McNAMEE: On behalf of the staff of
20 the Public Utilities Commission of Ohio, Mike DeWine,
21 Attorney General of the State of Ohio, I am Thomas W.
22 McNamee, Assistant Attorney General. The address is
23 180 East Broad Street, Columbus, Ohio.

24 EXAMINER PRICE: Ms. Kingery.

25 MS. KINGERY: On behalf the Duke Energy

1 Retail Sales and Duke Energy Commercial Asset
2 Management, Amy Spiller and Jeanne Kingery, 139 East
3 Fourth Street Cincinnati, Ohio 45201.

4 EXAMINER PRICE: Thank you.

5 MS. McALISTER: Good morning, your Honor.
6 On behalf of the OMA Energy Group, Lisa McAlister and
7 J. Thomas Siwo, Bricker, Eckler, 100 South Third
8 Street, Columbus, Ohio 43215.

9 MS. LOUCAS: Good morning, your Honor.
10 Cathryn Loucas on behalf of the Ohio Environmental
11 Council, 1207 Grandview Avenue, Columbus, Ohio 43212.

12 EXAMINER PRICE: Thank you.

13 MS. MOONEY: On behalf of the Ohio
14 Partners for Affordable Energy, Colleen Mooney, 231
15 West Lima Street, Findlay, Ohio.

16 MR. ROBINSON: On behalf of Citizen
17 Power, Theodore Robinson, 2121 Murray Avenue,
18 Pittsburgh, Pennsylvania 15217.

19 MR. HAYS: Thomas Hays, H-A-Y-S, 7107
20 Cannons Park Road, Toledo, Ohio 43617, on behalf of
21 Lucas County and NOAC.

22 MS. KOVACIK: Leslie Kovacik, on behalf
23 of the Northwest Ohio Aggregation Coalition and the
24 City of Toledo, 420 Madison Toledo, Ohio 43204.

25 EXAMINER PRICE: Thank you.

1 MS. SOBECKI: On behalf of Dayton Power &
2 Light, Judi Sobecki, 1065 Woodman Drive, Dayton,
3 Ohio.

4 MR. ROYER: Good morning. For the
5 Cleveland Municipal School District and Interstate
6 Gas Supply, Inc., Barth Royer, Bell & Royer, 33 South
7 Grant Avenue, Columbus, Ohio.

8 MR. VICKERS: On behalf of the
9 Environmental Law & Policy Center, Justin Vickers, 35
10 East Wacker Drive, Chicago, Illinois 60601.

11 MR. LAVANGA: Good morning, your Honor.
12 On behalf of the Nucor Steel Marion, Michael Lavanga,
13 of the law firm of Brickfield, Burchette, Ritts &
14 Stone, address 1025 Thomas Jefferson Street, N.W.,
15 Washington, D.C. 20007.

16 MR. SMITH: On behalf of the Material
17 Sciences Corporation, Craig I. Smith, Attorney at
18 Law, 15700 Van Aken Boulevard, Suite 26, Shaker
19 Heights, Ohio 44120.

20 MR. CLARK: On behalf Direct Energy
21 Services, LLC and Direct Energy Business, LLC, Joseph
22 M. Clark, 6641 North High Street, Suite 200,
23 Worthington, Ohio 43085.

24 MR. PRITCHARD: On behalf of the
25 Industrial Energy Users of Ohio, Matthew Pritchard,

1 Sam Randazzo, and Frank Darr, 21 East State Street,
2 Columbus, Ohio 43215.

3 MR. OLIKER: Good morning, your Honor.
4 On behalf of the City of Akron, Sherry B. Cunningham,
5 Director of Law, 161 South High Street, Suite 202
6 Akron, Ohio 44308; and also Joseph Olikier of the law
7 firm of McNees, Wallace & Nurick, 21 East State
8 Street, Columbus, Ohio 43215.

9 EXAMINER PRICE: Thank you. Is that
10 everybody? Did we miss anybody? Thank you, all.

11 We have a number of pending motions to
12 take up first.

13 EXAMINER WILLEY: First of all, I will
14 address the pending motion to intervene pro hac vice,
15 pending filed by Cleveland Housing Network, Consumer
16 Protection Association, and Empowerment Center of
17 Greater Cleveland, and appearance has been entered by
18 an attorney to practice law in Ohio, so that motion
19 to intervene is granted.

20 We also have a pending pro hac vice
21 motion filed on behalf of Robb Kapla, representing
22 the Sierra Club. That motion for admission pro hac
23 vice is grated.

24 We also have several motions for
25 protective order. We have the confidential version

1 of a 23-page document filed under seal by NOPEC and
2 NOAC that was filed on May 21, 2012. A redacted copy
3 was filed in the public docket. The confidential
4 version contains information provided by NOPEC and
5 NOAC by FirstEnergy which was subject to protective
6 agreements.

7 The attorney examiners have reviewed that
8 information filed under seal and find that that
9 information constitutes a trade secret and shall be
10 protected pursuant to Section 4928.06, Revised Code.
11 Therefore, a confidential treatment shall be afforded
12 to the document filed under seal for a period ending
13 18 months from today's date, which I calculate as
14 November 4, 2013.

15 Additionally, we have a 77-page document
16 filed under seal by FirstEnergy on the 31st of May,
17 2012, which was a response to the Sierra Club
18 production No. 1. The attorney examiner has reviewed
19 that confidential document and finds that the
20 information constitute trade secrets and shall be
21 protected pursuant to Section 4928.06, Revised Code.
22 Confidential treatment shall be afforded to that
23 document for a period ending 18 months from today's
24 date, which is November 4, 2013.

25 EXAMINER PRICE: Thank you. Let's go off

1 the record for one moment, please.

2 (Discussion off the record.)

3 EXAMINER PRICE: Let's go back on the
4 record. Mr. Sauer, you have a motion -- a joint
5 motion for continuance, a number of other joint
6 motions. What we'll do today is we'll take briefly
7 oral arguments from the moving parties. FirstEnergy
8 has not had a chance to file a response so then we'll
9 take arguments by FirstEnergy, and we'll go from
10 there.

11 Mr. Sauer.

12 MR. SAUER: Thank you, your Honor. On
13 Friday we, the OCC, NOPEC, and NOAC, filed a motion
14 for a continuance of the evidentiary hearing and
15 joint motion for a partial continuance of the
16 evidentiary hearing, and we also served FirstEnergy
17 with discovery comparable to what AEP had asked for
18 in their discovery that was the subject of a motion
19 to compel.

20 This morning as Mr. Burke indicated the
21 parties were sent a fairly voluminous response to the
22 discovery approximately an hour before the hearing
23 has commenced here, and we would ask that the parties
24 have an opportunity to review this information in
25 more detail, come back with --

1 EXAMINER PRICE: Are you saying then you
2 are withdrawing your other motion for continuance or
3 you are supplementing it?

4 MR. SAUER: Supplementing to the point we
5 would ask for a partial continuance, your Honor, and
6 allow FirstEnergy to respond to NOPEC's, NOAC's, and
7 OCC's discovery.

8 EXAMINER PRICE: May I ask why you had
9 not served that discovery on FirstEnergy before the
10 day before the hearing?

11 MR. SAUER: No. We just served --

12 EXAMINER PRICE: No, I can't ask?

13 MR. SAUER: That isn't why we served it
14 then. We were trying to preserve the fact we were
15 interested in that information as well.

16 EXAMINER PRICE: Didn't you have a
17 reasonable time to ask for the information prior to
18 the eve of the hearing? How many different
19 interrogatories and requests for production of
20 documents and requests for admissions have you served
21 on FirstEnergy?

22 MR. SAUER: We served six sets of
23 discovery, and I don't have the --

24 EXAMINER PRICE: Can you tally, roughly?
25 Are we talking dozens? Hundreds?

1 MR. SAUER: In the 50s, 60
2 interrogatories.

3 EXAMINER PRICE: And requests for
4 admission, same number?

5 MR. SAUER: Probably a little less than
6 that.

7 EXAMINER PRICE: Is there some reason
8 you weren't aware of the 2014 -- no, the base
9 residual auction that would apply to the first year
10 of the ESP, I mean those numbers have been out from
11 PJM for over a year, haven't they?

12 MR. SAUER: No. The auction results just
13 came out in May.

14 EXAMINER PRICE: Right. But that's from
15 the second year of the ESP, right?

16 MR. SAUER: But would be the third year
17 of their -- the auction upcoming.

18 EXAMINER PRICE: Were you surprised by
19 the auction results coming out in May? Those were on
20 the schedule. You could have asked for a discovery
21 of those May auction results prior to the eve of the
22 hearing, couldn't you?

23 MR. SAUER: Potentially. AEP had asked
24 for that information.

25 EXAMINER PRICE: I understand. We are

1 not talking about AEP's motion here. We've ruled on
2 that.

3 MR. SAUER: Right. We're asking for the
4 opportunity to review what information has been
5 submitted today, if necessary, come back on -- if
6 necessary, file testimony by the 13th of June and
7 resume the hearing, cross-examine Mr. Ridmann or who
8 else --

9 EXAMINER PRICE: I guess what I'm asking,
10 Mr. Sauer, with reasonable diligence could you not
11 have asked for this information prior to the eve of
12 the hearing? I'm looking for some sort of
13 extraordinary circumstances as to why this should be
14 granted.

15 MR. SAUER: I think the main issue here
16 is the information has been provided this morning,
17 with Mr. Ridmann being the witness, would be very
18 difficult to cross him this morning on information
19 that was supplied to the parties this morning.

20 EXAMINER PRICE: Mr. Kutik.

21 MR. KUTIK: Thank you, your Honor. Your
22 Honor, the motion that's before you is really a
23 tactic masquerading as a motion, and the tactic is
24 for delay for delay's sake. There is nothing that is
25 in this present motion that wasn't known or knowable

1 or that you haven't already ruled upon as it is
2 evident by the application and the testimony that has
3 been filed in this case.

4 The ESP III is, at the core, an extension
5 of the ESP II, which all parties have admitted or
6 have otherwise regarded as a highly successful effort
7 in providing reliable and reasonably priced service.
8 The ESP II had other benefits, including the
9 provisions for capital expenditures for the
10 distribution infrastructure, as well as protecting
11 at-risk customers among other things.

12 The ESP III merely asks to extend that.
13 The timing has been critical and crucial. We are
14 asking for a three-year product to be auctioned this
15 October. The October, beginning of the delivery
16 year, is a successful and well-tried time period
17 between the time of the auction and the time of
18 beginning delivery.

19 For us to have the auction begin in
20 October, we need to begin our processes in terms of
21 providing information to potential bidders by
22 approximately August 9. We have asked for a -- a
23 decision and hopefully we can -- the Commission can
24 accommodate our request by June 20.

25 If we have a decision by June 20, that

1 still allows for potential applications for rehearing
2 and for the competitive bid process manager to
3 consider those applications for rehearing in terms of
4 identifying issues in drafting the documents that
5 will have to be ready before August 9. It will give
6 the manager and the companies, to the extent the
7 companies are involved, about two to three weeks to
8 get that done.

9 That is the process that we have
10 envisioned. We have been very clear about that. We
11 have been very transparent about that. The Bench has
12 already granted a motion, and as the tenor of your
13 question suggests, nothing that has been raised by
14 the moving parties here was not known or knowable.

15 The potential range of results of the
16 base residual auction for 2015 and 2016 was well
17 published. People have predicted that the results
18 would be upwards of 250 or actually upwards of 300 to
19 350.

20 We also have in this record or
21 potentially in terms of the filings all of the
22 efforts or all of the arguments that have been made
23 in the OCC, NOAC motion are already addressed by
24 their witnesses. For example, the issue of the
25 alleged windfall in terms of what would happen if you

1 average a three years of prices, Mr. Frye addresses
2 that. Mr. Frye also addresses the issue of the
3 alleged potential harm to customers if they would
4 leave the system before the end of the three-year
5 period.

6 Of course, the response to that will also
7 be addressed in this record, namely, that that
8 argument can be applied to any rate which is averaged
9 over a period of time. Of course, there are
10 customers who would benefit coming in halfway in the
11 process. So everything that we have here is
12 certainly in the record and, again, known or
13 knowable.

14 The claim that they need additional time
15 to look at bill impacts, again, your Honor, they are
16 second-guessing the order that you've put in place
17 last week. The volume of bill impacts is something
18 that's not surprising. This is a typical bill impact
19 display, which runs for both -- for all three
20 companies, 75 to 150 pages, depending on how you want
21 to count the pages in the analysis. That, again, was
22 something that was well known. It was something that
23 certainly could have been asked.

24 The companies' approach in terms of bill
25 impacts is also something that's been very

1 transparent. In the ESP II case we pointed out since
2 the results of competitive bidding processes were not
3 known, certainly the results of the competitive
4 bidding process formed the basis for what the SSO
5 prices would be, the company used the last known
6 competitive bid process results. That's what was
7 done in the ESP II case. That was what was approved
8 by the Commission as a reasonable approach in the ESP
9 II case and that's what we did here.

10 Nothing that we've suggested, nothing
11 that we have done here is in any way anything that we
12 haven't done already and the Commission has already
13 heard.

14 EXAMINER PRICE: Thank you. And other
15 counsel like to speak to this motion?

16 MR. WARNOCK: May I add a couple of
17 things?

18 EXAMINER PRICE: You may.

19 MR. WARNOCK: On behalf of NOPEC
20 regarding the 2015-2016 PJM auction results, nothing
21 was actually known until the 18th.

22 EXAMINER PRICE: Mr. Warnock, we are
23 operating on a 10-day discovery timeline. If you had
24 served your discovery upon them on the 18th or the
25 19th, you would have had your discovery by the --

1 prior to the hearing, would you have not?

2 MR. WARNOCK: That is correct.

3 EXAMINER PRICE: And the basis of the
4 base residual auction was not a surprise to anybody.
5 I mean, the dates are clear.

6 MR. WARNOCK: The dates are clear, and I
7 am not arguing with the ruling on Friday or the
8 10-day discovery. What I'm saying is we were waiting
9 for the results of this discovery request before -- I
10 mean, we didn't have the response until this morning.
11 We couldn't analyze a fundamental part of this, which
12 is the typical bill impact on residential customers.
13 That's the fundamental part of this request.

14 And even the information provided today
15 still has the caveat that as far as depending on the
16 result of future competitive solicitations and part
17 of the discovery requests, that was in addition to
18 what AEP had already asked, proposed some kind of
19 framework for the energy piece of it.

20 And I understand the timeframes. I
21 understand the results of the auction, but the fact
22 remains that the auction results didn't come out
23 until the 18th, and we were also waiting on the
24 responses from AEP.

25 EXAMINER PRICE: Thank you. In light of

1 the fact that this request for continuance was made
2 on the eve of the hearing and the fact the Commission
3 had already granted one extension of the hearing
4 schedule, the fact that it would be extremely
5 inconvenient to the witnesses, many of whom have
6 traveled out of state to be here, and opposing
7 counsel, many of them have had to adapt their
8 schedules to this published hearing schedule, in
9 light of the fact that the discovery could have been
10 timely had with minimal diligence, the requests, the
11 joint motion for continuance, the joint motion for
12 partial continuance, and the joint motion for
13 extension of time are all denied.

14 Let's go off the record.

15 (Discussion off the record.)

16 EXAMINER PRICE: Let's go back on the
17 records.

18 Mr. Kutik.

19 MR. KUTIK: Your Honor, before we call
20 our first witness, the companies in their application
21 indicated that they intended to incorporate the
22 record of the 10-388 case, the ESP III case -- ESP II
23 case. At this time, your Honor, we ask the
24 Commission take administrative notice of the record
25 of the 10-388 case.

1 EXAMINER PRICE: Any objection?

2 MR. McNAMEE: None.

3 EXAMINER PRICE: I have to admit, I know
4 this was pending, but I'm concerned that it's not --
5 you don't have a list of specific documents? You
6 just want the entire record?

7 MR. KUTIK: Yes, your Honor.

8 EXAMINER PRICE: Okay. We'll --

9 MR. SAUER: We would object to that, your
10 Honor. I think that's improper to bring in an entire
11 record of another proceeding into this case.

12 EXAMINER PRICE: Would you care to
13 expound on that, Mr. Sauer, beyond it's improper?

14 MR. SAUER: Pardon me?

15 EXAMINER PRICE: Would you care to expand
16 upon that beyond you think it's improper? Why do you
17 believe it's improper, Mr. Sauer?

18 MR. SAUER: Well, the company has
19 indicated this is just an extension of their other
20 ESP II case, but I don't know that necessarily it
21 flows that that extension should bring about an
22 expansion of this record with that record. I don't
23 see the benefit or the need to put into this docket
24 all the details from the ESP II case.

25 EXAMINER PRICE: Mr. Dortch.

1 MR. DORTCH: Thank you, your Honors. AEP
2 Retail would object. AEP Retail was not a party to
3 the ESP II case. Certainly this case has been
4 expedited and there has been no opportunity by AEP
5 Retail or any of its counsel to review the record in
6 the ESP II case.

7 Now, certainly the results of the AEP II
8 case are known. The Commission's order approving the
9 ESP II is certainly a matter we're not going to
10 object to there being notice of. But the
11 individual -- the entirety of the record itself, I do
12 object to the incorporation into this proceeding,
13 your Honor.

14 EXAMINER PRICE: Mr. Kutik.

15 MR. KUTIK: May I be heard? Your Honor,
16 as noted, this ESP is an extension, in essence, of
17 the last ESP. The bases for this ESP are the
18 benefits that it provided are not only demonstrated
19 in this record, but, your Honor, we think it's
20 supplemented by the benefits and the costs that were
21 discussed in the prior record, and that's the basis
22 for our motion.

23 As to the AEP Retail's claim of
24 privilege, I don't know of anything that would have
25 prevented AEP Retail from having intervened in the

1 prior case. I believe AEP Retail was a going concern
2 at that time, and so AEP's claim of privilege is
3 invalid.

4 EXAMINER PRICE: I am -- I am
5 uncomfortable incorporating wholesale the entire
6 record from 10-388. If you have a
7 document-by-document request for administrative
8 notice of matters in 10-388, please make it then, and
9 I'm sure that administrative notice will be liberally
10 taken.

11 MR. KUTIK: Thank you, your Honor. We
12 will do that.

13 MR. DORTCH: Thank you, your Honor.

14 MR. KUTIK: Your Honor, the company calls
15 Mr. Ridmann.

16 (Witness sworn.)

17 EXAMINER PRICE: Please state your name
18 and business address.

19 THE WITNESS: My name is William R.
20 Ridmann, 76 South Main Street, Akron, Ohio 44308.

21 EXAMINER PRICE: Please proceed,
22 Mr. Kutik.

23 MR. KUTIK: Your Honor, at this time we
24 would like to mark a certain number of documents as
25 exhibits.

1 Your Honor, we have handed to the court
2 reporter and we would ask to have marked as Company
3 Exhibit 1 the multiple-page document which begins
4 with the Application and includes the Stipulation and
5 multiple attachments.

6 EXAMINER PRICE: So marked.

7 (EXHIBIT MARKED FOR IDENTIFICATION.)

8 MR. KUTIK: We would like to have marked
9 as Company Exhibit 2 a multiple-page document
10 entitled Supplemental Information Filing of Ohio
11 Edison Company, the Cleveland Electric Illuminating
12 Company and the Toledo Edison Company.

13 EXAMINER PRICE: So marked.

14 (EXHIBIT MARKED FOR IDENTIFICATION.)

15 MR. KUTIK: We would ask to have marked
16 as Company Exhibit 3 the Direct Testimony of William
17 R. Ridmann on behalf of Ohio Edison, Cleveland
18 Electric Illuminating Company, and the Toledo Edison
19 Company.

20 EXAMINER PRICE: That will also be so
21 marked.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 MR. KUTIK: And we would like to have
24 marked as Company Exhibit 4 a document entitled
25 Supplemental Testimony of William R. Ridmann on

1 behalf of Ohio Edison, Cleveland Electric
2 Illuminating Company, and Toledo Edison Company.

3 EXAMINER PRICE: So marked.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 MR. KUTIK: Your Honor, we would also ask
6 that the Bench grant us leave to file and seek
7 admission later, and we'll have it marked as Exhibit
8 5, Company Exhibit 5, the companies' notices of
9 publication.

10 Given the timing of the hearing and the
11 notices that have been published, we have not
12 received those notices back from the newspapers, but
13 we would ask that we be able to submit that after the
14 parties have had an opportunity to review it and that
15 we are able to move it into evidence without a
16 witness.

17 EXAMINER PRICE: Any objections?

18 We will reserve Company Exhibit 5 for the
19 notice of publication, and we'll take up admission at
20 a later point.

21 MR. KUTIK: Thank you.

22 - - -
23
24
25

1 WILLIAM R. RIDMANN

2 being first duly sworn, as prescribed by law, was
3 examined and testified as follows:

4 DIRECT EXAMINATION

5 By Mr. Kutik:

6 Q. Mr. Ridmann, do you have before you
7 Company Exhibits 3 and 4?

8 A. Yes, I do.

9 Q. Do you have any additions or corrections
10 to make to either of those documents?

11 A. Yes, I do.

12 Q. Please tell us what those are.

13 A. On Exhibit 3, page 3, line 20, "June 1,
14 2014," should be "June 1, 2013." On page 7, line 6,
15 "600,000" should be "400,000." Line 7, the word
16 "City of Cleveland," should be deleted.

17 Q. Do you have any other corrections or
18 additions to make to that document?

19 A. I do not.

20 Q. Do you have any corrections or additions
21 to make to Exhibit 4, your supplemental testimony?

22 A. I do not.

23 Q. Mr. Ridmann, do you also have in front of
24 you what's been marked for identification as Company
25 Exhibit 1, the application?

1 A. I do.

2 Q. And what is that?

3 A. It's the companies' application in Case
4 No. 12-1230-EL-SSO, which is basically an application
5 for what we -- what we have called an ESP III.

6 Q. Does that also include the stipulation
7 and the attachments to that document?

8 A. Yes, it does.

9 Q. Let me direct your attention to Company
10 Exhibit No. 2. What is that?

11 A. It's basically the supplemental
12 information the company filed in this case that the
13 Bench ordered us to file in compliance with basically
14 a motion for waivers.

15 Q. Directing your attention back to Exhibits
16 3 and 4, if I asked you the questions that appear in
17 that document, would your answers be the same as
18 appear in those documents subject to the corrections
19 you've made today?

20 A. Yes, they would.

21 MR. KUTIK: Your Honor, I have no further
22 questions.

23 EXAMINER PRICE: Thank you.

24 Mr. Warnock.

25 MR. WARNOCK: Can I ask to go last? I am

1 imagining most of my questions will be asked by
2 others.

3 EXAMINER PRICE: That will be fine.
4 Mr. Poulos.

5 MR. POULOS: No questions, your Honor,
6 thank you.

7 EXAMINER PRICE: Mr. Sauer.

8 MR. SAUER: Your Honor, I would ask to go
9 after AEP Retail as well.

10 EXAMINER PRICE: Mr. Dortch, any
11 objection to going first?

12 MR. DORTCH: I have no objections to
13 proceeding first.

14 EXAMINER PRICE: Thank you. Please
15 proceed.

16 - - -

17 CROSS-EXAMINATION

18 By Mr. Dortch:

19 Q. Good morning, Mr. Ridmann.

20 A. Good morning.

21 Q. Mr. Ridmann, your testimony you are
22 sponsoring a stipulation, correct?

23 A. I'm sponsoring the stipulation, correct.

24 Q. And if you would turn to page 10 of your
25 testimony, you state your understanding of the test

1 that is employed by this Commission in evaluating a
2 stipulation, a stipulation must be a product of
3 serious bargaining by capable, knowledgeable parties,
4 must not violate any important regulatory principle
5 or practice, and must, as a package, benefit
6 ratepayers and the public interest, correct?

7 A. Yes.

8 Q. Page 9 of your testimony you state that
9 the stipulation is the result of discussions that
10 occurred over the past several weeks, and that was
11 several weeks that predated the April 13 filing of
12 the stipulation, correct?

13 A. That's correct.

14 Q. At page 11 you state that "nearly all the
15 Signatory Parties to the Stipulation fully
16 participated in the prior MRO and ESP cases." Are
17 you referring to the ESP II case in that statement?

18 A. Could you reference the line that you are
19 looking at?

20 Q. I can attempt to do so, sir.

21 No, I can't. I apologize.

22 EXAMINER PRICE: Line 9.

23 MR. DORTCH: Oh, thank you very much.

24 Q. Page 11, lines 9 and 10.

25 A. I'm referring not only to the existing

1 ESP case but the prior MRO cases that the company has
2 undertaken and also what we refer to as the ESP I
3 case, which came out and which was Case No.
4 08-935-EL-SSO.

5 Q. Were all the nonsignatory parties who are
6 intervenors in this case invited to participate in
7 those -- in the discussions to which you refer?

8 EXAMINER PRICE: Can you rephrase that
9 question, please?

10 MR. DORTCH: Certainly.

11 Q. Were all of the nonsignatory parties in
12 this case, the ESP III case, invited to participate
13 in the discussions that occurred prior to the filing
14 of the stipulation?

15 A. There were some parties that were not
16 part of the existing ESP case, either as signatory
17 parties or nonopposing parties or just not opposing
18 parties, for that matter, that are in this case that
19 were not in that prior case, either as opposing,
20 nonsupporting --

21 Q. So there are parties in this case that
22 weren't involved in the prior case or cases, correct?

23 A. They did not intervene in the prior case.

24 Q. But my question was, were those parties
25 who were not involved in the prior cases invited to

1 participate in discussions that resulted in the
2 stipulation the company filed in support of ESP III?

3 A. Well, the problem is I don't know what
4 all parties exist out in the marketplace to invite
5 into discussions, other than those that have
6 participated in the ESP II case, which this is
7 basically an expansion of, so I don't know what
8 parties exist out there that would be interested in
9 discussions.

10 Q. Well, the company has the ability to file
11 a case without first filing -- without filing a
12 stipulation in conjunction with filing that case,
13 does it not?

14 A. Has that ability and it has the ability,
15 as we did in this case, to file a stipulation with
16 the application.

17 Q. But if the company files a case, those
18 parties out there in the market that may have an
19 interest in the case would then have not noticed the
20 company is going to seek an ESP before a stipulation
21 is filed; is that not correct?

22 A. Generally, but I don't see much
23 difference basically with filing the application with
24 the stipulation. Parties can read what's there and
25 intervene or not intervene or have discussions with

1 us.

2 Q. Do you think there would be a benefit to
3 having nonsignatory parties -- excuse me,
4 nonsignatory parties to your stipulation consulted
5 about your ESP before the stipulation is submitted?

6 A. Well, I think those nonsignatory parties
7 that were part of the last case we did have
8 discussions with as part of the stipulation.

9 Q. What about parties who were not part of
10 the prior cases, such as AEP Retail, my side?

11 A. Would I see advantages of discussions
12 with them; is that your question?

13 Q. Yes, sir.

14 A. Not necessarily. I think there are
15 plenty of suppliers, retail suppliers, in the case
16 already and have known their issues from the prior
17 ESPs and the prior MROs.

18 Q. So FirstEnergy is not concerned with the
19 concerns of AEP Retail?

20 A. No, I didn't say that. I said I'm fairly
21 familiar with the retail suppliers that are out there
22 and what their issues are.

23 Q. How many retail suppliers provide service
24 in FirstEnergy's territory?

25 A. What do you mean by service?

1 Q. Electric power service as a CRES, for
2 example.

3 A. Do you mean registered or participating
4 or --

5 Q. I mean registered, authorized by this
6 Commission to provide power in FES -- or
7 FirstEnergy's service territory.

8 A. I think they are in the range of 30 to
9 35.

10 Q. 30 to 35 CRESs?

11 A. Yes.

12 Q. Do you have any idea how many CRESs
13 FirstEnergy approached to discuss its ESP III filing?

14 A. All the CRES suppliers that were
15 basically part of the last ESP case, whether they
16 signed on, whether they opposed, or whether they
17 decided not to -- or whether they decided not to
18 object.

19 Q. Did it approach any CRES suppliers that
20 were not part of this prior ESP case?

21 A. No. Again, we approached all the parties
22 in the last ESP case or in the existing ESP case.

23 Q. Did FirstEnergy make any effort to
24 identify parties that might have an interest in these
25 proceedings before filing?

1 A. Again, I don't know of all the parties
2 out there to reach out to. We reached out to those
3 parties that we thought would be most interested,
4 which were represented in our last ESP case or
5 existing ESP case.

6 Q. Other than the parties in the last ESP
7 case, did FirstEnergy contact anyone about its intent
8 to file an ESP case?

9 A. I can say I did not approach anyone.
10 Whether other parts of the company did, I don't know.

11 Q. What other parts of the company might
12 have responsibilities to approach?

13 A. I think legal, governmental affairs.

14 Q. Do you -- to your knowledge, did legal or
15 governmental affairs approach any entities or
16 individuals that were not part of the prior ESP case?

17 MR. KUTIK: Objection, your Honor. Asked
18 and answered. He said he didn't know if the other
19 parts of the company had approached.

20 EXAMINER PRICE: Sustained.

21 Q. Now, you are aware that in a supplement
22 to NOAC interrogatory No. 1 last Friday the
23 interrogatory asked the companies to identify any
24 contract or agreement between them or an affiliate
25 and any party including a signatory party that is

1 relevant to this proceeding.

2 Are you aware that FE discusses Exelon
3 and Constellation as a supplemental response to that
4 interrogatory last Friday?

5 A. I believe I was aware that was provided.

6 Q. Other than the agreement with Exelon and
7 Constellation that was announced Friday, are there
8 any other side agreements related to ESP with any
9 party who signed the stipulation?

10 A. I don't know if it's a side agreement or
11 not. I would call it more of a clarification of the
12 existing ESP that's in place where there was an
13 agreement with -- hold on a minute. I always get the
14 names of this organization -- just be patient a
15 minute.

16 There was, again, what I would call a
17 clarification document pertaining to the existing ESP
18 with the companies and Consumer Protection
19 Association, Ohio Partners -- no, not them,
20 Empowerment Center of Greater Cleveland, Cleveland
21 Housing Network, and that understanding or agreement
22 basically dealt with the portion of the payments that
23 are made to those organizations, how much of it would
24 be for administration of the programs for the money
25 we are providing to them for low income customers.

1 So I'm not sure that's a side agreement. It's
2 clearly a clarification of the existing ESP.

3 Q. Sir, are you aware of a case pending
4 against the FirstEnergy companies by Material
5 Sciences Corporation?

6 A. Yes, I am.

7 Q. Are you aware that a settlement of that
8 case was -- well, a motion asking that that case be
9 held in abeyance pending approval of your ESP III
10 case was filed on June 1 -- or, I'm sorry, I take it
11 back. I don't know when that was filed. I believe
12 it was filed April 13.

13 A. I'm aware that the motion was filed, I'm
14 not certain of the date, asking basically for the
15 continuance or the abeyance of that case.

16 Q. And in the motion filed by Toledo Edison,
17 the statement is made that as a condition of
18 settlement, certain items contained in FE's electric
19 security plan, ESP proceeding, must be approved. Are
20 you aware of that?

21 A. Well, I am basically aware of provisions
22 in the ESP III that basically deal with Material
23 Sciences Corporation.

24 Q. And what provisions are those, sir?

25 A. It's basically the provision that as a

1 result of their changed operation, basically that
2 the -- what I am going to call load factor adjustment
3 for the GT class that basically they would be charged
4 less for kVA than the others under that arrangement,
5 and I think we looked at it, and I think probably the
6 other parties looked at it that agreed with it,
7 particularly those that were on the GT rate as more
8 of an economic development effort to assist Material
9 Sciences.

10 THE WITNESS: Now, I'm sorry, sir. Could
11 I have the question repeated, please.

12 EXAMINER PRICE: Please.

13 (Record read.)

14 Q. Now, this adjustment of a load factor,
15 does it result in a discount to Material Sciences
16 Corporation as compared to others on that same GT
17 rate? Did I understand that correctly?

18 A. Well, this is really a load factor
19 adjustment so it's really hard to compare relative to
20 other customers because it really is a function of
21 load factor of the various customers under the GT
22 rate.

23 Q. Now, is there a cost to the company
24 associated with that adjustment?

25 A. No. Basically this is a -- this is an

1 adjustment that basically gets made up within the GT
2 class and is not affected -- the other customers,
3 residential customers, GS customers, GP customers are
4 not affected. That's why I said I think other
5 customers on the GT rate were part of this and agreed
6 to the change because it would possibly impact some
7 of their clients.

8 Q. Is that discount recovered -- strike
9 that.

10 Are you aware of the value of that
11 discount on a kilobar basis?

12 MR. KUTIK: I'll object, your Honor. The
13 witness said that he would not characterize it as a
14 discount.

15 EXAMINER PRICE: Please rephrase your
16 question, Mr. Dortch.

17 Q. Are you aware of the -- of the value of
18 that load adjustment to Material Sciences Corporation
19 either on a kilobar basis or on a total billed basis?

20 A. I remember at the time that we were
21 discussing it with the parties that there was a --
22 there was a value assigned to Material Sciences
23 associated with it, but I don't remember it, quite
24 frankly, as I sit up here. It was in the scheme of
25 things, I think, particularly for the other GT

1 customers reasonably small.

2 Q. Do you recall whether that adjustment
3 changed the kilobar billing demand payment from \$8 to
4 \$6 per kilobar?

5 A. Yes, subject to check, I believe that's
6 what it changed it from and to.

7 Q. And do you have any idea what a \$2
8 adjustment in -- on a per-kilobar basis would mean in
9 an economic benefit to Material Sciences Corp. based
10 upon its bills?

11 A. Well, as I stated before, I don't
12 remember the exact amount. If I remembered how much
13 the kilobar was, I could multiply it times \$2 times
14 12 months and get the amount.

15 Q. Okay.

16 A. But sitting here I don't remember the
17 exact kilobars associated with Material Sciences.

18 Q. I'm sorry, sir, I could not --

19 A. But sitting here right now, I don't
20 remember the exact kilobars associated with kVA
21 associated with Material Sciences.

22 Q. I understand. I apologize. I'm having a
23 little difficulty hearing you from here, and I
24 apologize for making you repeat the answer.

25 EXAMINER PRICE: Mr. Ridmann, can you try

1 to project. This particular room is not wired for
2 sound, unfortunately, so we will all do our best.

3 MR. HAYS: Your Honor, it would be
4 helpful if he could speak up a little more.

5 EXAMINER PRICE: He'll do his best.

6 Q. Is the particular settlement agreement
7 with Material Sciences Corporation a part of the
8 record in the case 12-919 that is currently being
9 held in abeyance?

10 A. Is the change from \$8 to \$6 part of that
11 record; is that your question?

12 Q. Is any written document that is an
13 agreement between Toledo Edison and Material Sciences
14 Corporation a part of the public record in that case?

15 A. I don't know. As I said, I think the
16 stipulation that was filed incorporates the agreement
17 in terms of the -- of the rate changes associated
18 with Material Sciences.

19 Q. Is there an agreement that you have not
20 filed?

21 A. I'm not aware of any. But I'm also, I
22 have got to say, not all that familiar with what all
23 was filed in that case.

24 Q. We turn to the stipulation in this case.
25 Can we find all benefits received by any party to the

1 stipulation within the stipulation itself?

2 A. What do you mean by "all benefits"?

3 Q. The benefits would be any adjustment in
4 load factor, any cash payment, any change in billing
5 structure, anything that would result in an economic
6 benefit to a signatory to the stipulation.

7 A. Other than the side agreements I
8 mentioned and what's -- what's in the stipulation, I
9 believe the benefits that the company sees are in the
10 stipulation. I can't speak to basically the benefits
11 that each individual party sees in terms of the value
12 they get out of it, which may be in addition to or
13 different from what we've included in the
14 stipulation.

15 Q. You said any benefit that the company
16 sees. Do you -- how do you define benefit in your
17 statement, any benefit that the company sees?

18 A. Well, I would say with what the company
19 sees is basically in the discussions with the
20 parties, whether they were signatory parties or not
21 or whether they agreed not to oppose, during those
22 discussions we realized the benefits that they saw in
23 the stipulation.

24 So when I say benefits the company sees,
25 it incorporates basically the benefits that have been

1 enumerated to us or described to us by the parties in
2 the case that were included in the stipulation. All
3 I'm saying there may be other benefits that they
4 didn't care to tell me or tell the rest of the
5 organization about that they may see as benefits that
6 we couldn't enumerate because they didn't explore or
7 tell us what the additional value they saw in it.

8 Q. I believe I understand your prior answer
9 now, sir. Benefits seen by the company means those
10 economic benefits of which the company is aware and
11 excludes anything that the company would not be aware
12 of unless disclosed.

13 A. I think that's a fair statement.

14 Q. And by the same measure, all the costs to
15 the company of providing these benefits contained
16 within the stipulation?

17 THE WITNESS: Could you repeat that
18 question?

19 (Record read.)

20 A. Well, again, I think on the benefit and
21 the cost side we've tried to enumerate the major
22 items. There may be some other benefits that are out
23 there. There may be some other costs that are out
24 there that the company incurs, for instance, that are
25 not enumerated.

1 We tried in the stipulation to agree on
2 the major costs, and those are contained in the
3 stipulation. And we pretty much, I think,
4 highlighted some of the major benefits. There may be
5 other secondary benefits, like there are secondary
6 costs that are not in here.

7 Q. Other than benefits and costs in the
8 stipulation, benefits and costs may be reflected in
9 the agreement announced with Exelon and benefits and
10 costs that may exist in a document with Material
11 Sciences Corporation, are you aware of any other
12 documents signed by a signatory party and the company
13 that detailed benefits for costs received or incurred
14 by either?

15 MR. KUTIK: Your Honors, I'll object. He
16 refers in his question to a document with respect to
17 Material Sciences, and this witness indicated he is
18 aware of no other document.

19 MR. DORTCH: Your Honor, there was a
20 supplemental -- there was a -- I was referring to the
21 supplemental interrogatory announcement, that may be
22 fair, that I don't recall whether it was signed by
23 both parties.

24 MR. KUTIK: My objection goes to his
25 comments with respect to Material Sciences.

1 EXAMINER PRICE: I understand.

2 Mr. Dortch, why don't you rephrase your
3 question a little more carefully.

4 MR. DORTCH: I will attempt to do so.

5 Q. (By Mr. Dortch) Mr. Ridmann, there are
6 benefits and costs expressed in the stipulation,
7 correct?

8 A. There are benefits and costs in the
9 stipulation.

10 Q. And there are benefits and costs that are
11 expressed in the supplemental response to, is it,
12 NOPEC or NOAC's interrogatory?

13 A. If you could show me that response.

14 Q. I can attempt to do so, sir, so give me a
15 moment.

16 MR. DORTCH: May I approach, your Honor?

17 EXAMINER PRICE: You may.

18 MR. DORTCH: Your Honor?

19 EXAMINER PRICE: Go ahead.

20 A. Could you reread the question?

21 Q. I don't know that a question is actually
22 pending yet, Mr. Ridmann. We were talking about in
23 addition to the benefits and costs defined by the
24 stipulation, the benefits and costs that may be
25 reflected in the companies' response to NOAC --

1 supplemental response to NOAC's interrogatory No. 1
2 last Friday and the benefits and costs that may be
3 stated in a document, or not, concerning case 12-919
4 between Toledo Edison and Material Sciences
5 Corporation, if you are aware of any other documents
6 signed by the companies and a signatory party that
7 contain or reference costs and benefits.

8 MR. KUTIK: Same objection, your Honor.

9 MR. SMITH: I also interpose an objection
10 on behalf of Material Sciences. Mr. Dortch is widely
11 speculating without any knowledge about the Material
12 Sciences' complaint case.

13 EXAMINER PRICE: Gentlemen, I think he is
14 trying to exclude Material Sciences from the answer.

15 MR. DORTCH: Correct.

16 EXAMINER PRICE: I think he is saying
17 anything beyond.

18 MR. SMITH: It did not sound that way,
19 and the record will not reflect that attempt as a
20 success. He does not know anything about Material
21 Sciences Corporation's case. He's just speculating.

22 MR. DORTCH: Your Honor --

23 MR. KUTIK: Your Honor, my objection is
24 based upon the reference to case 12-919. I don't
25 know the case number. I'm assuming that's the

1 Material Sciences' complaint, and that's the basis of
2 my objection.

3 MR. DORTCH: Your Honor, to make it
4 clear, I am simply excluding -- I do not know if
5 there is an agreement or not, an agreement between --
6 a written agreement between Material Sciences
7 Corporation and the Toledo Edison. I am not
8 attempting to infer that such an agreement exists. I
9 am simply attempting to exclude such an agreement
10 based on the witness's prior testimony that he didn't
11 know if there was such an agreement.

12 Second of all, I will withdraw the
13 reference to case 12-919 and expressly state that I
14 am referring to the complaint case filed by Material
15 Sciences Corporation against Toledo Edison.

16 EXAMINER PRICE: With those
17 clarifications, the objections are overruled.

18 MR. DORTCH: Thank you, your Honor.

19 THE WITNESS: Could you reread the
20 question in light of that?

21 (Record read.)

22 A. Well, again, a little while ago I
23 described what I would call a clarification to the
24 ESP II that is an agreement or clarification, some
25 people may see that as a side agreement, or whatever,

1 so just with the Consumer Protection Association, the
2 Empowerment Center of Greater Cleveland, Cleveland
3 Housing Network.

4 Q. We may exclude that one from my list as
5 well then, sir. Are there any other agreements of
6 which you are aware?

7 A. Not that I can think of right now.

8 Q. Thank you. Now, does the company assert
9 that benefits paid under the ESP to some customers
10 that are funded by rider EDR are a benefit of the
11 ESP?

12 A. Yes, I think there are benefits that are
13 provided under basically the provisions of EDR which
14 are benefits of the stipulation.

15 Q. Would those be quantitative or
16 qualitative benefits, sir?

17 A. I will just say that I don't think
18 there's anything in our quantitative analysis that
19 includes any of those. Could one make a case that
20 some of them are quantitative? Could be.

21 Q. Sir, at page 9 of your testimony you
22 identify the parties to the stipulation. And other
23 than the companies, the parties to the stipulation
24 are FirstEnergy Solutions, Ohio Energy Group, the
25 Industrial Energy Users - Ohio, Nucor Steel Marion,

1 Morgan Stanley Capital Group, the Association of
2 Independent Colleges and Universities of Ohio, et
3 cetera, et cetera.

4 Within the stipulation is it true -- if
5 you want to refer to page 31 of the stipulation, you
6 do have that before you, do you not, sir?

7 A. Yes, I do.

8 Q. The Association of Independent Colleges
9 and Universities of Ohio are guaranteed compensation
10 for energy efficiency administrator services totaling
11 \$83,333 for 2014, '15, and '16, correct?

12 A. They are provided \$41,333 for 2014,
13 21,000 for '15, and 21,000 for '16.

14 Q. Okay. And, Mr. Ridmann, I am going to
15 ask, again, if you could attempt to project a little
16 better.

17 A. All right.

18 Q. I appreciate it, sir. The Council of
19 Smaller Enterprises is guaranteed compensation for
20 energy efficiency administrative services totaling
21 \$100,000 for '14, '15, and '16, correct?

22 A. I'm sorry, which group did you refer to?

23 Q. The Council of Smaller Enterprises, also
24 known as COSE.

25 A. They are provided 25,000 in '14, 50,000

1 in '15, 25,000 in '16.

2 Q. So 100,000 total?

3 A. That's correct.

4 Q. And the OMA is to receive \$250,000 for
5 these purposes?

6 A. Let's see, OMA is getting 100,000 in 2014
7 for their services, 100,000 in '15, and 50,000 in
8 '16.

9 Q. And --

10 A. I may quibble with the term you have used
11 through these questions of "guaranteed."

12 Q. I'm sorry?

13 A. I say, I may quibble with the term
14 "guaranteed." They are performing a service
15 basically as administrators to bring forth energy
16 efficiency projects, and we expect them to fulfill
17 that part of the agreement.

18 Q. I understand, sir. I was not impugning
19 their -- their obligations under the agreement.

20 A. Okay.

21 Q. Now, AICUO, COSE, and OMA, payments
22 though to those three entities are all covered by the
23 company through rider DSE; is that correct?

24 A. That's correct.

25 Q. And the same is true for payments made to

1 the Ohio Health Association, the City of Akron, the
2 consumer -- actually, stop there for now. How about
3 for the OHA and the City of Akron, also recoverable
4 through DSE?

5 A. That's correct.

6 Q. Well, now, the Ohio Partners for
7 Affordable Energy receives an administrative fee for
8 5 percent of the funding provided by the companies to
9 the Community Connections Program. In addition, it
10 receives \$1 million -- this is page 40 of the
11 stipulation -- for its Fuel Fund Program divided
12 between 2015 and '16?

13 A. I'm sorry, you trailed off.

14 Q. I'm sorry. Now, I'm doing it, okay. I'm
15 referencing the Ohio Partners for Affordable Energy
16 on page 31 of the stipulation and page 40 of the
17 stipulation. And OPAE receives \$1 million for its
18 Fuel Fund Program divided equally between 2015 and
19 '16. It's page 40 of the stipulation. And it
20 receives a fee, an administrative fee, equal to the
21 percentage of the funding provided for the Community
22 Connections Program, correct?

23 A. Yes. I believe the fee is part of
24 basically the \$500,000.

25 Q. Receives 500,000, and the amount of the

1 fee it will be paid is within that figure.

2 A. I believe so.

3 Q. And that's \$500,000 per year, correct?

4 A. Yes; for '15 and 500,000 for '16.

5 Q. And does the company recover for the
6 funds made available for the good purposes of OPAGE?

7 A. The company does not recover from its
8 customers the funds being provided to OPAGE for
9 providing services to low income consumers.

10 Q. Does the customer have any -- does the
11 customer -- do the companies have any recovery
12 mechanism for those funds?

13 A. Not within the stipulation directly.

14 Q. Does it have any recovery method
15 indirectly?

16 A. To the extent the fuel funds are used to
17 support any payment of bills, possibly. To the
18 extent they are used for other purposes, no.

19 Q. Consumer protection -- the Consumer
20 Protection Association, the Empowerment Council of
21 Greater Cleveland, the Cleveland Housing Network also
22 receive Fuel Fund moneys, correct?

23 A. Yes. You are referring to page basically
24 41.

25 Q. Page 41, yes. And collectively 2.78

1 million during the years 20 -- well, during the
2 period of the ESP III, correct?

3 A. Well, basically there is \$4 million being
4 provided each of the calendar years in ESP III so 4
5 million in 2015.

6 Q. So 8 million total?

7 A. That's correct.

8 Q. And does the company have any recovery
9 mechanism associated with those funds?

10 A. Again, similar to the -- to the OPAC, to
11 the extent they are used to pay portions of their
12 bill, there are, but I would also add that to the
13 extent they do pay the uncollectible provisions or
14 uncollectible rates, riders of the companies would go
15 down and so really that benefits all customers.

16 And there may be other services they
17 provide that don't directly -- are not directly for
18 payment of bills. So I think there are benefits
19 basically supplied to other consumers in the sense
20 that uncollectible rates would go down as a result of
21 any payments that are made for consumers that are
22 delinquent.

23 Q. If the money is not used for these
24 purposes, the uncollectible rider goes up and the
25 companies' customers, as a whole, pay for this

1 benefit then, correct?

2 A. I think -- I think basically the
3 consumers get the benefit basically of the company
4 providing the money so that their uncollectible rates
5 go down and they have to provide less.

6 Q. Now, some signatories to the stipulation
7 signed merely as not opposing the stipulation; is
8 that correct?

9 A. That's correct.

10 Q. Could you identify those on these forms?

11 A. Well, as stated on the signatory page of
12 the stipulation, nonopposing parties are the Kroger
13 Companies, EnerNOC, Duke Energy Commercial Asset
14 Management, GEXA-Energy Ohio, Duke Energy Retail
15 Sales, LLC, and I guess I can add to the list
16 Constellation NewEnergy, Inc. and Exelon Generation
17 Company, LLC.

18 Q. Now, the remaining signatories are --
19 include Morgan Stanley Capital Group. Does Morgan
20 Stanley Capital Group bid in any -- in any auctions
21 for energy in the FirstEnergy territories?

22 MR. KUTIK: Your Honor, at this point I
23 would ask that if the witness has such knowledge,
24 that he only reveal anything that's public and not
25 that he knows otherwise.

1 EXAMINER PRICE: Mr. Dortch, are you
2 asking for anything that's nonpublic?

3 MR. DORTCH: I am not asking for any
4 nonpublic information.

5 Q. And, Mr. Ridmann, if you are confronted
6 with a situation once you feel I have asked for
7 nonpublic information, if you would just state as
8 much. We'll try to figure out how to go through
9 this.

10 A. I don't remember if the bidders in the
11 auction are -- is confidential at this point or not
12 confidential.

13 Q. Do the companies or its affiliates have
14 any agreements to purchase energy from Morgan Stanley
15 Capital Group?

16 MR. KUTIK: Your Honor, again, I would
17 ask that the witness's answer be confined to publicly
18 available information.

19 EXAMINER PRICE: Mr. Dortch, are you
20 asking for any nonpublic information?

21 MR. DORTCH: Your Honor, I do not believe
22 I am asking for nonpublic information. But if I am
23 asking for nonpublic information in this case, I
24 think I'm still entitled to a response "Yes" or "No."
25 Given that what we have been speaking of here is a

1 confidential agreement, given the Ohio Supreme Court
2 decision regarding the disclosure of so-called side
3 agreements, I think that the existence of such an
4 agreement, yes or no, is a matter -- whether
5 confidential or not, is a matter that the Ohio
6 Supreme Court has said must be disclosed.

7 MR. KUTIK: Your Honor, my concern about
8 the question was the reference to our affiliates. I
9 don't have a problem with Mr. Ridmann answering about
10 what contracts the utilities have, but with respect
11 to any affiliates, that may be proprietary
12 information not public and properly not part of this
13 case.

14 MR. DORTCH: Your Honor --

15 EXAMINER PRICE: Mr. Ridmann, will you
16 respond generally to the electric distribution
17 utilities, CEI, TE, and OE.

18 A. I don't know whether there is any
19 agreements among the utilities and Morgan Stanley.

20 MR. DORTCH: Your Honor, I understand the
21 clarification to my question. For the record,
22 though, I am going to ask my question again, if
23 Mr. Ridmann is aware of any contracts between an
24 affiliate of the companies and Morgan Stanley Capital
25 Group.

1 MR. KUTIK: And I object on the grounds
2 it asks for potentially nonpublic information and
3 it's also irrelevant.

4 EXAMINER PRICE: Sustained.

5 MR. DORTCH: Thank you.

6 Q. (By Mr. Dortch) Mr. Ridmann, Nucor Steel
7 Marion is a signatory to the stipulation, correct?

8 A. Yes.

9 Q. Are you aware of the benefits received by
10 Nucor Steel Marion from the stipulation?

11 A. Well, as I stated previously, in the
12 discussions with the various parties that either
13 signed on in support of or not opposing, I'm aware of
14 some of the things that they saw or some of the items
15 they saw that were of benefit. Do I know all of the
16 benefits that they may see in the stipulation? I'm
17 sure I don't.

18 Q. Do you --

19 A. However, I can say that Nucor saw great
20 benefit in a three-year product as opposed to a
21 one-year product, and so they found that very
22 favorable in terms of this ESP to basically smooth
23 out and mitigate any major changes basically in
24 the -- in the auction prices that may come forth.

25 I think they saw benefits in the

1 extension of the recovery of the AER rider, I think,
2 for recovery of costs, and I think they found
3 benefits associated with the ELR provisions and
4 provisions associated with basically the load factor
5 adjustment.

6 Q. The load factor adjustment is?

7 A. Basically what we talked about with
8 regard to Material Sciences.

9 EXAMINER PRICE: Mr. Ridmann, can you
10 explain why, to the best of your knowledge, customers
11 find a benefit in extending the recovery rider AER
12 over the full ESP rather than simply recovering each
13 year's expenditures as they go along.

14 THE WITNESS: Again, I think it's very
15 similar to the idea of the three-year product, your
16 Honor, where basically you are smoothing out
17 variances that may occur from year to year and
18 providing more smoothing, if you will, and also more
19 knowledge going forward about what the -- about what
20 the pricing may be, and they see advantages to
21 basically stability and certainty associated with
22 that concept.

23 EXAMINER PRICE: Thank you.

24 Thank you, Mr. Dortch.

25 MR. DORTCH: Thank you, your Honor.

1 Q. (By Mr. Dortch) Would your explanation of
2 the benefits apply equally to the two remaining
3 signatories to the stipulation, Ohio Energy Group and
4 the Industrial Energy Users of Ohio?

5 MR. KUTIK: Your Honor --

6 MR. DORTCH: Your Honor, I will confine
7 my question to Mr. Ridmann's opinion.

8 MR. KUTIK: And I guess my -- my
9 objection, your Honor, is that to the extent it would
10 call for Mr. Ridmann to disclose confidential
11 information, I would appreciate an instruction from
12 the Bench not to disclose that information.

13 EXAMINER PRICE: I am sure Mr. Dortch is
14 not asking for any confidential information.

15 Mr. Ridmann, to the extent this is
16 nonconfidential, you may answer the question.

17 A. I would think there are provisions in the
18 stipulation that they found beneficial, some of which
19 may be similar to what Nucor found beneficial. It's
20 a little bit more difficult when you are dealing with
21 one company, like Nucor, versus what I would call
22 more of agencies dealing with clientele that is
23 rather broad based. And so it's very hard to -- to
24 answer that question in that context.

25 I would just say overall, obviously, they

1 have found benefits to the stipulation that their
2 clients in total agreed to and agreed to sign the
3 stipulation.

4 Q. Fair enough. Are you aware generally of
5 the membership of the Ohio Energy Group?

6 A. Very generally.

7 Q. And are you aware generally of membership
8 of IEU-Ohio?

9 A. Less so.

10 Q. Are you aware of any undisclosed,
11 nonpublic side agreements between any of the
12 companies and the various members of whom you are
13 aware of, Ohio Energy Group or the Industrial Energy
14 Users of Ohio?

15 A. Any side agreements?

16 Q. Basically, are there any side agreements
17 between the companies and the memberships of those
18 two organizations?

19 A. Not that I'm aware of.

20 MR. DORTCH: May I have a moment, your
21 Honor?

22 EXAMINER PRICE: You may.

23 Q. You mentioned rider ELR earlier,
24 Mr. Ridmann. Since I can't find my cheat sheet to
25 explain the riders to myself, can you tell me what

1 rider ELR does?

2 A. It basic -- it basically provides for
3 demand reduction by customers that are signed up
4 under the ELR to the company so that the company can
5 use those to meet its statutory requirements for
6 demand reduction associated with Senate Bill 221.

7 It also provides for buy-through
8 provisions, basically, economic buy-through
9 provisions. It allows us to, basically, interrupt
10 those customers that are under ELR to -- as a result
11 of PJM interruption calls or company interruption
12 calls or ATSI interruption calls for reliability
13 purposes.

14 Q. And each of the -- those customers who
15 sign up for rider ELR received a discounted price in
16 return for accepting interruptibility?

17 A. They receive a credit in exchange for
18 them being able to be interrupted or having to buy
19 through at certain times.

20 Q. And do I recall that ELR is a \$5 credit
21 per -- I forgot per what now. I forgot.

22 A. It's a \$5 credit per kW per month.

23 Q. And could you contrast that with rider
24 OLR for me.

25 A. OLR is -- I will also say -- let me back

1 up a minute. ELR is also only available for certain
2 customers that have interruptible contracts or
3 provisions, I think, dating back to, I think,
4 December of 2008, if I recall correctly; where OLR is
5 open to other customers that don't fit that criteria.
6 And it provides for interruptible service also, not
7 quite providing as much benefit as the ELR does.

8 Q. And, again, I don't have my cheat sheet
9 in front of me. I apologize. Do I recall that it
10 was a \$1.65 per megawatt -- or kilowatt-month?

11 A. Hold on a minute. That does not sound
12 right.

13 Q. It probably isn't. I just -- I'm working
14 from memory there.

15 A. It's \$1.95 per kW per month.

16 Q. \$1.95 per kW per month, thank you. And
17 is the purpose of OLR essentially to be available to
18 companies that perhaps are not grandfathered in under
19 rider ELR?

20 A. It's available to customers other than
21 those who -- who are not eligible under ELR.

22 Q. And so the customers on ELR and the
23 customers on OLR, are being treated a bit differently
24 for what is essentially the same service or the same
25 terms of service?

1 A. No, I don't believe so. There are
2 differences between the two tariffs.

3 Q. Could you explain those to me?

4 A. I know there's differences in economic
5 development -- I'm sorry, in terms of buy-through
6 provisions where I believe we have the opportunity to
7 interrupt those under the ELR for buy-through
8 provisions. I also believe there are differences in
9 terms of the degree and extent to which you can
10 interrupt.

11 EXAMINER PRICE: Is the demand response
12 for both ELR and OLR something that you are proposing
13 to bid into the PJM response program? It wasn't
14 unique to one or the other, was it?

15 THE WITNESS: I think we basically stated
16 the -- can I refer to the stipulation?

17 EXAMINER PRICE: We can come back to
18 this.

19 THE WITNESS: Let me just -- I know for
20 certain it's stated in the ELR, which I'm not certain
21 whether it's included in the OLR, but from a
22 practical standpoint, there are no customers under
23 the OLR, so whether we mention it had or not is kind
24 of moot.

25 EXAMINER PRICE: I understand.

1 Thank you, Mr. Dortch.

2 Q. (By Mr. Dortch) Do the companies recover
3 the delta revenue from riders ELR and OLR from
4 ratepayers, generally?

5 A. Well, I don't consider the credits that
6 we've talked about as delta revenue.

7 Q. But if I were to assume their credits are
8 delta revenue, does the company recover the costs of
9 those credits from its customers generally?

10 A. The company recovers those credits or the
11 cost of those credits through the DSE rider.

12 Q. So costs -- so riders ELR and OLR, and I
13 believe I heard you say there are no customers under
14 OLR, but rider ELR imposes a cost on the companies'
15 customers who are not on rider ELR; is that correct?

16 A. Well, it provides a benefit and it also
17 provides basically a cost associated with --

18 Q. And the cost is whatever the dollars are.

19 A. The costs are associated with the -- with
20 the credit.

21 Q. Costs are associated with the credit that
22 is provided to the companies that are on ELR.

23 A. Correct.

24 Q. And the benefits result from presumably a
25 lower rate during peak periods?

1 A. That, plus possibly what the wholesale
2 suppliers bid in in terms of the auction price
3 because presumably wholesale suppliers in their bids
4 would take into account that these customers,
5 particularly the ELR customers, can be interrupted
6 under economic terms or under certain reliability
7 purposes, and I would think they would take that
8 fully into account in whatever they bid.

9 Q. Do you have any idea how many
10 interruptions there were to customers on rider ELR
11 during the past year?

12 A. I believe there was a discovery question
13 on that. I believe, absent the testing for
14 reliability purposes, I don't think there were any
15 other than testing, but there were, I believe,
16 interruptions for economic purposes.

17 Q. I'm sorry? I'm not sure I understood
18 your response, sir. There at the very end you lost
19 me. Could you -- could you --

20 A. I'll restate.

21 Q. Or say it again.

22 EXAMINER PRICE: Restate it, Mr. Ridmann.

23 A. Basically I don't -- other than testing
24 in 2011 for the past 12 months to make sure that
25 these customers that are under contract under the ELR

1 could interrupt under the terms of the ELR, other
2 than the testing that was done, I don't believe for
3 emergency reliability purposes they were interrupted.
4 I believe there were interruptions associated for
5 economic purposes where they either elected to buy
6 through or elected not to buy through.

7 EXAMINER PRICE: When you say economic
8 purposes, you mean because the day-ahead price or the
9 realtime price has reached a certain threshold?

10 THE WITNESS: That's correct.

11 EXAMINER PRICE: The tests you mentioned,
12 is that done for ATSI? Is it done for PJM? Is it
13 done for NERC? Is it done pursuant to the tariffs?
14 Who all requires that testing be done?

15 THE WITNESS: I believe PJM requires it.

16 EXAMINER PRICE: Thank you.

17 Q. (By Mr. Dortch) You say interruptions for
18 buy-through. Those are interruptions where the
19 customer itself believes that the market is lower
20 than the price otherwise available to it, correct?

21 A. Could you repeat that question? You are
22 going to have to keep your voice up, too. I'm sorry.
23 We're both --

24 Q. I'm sorry, Mr. Ridmann. Believe me, it's
25 very rare that people tell me to raise my voice, but

1 I will try to do better.

2 (Record read.)

3 A. No, I wouldn't say that. I would say
4 that basically the customers find an advantage to buy
5 through at market rates because there's benefit for
6 them to do that and to keep their operation going as
7 opposed to being interrupted. And so, you know,
8 therefore, they see benefits associated with buying
9 power at market rates and not being interrupted in
10 their operations.

11 Q. I'm sorry. I thought you said there was
12 interruptions caused by buy-throughs. Maybe I
13 misunderstood an earlier response. I am saying
14 basically you notify a customer they will need to buy
15 through at market rates or they can not buy through,
16 basically be interrupted for economic purposes.

17 EXAMINER PRICE: And you had some
18 economic interruption this past year?

19 THE WITNESS: Yes.

20 EXAMINER PRICE: Thank you.

21 THE WITNESS: I'm referring to a
22 discovery request, I think, that went to 2011, your
23 Honor.

24 EXAMINER PRICE: Thank you.

25 Q. (By Mr. Dortch) Are you aware of any

1 customer that accepted the interruption rather than
2 buy through during 2011?

3 A. Again, I think there were -- I believe
4 there were customers who elected not to buy through.

5 Q. So the answer is yes, there were
6 customers that --

7 A. Yes. I don't know the individual
8 customers.

9 Q. Do you have any idea of the number of
10 customers or the amount of load?

11 A. No, not sitting here.

12 Q. Returning to signatories --

13 EXAMINER PRICE: Mr. Dortch, are you
14 moving on to a new topic?

15 MR. DORTCH: I'm sorry?

16 EXAMINER PRICE: Are you moving on to a
17 new topic?

18 MR. DORTCH: I am getting very close to.

19 EXAMINER PRICE: Let's go off the record.

20 (Discussion off the record.)

21 EXAMINER PRICE: Back on the record.

22 Q. I overlooked one thing, Mr. Ridmann. At
23 page 34 of the stipulation, the Cleveland Clinic
24 distribution plant.

25 A. Do you have a specific reference?

1 Q. I'm not sure I do, sir. It's page 36.

2 A. Page 36, all right.

3 Q. The company's providing \$70 million in
4 funding to the Cleveland Clinic distribution plant,
5 correct?

6 A. They are providing \$70 million associated
7 with the Cleveland Clinic expansion and for
8 facilities that we need to build in order to provide
9 for services for that expansion.

10 Q. Is 70 million the total being provided by
11 the companies?

12 A. I am not aware of any other amount.

13 Q. And that 70 million is recovered through
14 rider EDR?

15 A. If you hold on a minute, I believe that's
16 the rider but --

17 Q. I'm glad somebody else has to look, too.

18 A. Yes.

19 EXAMINER PRICE: Mr. Ridmann, the
20 \$70 million in the ESP III stipulation, is that
21 incremental to anything that the company was
22 obligated to pay in the ESP II stipulation, the
23 Cleveland Clinic, or is that superceding,
24 encompasses?

25 THE WITNESS: It basically encompasses

1 it. What was agreed to in the ESP II was to provide
2 the \$70 million. Again, we see this, pretty much,
3 ESP III as an extension for the most part of all the
4 materials under ESP II, and this was already in the
5 ESP II.

6 EXAMINER PRICE: This is not a second
7 block of \$70 million?

8 THE WITNESS: This is not a second block
9 of \$70 million.

10 EXAMINER PRICE: Thank you.

11 Thank you, Mr. Dortch.

12 Q. (By Mr. Dortch) The company hasn't
13 asserted that the \$70 million is among the
14 quantitative benefits of its ESP III, though, has it?

15 A. It has not. I see it as a qualitative
16 benefit associated with economic development within
17 the city of Cleveland, and I think on a regional
18 basis, given Cleveland Clinic's reputation in the
19 community and nationally and internationally, for
20 that matter.

21 MR. DORTCH: Your Honor, may we go off
22 the record for a moment?

23 EXAMINER PRICE: We may.

24 (Discussion off the record.)

25 (Recess taken.)

1 EXAMINER PRICE: Let's go back on the
2 record.

3 Mr. Dortch, please proceed.

4 MR. DORTCH: Thank you.

5 Q. (By Mr. Dortch) Mr. Ridmann, just before
6 the break, we were talking about riders ELR, OLR and
7 interruptions. During the break we were able to
8 locate a company response to an interrogatory served
9 by OCC, and I provided that to your counsel, who I
10 believe provided it to you. And based upon the
11 company's response to that interrogatory, can you
12 tell me since June 1, 2011, the curtailments
13 requested by ATSI?

14 A. Overall or --

15 Q. Yeah.

16 A. -- just by ATSI?

17 Q. Yes, sir. Mr. Ridmann, let me refer you
18 to the company's response to paragraph B.

19 A. Yes. That's what I'm reading.

20 Q. Subsection B.

21 A. By ATSI there were -- there were none.
22 However, there was one requested by one of the
23 companies.

24 Q. There was a curtailment requested by the
25 companies?

1 A. By one of the companies.

2 Q. And which company was that, sir?

3 A. I believe it was Ohio Edison.

4 Q. Okay, sir. Turning to a new topic. The
5 companies were directed by the PUCO rules and by the
6 attorney examiners to provide projected rate impacts
7 by customer class and rate schedule for the duration
8 of the ESP III, correct?

9 A. We were asked to provide supplemental
10 information on bill impacts.

11 Q. And these projected rate impacts by
12 customer class are sometimes referred to as a typical
13 bills analysis or typical bills comparison?

14 A. Yes.

15 Q. And the typical bills comparison
16 submitted by the company is found at Exhibit 3 of
17 your supplemental -- I'm sorry, of the companies'
18 supplemental filing made May 2, 2012, correct?

19 A. That's correct, it's Exhibit 3 of the
20 supplemental information that was provided.

21 Q. And are you familiar with the typical
22 bills analysis the company has filed?

23 A. Generally, yes.

24 Q. Are you familiar with the rule that
25 requires the filing of a typical bills analysis?

1 A. I believe it includes basically what is
2 the bill comparisons.

3 Q. The rule requires a projection of the
4 effects of the ESP on companies' billings, correct?

5 A. I don't know, sitting here today, exactly
6 what that rule states.

7 MR. DORTCH: Excuse me for a moment, your
8 Honor.

9 EXAMINER PRICE: Take your time.

10 Q. Mr. Ridmann, my apologies for the delay,
11 but let me read Commission Rule 4901:1-3-03(C) (3)
12 aloud to you, if I may. It states, An SSO
13 application that contains a proposal for an ESP shall
14 comply with the requirements set forth below. A
15 third of those requirements is projected rate impacts
16 by customer class/rate schedules for the duration of
17 the ESP, including post ESP impacts of deferrals, if
18 any.

19 I don't expect you to memorize that rule,
20 but are you generally familiar with that rule?

21 A. Generally.

22 Q. What is your understanding of a
23 projection?

24 A. An estimate.

25 Q. An estimate of what, sir?

1 A. It depends what you're projecting.

2 Q. Well, in the context of the rule, an
3 estimate of?

4 A. The rate impacts. In this case we've
5 done that.

6 Q. Now, in providing that estimate or
7 projection, is there an obligation of accuracy, in
8 your opinion?

9 A. Yes, I believe there is accuracy
10 associated with providing information.

11 Q. Is there an obligation of objectivity, in
12 your opinion?

13 A. Yes, and I think we've done that.

14 Q. Is there an obligation to incorporate the
15 most current available information regarding the
16 subject matter that you're attempting to project?

17 A. If it's sufficient to make a
18 determination.

19 Q. What do you mean, sir, when you say "if
20 it's sufficient to make a determination"?

21 A. I'm not sure that you can make
22 projections on partial information. I think that
23 would be -- could be misleading. And in cases where
24 there's uncertainty about what will happen, I
25 think -- I think it would be improper to necessarily

1 provide information that would result in decisions
2 being made on improper assumptions.

3 Q. Would you agree that it would be improper
4 to use false information when certainty regarding the
5 information exists?

6 A. Well, again, I think you have to look at
7 information in totality and not in subsets.

8 Q. Do you think the use of false information
9 when a certainty exists would be misleading?

10 A. Again, I go back to you have got to look
11 at the information in its totality regarding the
12 subject matter.

13 Q. Are you saying you have to use business
14 judgment in order to make the projection?

15 A. Business judgment is involved.

16 Q. Would you agree that customers have a
17 right of transparency with the respect of -- to the
18 effects of the ESP III on their bills?

19 A. And I think we've done that through
20 basically providing the information that's available.

21 Q. Is the answer to the question "yes"?

22 MR. KUTIK: Objection.

23 EXAMINER PRICE: Grounds?

24 MR. KUTIK: Asked and answered.

25 MR. DORTCH: Your Honor --

1 EXAMINER PRICE: Mr. Dortch --

2 MR. DORTCH: Thank you, your Honor.

3 EXAMINER PRICE: Overruled.

4 (Record read.)

5 A. Yes, and I believe's we've done that
6 through the information we've provided.

7 Q. What does transparency mean to you then,
8 sir, when you offer a definition?

9 A. I think to the extent information is
10 knowable or calculable or that that information is
11 provided, and where the information is not with some
12 certainty that it would be counter to transparency to
13 provide information that is based on estimates that
14 are not well founded.

15 Q. And what years or what auctions is the
16 company using in Exhibit 3 to its supplemental
17 information for purposes of providing the typical
18 bill projection in that exhibit?

19 A. We used the auctions that resulted in the
20 prices that were -- that were current at the time the
21 information was filed.

22 Q. So the information current at the time
23 the information was filed was the pricing of April,
24 2012, correct?

25 A. I believe it was April, 2012.

1 Q. Sir, do you know when the auctions that
2 determined the April, 2012, price were held?

3 A. I believe there were several auctions
4 held, and that there was basically laddering of the
5 auctions that provided the rates that would be in
6 effect in April. So there were, for instance, the
7 October, '11, probably the January, '11, maybe went
8 back to possibly some of the auctions in 2010.

9 Q. So the auctions could include prices that
10 were effectively fixed in 2010, or at least
11 incorporates prices that were fixed in 2010?

12 A. If it incorporates an auction from 2010
13 when basically energy prices were higher.

14 Q. Have there been other auctions that were
15 not used to develop your CBP price since October,
16 2010, January, 2011, and the October, 2011, CBP bid
17 auctions, correct?

18 A. The auctions that were used were
19 basically those that would apply from the ESP II
20 auctions that were laid out in the ESP II that apply
21 to that time period.

22 Q. And do you know what the capacity prices
23 of the auctions used to determine the April, 2012,
24 price consisted of?

25 A. I don't know what bidders assumed in

1 terms of capacity pricing or any pricing in their
2 bids.

3 Q. Do you know what capacity was for the PJM
4 auction, though? Correct?

5 A. For what time period?

6 Q. For the same time period that has
7 determined -- as the CBP auctions that determined
8 your pricing to customers in the typical bills
9 analysis.

10 A. Generally I'm aware.

11 Q. And you are aware then that the auction
12 price for the product year 12/31 for the last year of
13 the ATSI -- or, I'm sorry, for the last year of
14 the -- I'm sorry -- strike that.

15 You are aware that the product year 2013
16 to 2014 for the last year of the ESP II produces a
17 capacity price of \$27.73?

18 A. I don't know what you mean by product
19 year.

20 Q. I'm sorry, planning year.

21 A. I'm not sure I know what you mean by
22 planning year either.

23 Q. Planning year is the period for which the
24 auction is being conducted. For purposes of PJM,
25 June 1 through May 31, 20 -- June 1, 2013, through

1 May 31, 2014.

2 A. Could you just, now that you have kind of
3 put it all together, just repeat the question?

4 Q. I'll come back and try.

5 A. Okay. Thank you.

6 Q. So the planning year 2013-2014 auction --
7 the planning year 2013-2014 auction produced a
8 capacity price of approximately 27.73, correct?

9 A. 2013-2014. And what was the number?

10 Q. 27.73. I believe you'll agree it's in
11 that range.

12 A. Yes.

13 Q. Those auctions that produced --

14 A. They were for delivery years 2013, June
15 2013 through May --

16 Q. Delivery year. I will try to adjust my
17 vernacular then. Those auctions were held when?

18 A. They would have been held in the May of
19 2010 timeframe or basically, probably for ATSI, since
20 ATSI was a new entrant in PJM, there probably would
21 have been some additional auctions to set the pricing
22 for ATSI that would have come probably after that
23 date.

24 EXAMINER PRICE: And, Mr. Ridmann, that
25 is because the FirstEnergy companies, including ATSI,

1 migrated to PJM from MISO effective when?

2 THE WITNESS: Effective June 1, 2011.

3 EXAMINER PRICE: Thank you.

4 Q. (By Mr. Dortch) And the typical bills
5 analysis prepared and submitted by the company as
6 Exhibit 3 to its supplemental information reflects
7 that 27.73 pricing built into or resulting from the
8 auctions of October, 2010, and, perhaps, the
9 supplemental auctions necessary for the ATSI zone,
10 correct?

11 A. Again, I don't know what wholesale --
12 wholesale bidders bid in our auction, what prices
13 they assumed, what costs they assumed. All I know is
14 the price that came out.

15 EXAMINER PRICE: Mr. Ridmann, they bid
16 into your auction energy and capacity, correct?

17 THE WITNESS: That's correct.

18 Q. They bid in at that price no matter what
19 they intended, correct?

20 A. What do you mean, at that price?

21 Q. 27.73 for capacity.

22 A. Again, they bid in an overall price on a
23 dollars per megawatt-hour. I don't know what they've
24 assumed their costs are for either the capacity or
25 energy and how they made their bid.

1 Q. I'm asking you, sir, about the PJM
2 auction. The bidders bid -- a price was determined
3 as a result of the PJM auction of 27.73 for capacity,
4 correct?

5 A. For the delivery year 2013-2014.

6 Q. And the companies' typical bill analysis
7 reflects the -- for the years 2013 -- I'm sorry,
8 2014-2015 and 2015-2016 reflect April, 2012, pricing,
9 correct?

10 A. That's correct, because we don't know
11 what the results of the auctions are going to be.

12 Q. And the April, 2012, pricing reflects the
13 \$27 wholesale capacity rate that was bid into PJM; is
14 that correct?

15 A. I think I've answered this question that
16 I don't know what the bidders in the wholesale
17 auction based their bids on.

18 Q. I am not asking what they based their
19 bids on.

20 MR. KUTIK: Can Mr. Ridmann finish his
21 answer?

22 A. Therefore, I don't know what capacity
23 price they have based their auction prices on.

24 Q. I'm asking, sir, did the companies'
25 April, 2012, pricing incorporate the \$27.76 capacity

1 price resulting from the PJM auctions?

2 A. I don't recall. So because we just
3 established, I thought, \$27 was for the delivery
4 period June 1, 2013 through 20 -- through May of --
5 31 of 2014, so no.

6 Q. Well, let's talk about the period
7 2011-2012 then. Are you aware that prices determined
8 by the PJM BRA were approximately \$16 per
9 megawatt-hour of capacity in the auction for the
10 delivery year '12-'13?

11 MR. KUTIK: May I have the question read?

12 EXAMINER PRICE: Please.

13 (Record read.)

14 MR. KUTIK: Your Honor, I think the
15 question is confusing because we're starting out
16 talking about 2011-2012 and the end of the question
17 refers to 2012-'13.

18 EXAMINER PRICE: Mr. Dortch, will you
19 rephrase?

20 MR. DORTCH: Your Honor, may I have the
21 question read back now.

22 EXAMINER PRICE: You may.

23 (Record read.)

24 Q. (By Mr. Dortch) Are you aware, sir, that
25 the delivery year -- the wholesale capacity prices as

1 determined by the PJM BRA for the delivery year
2 2012-2013 were -- are approximately \$16 and some odd
3 cents per megawatt-hour?

4 A. For the period June 1, 20 -- June 1, 2013
5 through May 31?

6 Q. No.

7 A. June 1, 2012 through May 31, 2013?

8 Q. Yes, sir.

9 A. I believe the BRA are similar, in that
10 range, but again, because ATSI had just moved from
11 MISO to PJM, I believe there was a subsequent auction
12 that set the price there.

13 Q. And do you know what price was set by the
14 subsequent auction?

15 A. I think it was in the 20 to 25 dollar
16 range, somewhere in there.

17 Q. So 20 to 25 dollars per megawatt-hour?

18 A. No.

19 Q. I'm sorry?

20 A. No.

21 EXAMINER PRICE: Per megawatt-day.

22 Q. I'm sorry, per megawatt-day.

23 A. Yes, somewhere in that range.

24 MR. KUTIK: Your Honor, just for
25 clarification of the record, the prior question asked

1 about \$16 per megawatt-hour.

2 EXAMINER PRICE: I understand, but we've
3 moved on to a new question, so it's fine.

4 Q. Mr. Ridmann, do competitors in the CBP
5 auctions consider market information when bidding
6 into the auction?

7 A. I don't know.

8 Q. You have no idea whether they consider
9 market information when preparing their bids?

10 A. I have never been in a position where I
11 have been putting in bids to a wholesale auction.
12 And I presume they take some consideration of the
13 market, but I presume there are many other things
14 they take into consideration, and I don't know the
15 weighting -- I don't know all the factors they take
16 into consideration, and I don't know the weightings
17 that any individual supplier may take into
18 consideration.

19 Q. So when they are preparing a bid -- when
20 they -- I apologize. When competitors bidding into
21 the CBP auction are preparing their bids, it's your
22 testimony you have no idea whether the wholesale
23 auction influences those bids or not?

24 A. I think it may be a data point they
25 consider, but to what extent they actually put in

1 their bids, is it a determining factor, I don't know
2 that.

3 Q. Now, the company in its ESP II agreed to
4 provide price breakouts by both energy and capacity,
5 correct?

6 A. That's correct.

7 Q. And why did it do so?

8 A. It's part of the overall agreement agreed
9 to in the stipulation.

10 Q. Both energy and capacity are determinants
11 in price, correct?

12 A. Yes.

13 Q. And when I say determinants in, both
14 energy price and capacity price are determinant
15 values in an ultimate price to the consumer, correct?

16 A. Yes. We basically take the output from
17 the auction results and break down a capacity piece
18 and an energy piece and make payment -- or make --
19 the generation rider then is based on those two
20 components.

21 Q. So when the company designed its April,
22 2012, prices, it relied upon a capacity piece and an
23 energy piece to determine the price, correct?

24 A. It is agreed to in the stipulation.

25 Q. And what capacity price did the company

1 use to determine the April, 2012, pricing to its
2 customers?

3 A. I believe it would have used the capacity
4 rate associated with the delivery period 2011-2012.

5 Q. And do you know what the capacity price
6 for the delivery year 2011-2012 was?

7 A. I don't remember what came out of the --
8 out of the ATSI-related auctions as a result of them
9 transferring from --

10 Q. Are we talking in the range of \$20?

11 A. For the '11-'12? I don't believe so. I
12 don't believe so. I believe the BRA was higher at
13 that time, and I thought maybe the auction was
14 higher, but I don't remember. But that's really just
15 done in terms of how -- what's used is basically just
16 as a proxy to break out -- break it down between a
17 capacity and an energy rate.

18 Q. So is the company actually using the PJM
19 BRA results to determine the capacity price for
20 purposes of its obligation under ESP II?

21 A. Only to the extent that you need a
22 breakdown between -- you need to break down the total
23 bid that was made by those who went in the wholesale
24 auction. You need to have some proxy to break it
25 down between a capacity and an energy piece, and

1 since we don't know what capacity pricing the
2 wholesale -- the winning wholesale suppliers put into
3 their auction price, we have assumed as part of the
4 stipulation to use that -- use basically the results
5 of the PJM auction as a proxy to break it down
6 between capacity and energy in order to comply with
7 the stipulation out of the ESP II case.

8 Q. So returning to where we started down
9 this path, the April, 2012, pricing that's currently
10 employed incorporates what as a capacity figure?

11 A. Again, I don't know what capacity was
12 base -- what the wholesale suppliers used as the
13 basis --

14 Q. Sir --

15 MR. KUTIK: Excuse me. Let him finish
16 his answer.

17 A. Having got a total bid from a winning
18 wholesale supplier in terms of dollars per
19 megawatt-hour, we used the results of the relevant
20 auction that would be -- that occurred, whether it
21 was the supplemental ATSI auction or the PJM BRA
22 auction, to break down basically the dollars per
23 megawatt that was bid into a capacity and energy --

24 EXAMINER PRICE: One second, please.

25 THE WITNESS: -- as a way to comply with

1 the intent of the agreement in the ESP II cases.

2 EXAMINER PRICE: Counsel, will let the
3 witness finish his answer. Mr. Kutik will direct his
4 comments to the Bench, not to opposing counsel.

5 Please proceed.

6 Q. Do you know the dollar figure for
7 capacity that the companies employed based upon its
8 use of the PJM BRA as a proxy to determine its April,
9 2012, prices?

10 A. Again, I'm not sure it used the PJM BRA
11 price because -- because ATSI had moved in from MISO
12 to PJM, and I think they relied on a subsequent
13 auction process.

14 Q. And that subsequent auction process
15 produced a capacity price of approximately in the
16 20s, correct?

17 A. I don't know offhand. I thought I
18 testified before that I thought it may have been
19 higher because the BRA I thought was higher during
20 that time period.

21 Q. When you design your pricing to your
22 customers, you are using as a proxy a figure that is
23 known at the time as a result of the PJM BRA auction,
24 correct?

25 A. To develop the retail rates and breaking

1 it down between energy and capacity, we are using the
2 known value.

3 Q. And today we know what the results of the
4 PJ -- the May, 2012, PJM BRA are, correct?

5 A. For the '15-'16 delivery year.

6 Q. For the '15-'16 delivery year, that
7 result is \$357 per megawatt-day, correct?

8 A. No, that's not correct.

9 Q. What is the price then?

10 A. I believe it's in the range of \$294 per
11 megawatt-day.

12 Q. Are we referring to the ATSI zone?

13 A. Yes.

14 Q. And we are referring to the results of
15 the PJM BRA, correct?

16 A. Yes.

17 MR. DORTCH: May I have a moment?

18 Q. Mr. Ridmann, if you make no adjustments
19 for purposes of your billing determinants but simply
20 accept the PJM BRA price at what it is, are we
21 talking \$357 per megawatt-day for the annual?

22 A. No.

23 Q. No? What is the price then?

24 A. I believe I stated it was around \$294 per
25 megawatt-day.

1 Q. And you are not making any adjustments to
2 the -- the ATSI price as announced by PJM to get to
3 294?

4 A. I'm not making any adjustments as a
5 result of the auction. I am not making any
6 adjustments as a result of the auction. The
7 auction --

8 Q. Are you making any adjustments to PJM's
9 BRA price?

10 MR. KUTIK: Excuse me. Mr. Ridmann, had
11 you finished your prior answer?

12 Your Honor, may Mr. Ridmann --

13 EXAMINER PRICE: Yes.

14 A. I believe that what the 294 reflects is
15 basically what came out of the PJM BRA auction.

16 MR. DORTCH: I'm sorry, may I have
17 Mr. Ridmann's answer read back, please?

18 EXAMINER PRICE: Please.

19 (Record read.)

20 MR. DORTCH: Your Honor, I am
21 ill-prepared for the number of fans in attendance of
22 today's event, but I do have 15 copies and if -- of a
23 document I would like to make use of here. And if
24 folks want to get me an e-mail address, I will see
25 that this document is distributed electronically.

1 EXAMINER PRICE: As soon as the Bench and
2 the reporter get one.

3 MR. DORTCH: The Bench and the reporter
4 get one and the witness.

5 MR. KUTIK: And counsel.

6 EXAMINER PRICE: And the counsel and the
7 witness, that's five.

8 MR. DORTCH: Your Honor, I am going to
9 ask that the document I just distributed be marked as
10 AEP Retail Exhibit 1.

11 EXAMINER PRICE: So marked.

12 (EXHIBIT MARKED FOR IDENTIFICATION.)

13 Q. (By Mr. Dortch) Mr. Ridmann, I am going
14 to ask you to refer to AEP Retail Exhibit 1 and ask
15 you whether you can identify the document.

16 A. It's a PJM document dealing with the
17 2015-2016 delivery year RPM base residual results.

18 Q. And you've seen such documents?

19 A. I have.

20 Q. Do you rely upon such documents typically
21 in your industry?

22 A. We rely on these documents throughout
23 PJM.

24 Q. If you would look at the very first page,
25 which is entitled Executive Summary --

1 A. Yes.

2 Q. -- the second paragraph from the bottom
3 begins "In northern Ohio for the ATSI LDA," do you
4 see that?

5 A. Yes.

6 Q. What price is given for the annual
7 resource?

8 A. \$357 per megawatt-day.

9 Q. And that is a capacity price?

10 A. That's a capacity price, but that's not
11 the capacity price that's basically being charged
12 overall in the ATSI zone.

13 Q. If that's the capacity price that bidders
14 cleared at, how do you know what other price is going
15 to be used in the ATSI zone?

16 A. Because there were other bidders outside
17 of the ATSI zone that bid in whose pricing may have
18 been less than that.

19 Q. Is that the price generation receives?

20 A. I'm sorry, I don't understand your
21 question.

22 Q. Well, as I understand energy, we are
23 talking about generation on one hand, power, and
24 we're talking about capacity as something separate
25 and apart. Are we on the same page so far?

1 A. Continue.

2 Q. An ultimate price would include other
3 components, ancillary services, et cetera, et cetera,
4 but the two principal determinants are generation and
5 capacity; is that fair?

6 A. What do you mean by "generation"?

7 Q. Energy.

8 A. Two large components of generation are
9 energy and capacity and the others are ancillary
10 services.

11 Q. Okay. Now, the capacity price as it
12 clears in the PJM auction is subsequently adjusted
13 for a credit paid to generation outside the zone; is
14 that right?

15 A. Paid as a credit to generation outside
16 the zone, I'm not sure I understand that.

17 Q. Okay.

18 A. Terminology.

19 Q. You use a term of \$294 per megawatt-day,
20 and believe that that is the price that will be
21 applicable in the ATSI zone, fair enough?

22 A. Correct.

23 Q. How do you get from \$357 per megawatt-day
24 to the price that you are using?

25 A. Recognizing that there are -- there's

1 capacity being supplied in into the ATSI zone from
2 outside and that there's demand response being
3 provided.

4 Q. Does your \$295 include scaling factors?

5 A. \$294?

6 Q. \$294, I'm sorry.

7 A. I don't believe it does.

8 Q. When you apply the scaling factors -- in
9 fact, AEP Retail and FirstEnergy are currently having
10 some dispute about this. You get a figure that's
11 approximately \$329 per megawatt-day as the actual
12 capacity price paid by load in the ATSI zone.

13 A. Applying the scaling factors?

14 Q. Yes, sir.

15 A. I would say subject to check.

16 Q. Fair enough. Now, again, the typical
17 bills comparison that the company submitted as
18 Exhibit 3 incorporates a capacity price of
19 approximately 20, 25 dollars somewhere in that range;
20 is that accurate?

21 A. Again, I don't know what pricing is
22 incorporated in the wholesale rates. When we apply a
23 breakdown for purposes of the stipulation in ESP II,
24 we used the most current capacity rate that came out
25 of the PJM auctions.

1 Q. And that capacity rate --

2 MR. KUTIK: Excuse me, your Honor. I am
3 not sure the witness has finished his answer.

4 A. Relative to --

5 EXAMINER PRICE: Thank you, Mr. Kutik.

6 A. What was the auction, whether it was the
7 BRA or supplemental auction for the ATSI zone, as a
8 result of moving from MISO to PJM.

9 Q. In essence, you used a capacity price
10 determined by an auction conducted at the wholesale
11 level within PJM.

12 A. Strictly for purposes of breaking down a
13 bill to comply with the stipulation.

14 Q. I understand. And in doing so, you would
15 have incorporated a capacity price that would have
16 been somewhere between 20, 25 dollars per
17 megawatt-day?

18 MR. KUTIK: Objection. Asked and
19 answered.

20 EXAMINER PRICE: Overruled.

21 A. As I said before, I thought it would have
22 been higher than that based on the '11 and '12
23 delivery year. But whatever it was, we used it in
24 terms of developing a breakdown between capacity and
25 energy.

1 Q. And that was based upon something that
2 was knowable? That was a term you used earlier.

3 A. Well, what was knowable -- I'm sorry,
4 finish your question.

5 Q. Information that was knowable, correct?

6 A. There were two pieces that were knowable.
7 We knew what the wholesale bidders bid into the
8 auction in terms of dollars per megawatt-hour
9 and in order to break that up to capacity and energy,
10 we used basically the capacity rate that came out of
11 the PJM auctions, whether it was the BRA or the
12 supplemental auctions. The unknown was basically the
13 energy.

14 MR. DORTCH: May I have the question and
15 answer read back, please.

16 EXAMINER PRICE: You may.

17 (Record read.)

18 A. I would say the dollars per megawatt-hour
19 coming out of the auctions.

20 Q. The point is you used information that
21 was knowable regarding the auctions.

22 MR. KUTIK: Objection. Asked and
23 answered.

24 EXAMINER PRICE: Sustained.

25 Q. Today we know that we have a capacity

1 price in the ATSI zone for the '15-'16 delivery year
2 that's going to be \$294 per megawatt-day, using your
3 figure, or \$375 per megawatt-day using the announced
4 auction result, correct?

5 A. I believe the correct number is \$294 per
6 megawatt-day and so that is a no.

7 Q. Using 294 per megawatt-day, we have a
8 known quantity -- strike that.

9 We have a known figure of 294 per day if
10 I accept your figure, correct?

11 A. Correct.

12 Q. Now, again, when you prepared the -- when
13 you prepared your prices to your customers, a known
14 quantity was the energy price, correct?

15 A. When I prepared what estimates?

16 Q. When you prepared your bills to your --
17 I'm not talking about customers -- I'm sorry. I'm
18 not talking about estimates now. When you prepared
19 your bills to your customers, you were using known
20 figures as well, correct?

21 A. And what bills are you referring to?

22 Q. Any bill. You know what energy is, you
23 know what capacity is.

24 A. Well, I think I've answered this, but let
25 me try it again. I stated that in terms of breaking

1 the pricing down that we get from the wholesale
2 auctions, that comes in a dollar per megawatt-hour.
3 Under the stipulation that was agreed to in ESP II,
4 we agreed, along with all the other parties that
5 agreed, that we would break it into two pieces, a
6 capacity and an energy piece.

7 I know what the wholesale bidder auctions
8 bid in in terms of dollars per megawatt-hour, and we
9 have assumed use for the capacity the most -- for the
10 delivery year the rates are being set what dollars
11 per megawatt-day came out of the capacity -- the
12 applicable capacity auction from PJM.

13 I don't know, other than solving it for
14 what the energy price is by looking at what the total
15 dollars per megawatt-hour -- hours are that the
16 wholesale bidders bid in, taking into consideration
17 the capacity I just described, to solve for with the
18 resultant energy price we used.

19 EXAMINER PRICE: Mr. Ridmann, why did you
20 break, under the stip, the wholesale price into
21 energy and capacity?

22 THE WITNESS: Because the parties to the
23 last -- to the existing stipulation --

24 EXAMINER PRICE: The ESP II?

25 THE WITNESS: ESP II. Wanted it broken

1 down between capacities and energy, and it was part
2 of the overall compromise of the deal contained in
3 the ESP II.

4 EXAMINER PRICE: Did you do that in the
5 ESP III?

6 THE WITNESS: We do.

7 EXAMINER PRICE: Thank you.

8 Q. (By Mr. Dortch) The bidders in your
9 auction have to buy --

10 THE WITNESS: Or we will.

11 MR. DORTCH: I'm sorry. I thought we
12 were --

13 EXAMINER PRICE: That's okay.

14 MR. DORTCH: Your Honor, I apologize.

15 EXAMINER PRICE: No problem.

16 Proceed now, Mr. Dortch.

17 Q. (By Mr. Dortch) Mr. Ridmann, the bidders
18 in your auction have to buy through its auction,
19 correct?

20 A. I presume so.

21 Q. If you would turn to page 15 of your
22 initial direct testimony, you state that the ESP III
23 stipulation will allow customers to better
24 proactively plan and budget for their own electricity
25 needs.

1 A. Could you give me a line number, please?

2 Q. It's page 15, and it's -- whoops. I'm
3 sorry. I'm looking at the wrong document. It's page
4 15, line 19.

5 A. Is there a question pending?

6 Q. No. I asked you to confirm that you've
7 testified that the ESP III stipulation will allow
8 customers to better proactively plan and budget for
9 their electricity needs.

10 A. When coupled with the current base
11 distribution rates, with keeping those constant.

12 Q. You also cite to customers need for
13 predictable electricity pricing. How did your
14 typical bills analysis, Exhibit 3, contribute to
15 those two purposes?

16 A. I think basically it showed what we
17 have -- what we expect to happen -- let me restate
18 that.

19 It reflects basically the known fact that
20 the distribution rates would be frozen, base
21 distribution rates. It reflects that basically the
22 AER rider would be reduced from the current level as
23 a result of the terms agreed to in the ESP III, and
24 we put in what the maximum amount would be for the
25 DCR rider that was agreed to out of the ESP III. And

1 I believe that provided predictable outcomes in terms
2 of what we would expect associated with that.

3 Q. You didn't predict price though, did you?

4 A. Yes, I think that's exactly what we did.
5 We predict the price of base distribution rates. We
6 predicted the change in the AER rider. We predicted
7 the change in the DCR rider. So it was not really a
8 prediction of the change; it was really saying this
9 was the maximum amount we could charge and what's the
10 effect on the bill.

11 Q. So you've got the max charge for the DCR.
12 You've got the deferral of the AER rider, and you've
13 got the known base distribution that's going to be
14 frozen through -- and I forgot how that works
15 exactly. I apologize.

16 So you relied upon those things in
17 preparing your typical bill analysis but you've not
18 suggested still that you made any prediction about
19 electricity, energy, or capacity pricing for the
20 commodity itself, the G piece.

21 A. That's correct because I don't know
22 what's going to come out of the wholesale auctions
23 that are subject -- that are hopefully going to be
24 approved as a result of the ESP III. I think that's
25 consistent with the approach we used in ESP II, and

1 so considering that this -- many of us see this as,
2 from a practical standpoint, an extension of the ESP
3 II and not many -- not many things changed, very
4 little, that we used the same approach we used in the
5 ESP II as we used here.

6 Q. Do you think your customers care what G
7 price they are going to pay down the road?

8 A. Of course, that's why parties entered
9 into the stipulation in terms of agreeing to a
10 three-year product, agreeing to basically a current
11 reduction in the AER rider. They saw benefits
12 associated with that, and because they cared about
13 it, they entered into the stipulation.

14 Q. The original -- the typical bill
15 analysis, Exhibit 3, that you submitted, creates an
16 impression that rates will be lower than they are
17 today. Would you agree with that statement?

18 A. I think it says for those items that we
19 know about, that we can predict with some degree of
20 certainty, that basically there would be a reduction
21 because base distribution rates are frozen, the AER
22 rider would go down compared to what it is today, and
23 the DCR rider would go up based on the max increase
24 that is laid out in the stipulation.

25 We don't know what is going to happen to

1 many of the other riders. One of those happens to be
2 the generation rider because we have not undertaken
3 any auctions associated with that.

4 Q. In fact, you are disavowing any
5 responsibility to look down the road and try to
6 determine what future prices are going to be,
7 correct?

8 A. No. I don't -- I disagree with that. We
9 are saying it's better not to try to predict
10 something that we don't know rather than to predict
11 something that's wrong.

12 Q. You're utilizing information that is
13 based upon auctions that occurred years past to form
14 a rate that exists today, and you know that the
15 incorporation of that information is wrong today.

16 MR. KUTIK: Objection. Argumentative.

17 EXAMINER PRICE: I'll allow it.

18 Go ahead, Mr. Ridmann.

19 A. What I do know is what the current price
20 is for generation. I do know what the current price
21 is for many of the other riders that we didn't
22 change, and I held those constant because I didn't
23 know what the -- what the prices would be for those
24 other riders and for the generation rider.

25 EXAMINER PRICE: Mr. Ridmann, it's

1 possible that you could have prepared a typical bill
2 impact including rider GEN that involved every
3 element of the rider GEN except the capacity price,
4 and you could have plugged in known changes in the
5 capacity price; is that correct?

6 THE WITNESS: Subsequent to the May 18?

7 EXAMINER PRICE: Subsequent to May 18.

8 THE WITNESS: Yes. And we tried to do
9 that through the information we provided
10 subsequently.

11 EXAMINER PRICE: I don't know that yet.
12 That's not on the record. Thank you.

13 THE WITNESS: Okay.

14 Q. (By Mr. Dortch) Would you turn to the
15 typical bill analysis, please.

16 EXAMINER PRICE: Mr. Dortch, I think you
17 are close to making your point. I was trying to help
18 you.

19 MR. DORTCH: You were very helpful
20 already, your Honor.

21 Q. Mr. Ridmann, with the admonition of the
22 Bench and mine, I would like to make certain that the
23 record reflects how this all works, so if you don't
24 mind, would you take a look at page 1 of the typical
25 bills analysis, describe how each column of the bills

1 analysis on that page was determined by the company.

2 A. Basically the load demand -- first of
3 all, on page 1 we will look at the residential
4 schedule, so level of demand is not appropriate
5 because there is no demand charge for the residential
6 schedule so they are all zeros.

7 Column B, the level of usage, we've
8 assumed basically various levels of usage that a
9 residential customer may use to determine the bill.
10 Column C, we looked at the current winter bill in
11 terms of the prices that were in effect, I think it
12 would have been April 1, thereabouts, 2012, the
13 proposed bill under -- the proposed winter bill.

14 For column D, basically we used the
15 current winter bill and we adjusted basically for the
16 change in the AER rider that's been agreed to out of
17 this stipulation. We changed for the -- for the
18 amount that the DCR -- DCR rider could change, and we
19 kept other elements constant.

20 Q. Okay. So when I look at column D, the
21 only changes then I'm going to see reflected in
22 column E are the deferral of the AER rider and the
23 anticipated change in the DCR?

24 EXAMINER PRICE: I don't think you want
25 to say deferral of the AER rider.

1 MR. DORTCH: I'm sorry?

2 EXAMINER PRICE: It is not a deferral, is
3 it?

4 THE WITNESS: Potentially some -- there
5 may be -- I mean, it's really evening out the rate,
6 if you will, from a one-year period to a three-year
7 period. There are carrying charges that would be
8 assigned to the resultant difference.

9 EXAMINER PRICE: Okay. Thank you. I
10 stand corrected. Sorry, Mr. Dortch.

11 MR. DORTCH: No. Of course, your Honor.

12 Q. (By Mr. Dortch) The only thing we are
13 going to see reflected in column E is the change
14 resulting from the AER rider and the DCR rider. Did
15 I understand that correctly?

16 A. Changes from the AER and the DCR rider,
17 that's correct.

18 Q. Those are the only changes that are
19 reflected at any point in time throughout Exhibit 3.

20 A. Yes. This is really, again, consistent
21 with what we did in the ESP II case in terms of
22 reflecting known changes between the current and the
23 proposed.

24 MR. DORTCH: Your Honor, I am turning the
25 page, and, again, given the hour of the day, I

1 thought I would consult with the Bench before we do
2 so.

3 EXAMINER PRICE: Off the record.

4 (Discussion off the record.)

5 EXAMINER PRICE: At this time we will
6 take a break until 2:15, at which time Mr. Dortch
7 will continue his cross. Off the record.

8 (Thereupon, at 1:13 a lunch recess was
9 taken until 2:15 p.m.)

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Monday Afternoon Session

June 4, 2012.

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EXAMINER PRICE: Let's go back on the record. Mr. Royer.

MR. ROYER: Thank you, your Honor. As I indicated this morning, your Honor, we filed some corrections of IGS witness Parisi, and I distributed copies of that at this point. If you didn't get one, there is more here.

EXAMINER PRICE: Thank you, Mr. Royer. Anybody needs any copies, please see, Mr. Royer.

With that, Mr. Dortch, please proceed.

MR. DORTCH: Thank you, your Honor.

- - -

WILLIAM R. RIDMANN

being previously duly sworn, as prescribed by law, was examined and testified further as follows:

CROSS-EXAMINATION (Continued)

By Mr. Dortch:

Q. Good afternoon, Mr. Ridmann.

A. Good afternoon.

Q. FirstEnergy Solutions and affiliated companies will supply the PIPP load under a wholesale power contract between FirstEnergy Solutions and the

1 companies as described in the stipulation; is that
2 accurate?

3 A. They will provide the PIPP load, supply
4 power to PIPP load.

5 Q. Are PIPP customers permitted to shop?

6 A. They -- they are not. However, the Ohio
7 Department of Development can form -- basically put
8 their load out to bid if they would like.

9 Q. Now, is that inability to shop an
10 inherently anti-competitive situation?

11 A. I think you'd probably have to consult
12 the lawmakers who made that provision.

13 Q. Is FirstEnergy Solutions supplying that
14 load in an inherently anti-competitive situation?

15 A. Not at all.

16 Q. Why not?

17 A. Because the Ohio Department, again, can
18 take those customers who are under PIPP and put out
19 an RFP, or whatever, to supply those customers.

20 Q. And has the Ohio Department of
21 Development ever done so?

22 A. Not that I'm aware.

23 EXAMINER PRICE: Just to be clear,
24 Mr. Ridmann, they can do so at any time?

25 THE WITNESS: That's correct.

1 EXAMINER PRICE: Six months or a year
2 into the ESP?

3 THE WITNESS: That's correct.

4 EXAMINER PRICE: 18 months into the
5 proposed ESP?

6 THE WITNESS: That's correct.

7 Q. (By Mr. Dortch) Is the ODOD's ability to
8 shop that load or seek its own RFP for that load the
9 only reason that an anti-competitive impact is
10 avoided?

11 A. You know, I don't know what was in the
12 legislature's mind in terms of why PIPP load was
13 singled out or not singled out in terms of being able
14 to shop.

15 Q. Does the PIPP benefit in the ESP III
16 provided by the companies, or is it provided by
17 FirstEnergy Solutions?

18 THE WITNESS: Could you reread the
19 question, please.

20 (Record read.)

21 A. I think the benefit is to provide it to
22 the customers.

23 Q. Provide it to by -- but is it provided by
24 the companies, or is it provided by FirstEnergy
25 Solutions?

1 A. I think it's provided by the companies in
2 terms of entering into a stipulation that provides
3 that article in it.

4 Q. Who provides the 6 percent discount?

5 A. And what do you mean by "provides"?

6 Q. Which entity or entities, the EDUs or
7 FirstEnergy Solutions, incur the costs associated
8 with the 6 percent discount?

9 A. Basically a bilateral contract is entered
10 into, and the results of that bilateral contract are
11 that there is 6 percent taken off the PTC.

12 Q. There is 6 percent -- I believe it's --
13 sorry sir. I thought you were finished.

14 A. That result is billed to the PIPP
15 customers of the companies.

16 Q. Well, the PIPP customers don't see a
17 6 percent discount, correct? They pay a percentage
18 of their income in return for service; is that
19 accurate?

20 A. Well, I believe their bills reflect a
21 6 percent discount. Now, the fact is they have a
22 payment plan basically that adjusts their bill to
23 reflect what the object -- or what the rules are or
24 law is governing these customers. But they could see
25 some benefit, along with our other customers who pay

1 a portion of the PIPP arrearages, if you will, when
2 they become to a certain point past due.

3 Q. So your other customers pay for the PIPP
4 benefit provided or the costs provided of the PIPP
5 benefit; is that accurate?

6 A. No, I don't believe that's accurate at
7 all.

8 Q. Maybe I misunderstood you then. Would
9 you correct my impression. Who's-- who's paying the
10 cost associated with the PIPP benefit at the customer
11 level?

12 A. Basically a reduced price is passed along
13 to PIPP customers associated with the bilateral
14 contract entered into with FES. And the PIPP
15 customers see that benefit of a reduced generation
16 rate that's flowed through the generation rider.

17 Q. And then the non-PIPP customers incur any
18 costs associated with the PIPP uncollectible amounts;
19 is that how that works?

20 A. Yes. There's, I think, a formula within
21 the state how it gets divided up in terms of
22 supplying basically relief under the rules to PIPP
23 customers who are unable to pay their bills.

24 Q. Now, does the bilateral contract between
25 FirstEnergy Solutions and the companies reflect the

1 discount provided to the companies' PIPP customers?

2 A. It reflects basically a discount of
3 6 percent off the price to compare that comes out of
4 the other auctions associated with providing the SSO
5 service.

6 Q. So just -- I just want to make certain I
7 understand your answer, Mr. Ridmann. The company is
8 paying First -- the companies are paying FirstEnergy
9 Solutions a -- an amount that reflects the discount
10 to the PTC; is that correct?

11 A. Yes. The Ohio Edison and Cleveland and
12 Toledo are paying, basically under this bilateral
13 agreement, a price that reflects a 6 percent discount
14 off the auction price that's applied to the majority
15 of SSO customers.

16 Q. Well, then is it FirstEnergy Solutions
17 that's providing the discount?

18 A. Again, the discount is provided by the --
19 by the operating companies in the billing they make
20 to the PIPP customers, and it's enabled through the
21 bilateral contract.

22 Q. I'm sorry, would you -- could you repeat?

23 A. It's enabled -- they are able to do that
24 based on the bilateral contract between the companies
25 and FirstEnergy Solutions.

1 Q. When you say "they" in the context of
2 your answer, I apologize, you mean the customers and
3 the companies?

4 A. The companies are able to provide the
5 6 percent off as a result of the companies, being
6 Toledo Edison, Ohio Edison and Cleveland Electric, as
7 a result of the bilateral agreement.

8 Q. Do PIPP customers pay a percentage of the
9 bill or do they pay a percentage of their income in
10 return for service?

11 A. I believe it's -- I'm not certain. I
12 believe it starts with basically what their income
13 is, and they pay a percent of it.

14 Q. I'm sorry, sir.

15 A. I believe it starts with their income.
16 When they are below a certain level of income, then
17 they are eligible for the program.

18 Q. And they -- and you are not certain about
19 the mechanics of whether they are paying a percentage
20 of the bill or a percentage of their income once they
21 are eligible for the program, though; is that what I
22 understood?

23 A. I'm not -- I am not at this point
24 familiar with the details of what they are required
25 to pay under the program.

1 Q. Well, if I would ask you to assume they
2 are paying a percentage of their income, then are the
3 PIPP customers receiving any benefit from the
4 discount, per se?

5 A. I would think so because I think it
6 gets -- it is best reflected in what their bill would
7 have been, and to the extent these customers get off
8 PIPP, which they do, then I think the amount that
9 they owe I think would be less.

10 Q. And do you know how much -- when somebody
11 goes off PIPP, do you have any idea of how far into
12 history the companies are permitted to recover from
13 those customers?

14 A. I don't.

15 Q. All else being equal, shouldn't
16 FirstEnergy Solutions be willing to provide the same
17 discount to any CRES in return for the same amount of
18 PIPP load?

19 THE WITNESS: Could you repeat the
20 question?

21 (Record read.)

22 MR. KUTIK: Objection.

23 EXAMINER PRICE: Grounds?

24 MR. KUTIK: Relevance.

25 EXAMINER PRICE: I'm going to sustain the

1 objection because I'm not sure if I understand the
2 question myself, so sustained.

3 Q. (By Mr. Dortch) On behalf of the EDUs,
4 does it make any difference whether they receive a
5 6 percent discount from FES or they receive a
6 6 percent discount from some other provider?

7 A. I don't believe so.

8 Q. And DOD -- I'm sorry. The Department of
9 Development is the administrator for the universal
10 fund, the service fund, correct?

11 A. I believe so.

12 Q. And you've already testified that they
13 could hold an auction at any time. Do you know
14 whether they would obtain similar or even greater
15 discounts in the event of an auction?

16 A. I have no idea.

17 Q. Well, has the company or the companies,
18 the EDUs, attempted to shop with any other provider
19 of service for a discounted contract for PIPP load?

20 A. I think clearly in the negotiations
21 leading -- leading up to the ESP II it was an issue,
22 and many suppliers were in the room, and none
23 basically were able or willing to offer more than a
24 6 percent discount.

25 Q. You said offer more than a 6 percent

1 discount. Were those suppliers willing to match the
2 FES discount?

3 A. I don't think I heard anyone even make
4 any offer relative to a discount to PIPP customers.

5 Q. Have the companies formally sought such
6 offers?

7 A. I think in discussions regarding the ESP
8 II that I'm not sure I would consider it formal or
9 informal, but when you are discussing a potential
10 stipulation and you have parties around the room that
11 are suppliers and no one is willing to make an offer,
12 I don't know, is that formal or informal? The fact
13 is they had the opportunity and didn't.

14 Q. And there are approximately, you
15 testified earlier today, 35 suppliers registered in
16 your service territory; is that correct?

17 A. That's correct.

18 Q. And do you know how many of those
19 registered suppliers participated in ESP II?

20 A. There were -- it's on -- it's in the
21 stipulation in terms of how many.

22 Q. It would be in the record, at least?

23 A. Please?

24 Q. It would be in the record, at least,
25 correct?

1 A. Sure, sure. And I would think those that
2 were involved in our ESP II were the ones that were
3 most interested in what was happening in our service
4 territory.

5 Q. Would -- with respect to the ESP II
6 stipulation, do you remember when the topic of
7 interest in PIPP load arose?

8 A. During the discussions of the development
9 of the stipulation.

10 Q. And did you give the companies that may
11 have an interest in entering into a bilateral
12 contract for that load any particular period of time
13 in which to make a proposal?

14 A. I would say during the discussion and the
15 negotiations associated with the development of the
16 ESP.

17 Q. Did anybody make a proposal?

18 A. Not that I'm aware of.

19 Q. Would you be willing to extend such an
20 opportunity to suppliers as part of this ESP III?

21 A. No. I think this ESP II is -- or ESP III
22 is basically an extension of the ESP II.

23 Q. And it's not anti-competitive, in your
24 opinion?

25 A. No. Again, the Ohio Department of

1 Development can basically provide an auction to
2 provide the load. And I read with interest the
3 interrogatories submitted by OCC to various parties,
4 and the answers that came back is not a ringing
5 endorsement of wanting to provide something off the
6 market pricing to provide services to PIPP load. I
7 mean, most suppliers, quite frankly, if they can get
8 a market price, they are going to get a market price.

9 Q. Market prices have to reflect the fact
10 that there are going to be certain amounts that are
11 uncollectible from a customer, correct?

12 A. I would think somewhere in the costing, a
13 supplier puts out that there is a price for -- or
14 something built in for uncollectibles, but that's an
15 assumption on my part.

16 Q. The PIPP load does not have to recognize
17 any uncollectible amount, though, does it?

18 A. I think any -- any uncollectible amount
19 would basically be billed through a couple of the
20 riders, the uncollectible rider or one of the other
21 riders to collect the Department of Development
22 charges.

23 Q. So it would be collected from the
24 customers other -- I'm sorry -- the company's other
25 customers, correct?

1 A. The -- any amount that passes through the
2 ODOD funding mechanism would be paid for by other
3 customers.

4 Q. Is there a PIPP load that is outside that
5 funding mechanism?

6 A. I don't know of any.

7 Q. Mr. Ridmann, in the companies' ESP II
8 case, you testified regarding the companies'
9 agreement to not seek cost recovery of certain RTEP
10 charges for a period of five years through May, 2016,
11 or, excuse me, a total of \$360 million had been paid
12 but not recovered through rates. Do you recall that?

13 A. I recall provisions related to RTEP in
14 the fact that we wouldn't recover a certain amount
15 over a certain period of time.

16 Q. And that benefit was included as a
17 quantitative benefit of ESP II, as opposed to the
18 MRO, in -- in the WRR attachment 1 to your testimony.
19 Do you recall that?

20 A. I recall attachment -- attachment 1 to my
21 testimony, and it did not include the entire RTEP
22 amount that was ultimately agreed to in the
23 stipulation.

24 Q. The entire amount is \$360 million,
25 correct?

1 A. Associated with RTEP, that's correct.

2 Q. And in your ESP II testimony the amount
3 claimed for purposes of the MRO test was 78 million
4 for 2014-'15 and 80.9 million for '15-'16. I don't
5 expect you to recall that. I'll just make that
6 recommendation to you. That's a total of just shy of
7 \$160 million. Do you feel the company deserves an
8 additional \$200 million credit now?

9 A. Basically, as I said in my testimony
10 throughout the day, is that we see this to a large
11 extent as an extension of the ESP II, so we tried to
12 keep everything consistent with what we did in the
13 ESP II with really only a handful of changes, and so
14 the information I provided on my attachment 1
15 reflected basically this fact that we would -- we
16 were looking out in the RTEP based on what charges
17 the company were to forego and basically updated for
18 the fact that in the attachment 1, the ESP II we
19 didn't reflect all the RTEP savings, and, similarly,
20 for instance, in the DCR computations we kept
21 basically what we had done in the ESP II, even though
22 there is -- was an order out there that basically was
23 issued after that that said how you ought to do
24 things differently.

25 MR. DORTCH: Your Honor, I am going to

1 move to strike the witness's answer as nonresponsive.
2 The question I asked was whether there was a \$200
3 million credit that the -- that Mr. Ridmann felt was
4 due the company in this case.

5 MR. KUTIK: The question was do you think
6 the company should get an additional credit, and he
7 explained his position on that, your Honor.

8 EXAMINER PRICE: Motion to strike is
9 denied.

10 Q. (By Mr. Dortch) Mr. Ridmann, if the
11 Commission rejects the stipulation in this case, the
12 company is still going to provide the \$360 million
13 benefit, correct?

14 A. I would say unless another ESP -- a
15 subsequent ESP dealt with it differently and there
16 was an agreement among the parties.

17 Q. And if the -- excuse me. I am going to
18 remove my jacket now.

19 And if the Commission accepts the
20 stipulation in this case as proposed by the company,
21 the company is not attributing one cent more than the
22 \$360 million that it is already committed to the
23 contract, correct?

24 A. We are living up to basically what was
25 agreed to in the ESP II stipulation and what we've

1 carried forward into the ESP III, which included the
2 provisions of absorbing up to \$360 million of RTEP.

3 Q. And that commitment is not affected one
4 way or the other by the stipulation proposed by the
5 company in this case.

6 A. Not as the stipulation was filed.

7 Q. And it's not affected one way or another
8 by the ESP III, those components of the ESP that you
9 are proposing in this case that may differ in any
10 regard from the components of the ESP II, correct?

11 THE WITNESS: Could you repeat the
12 question.

13 EXAMINER PRICE: Please.

14 THE WITNESS: Please.

15 (Record read.)

16 A. I'm not sure I understand your question,
17 Mr. Dortch.

18 Q. I'll try again.

19 A. Okay. Thank you.

20 Q. Certainly. Actually, I'll just strike
21 the question, sir. We'll forget that.

22 The net present value of the RTEP benefit
23 is excluded from the MRO test as -- as Mr. Fortney
24 recommends; however, all else being equal, the
25 companies ESP is \$7 million more expensive than the

1 MRO, applying only the quantitative criteria set
2 forth in your attachment to your testimony?

3 A. I would disagree with that. I think
4 Mr. Fortney then goes on to state in his testimony
5 that probably it's appropriate to reflect how the --
6 how the DCR or the comparable DIR was treated in
7 another case in the state, and if you treat this
8 comparably, it would pass, and so I think that's the
9 basis for Mr. Fortney's saying basically it passes.

10 Q. All else being equal, if the \$360 benefit
11 is disallowed as a quantitative benefit in this case,
12 the companies' proposal is \$7 million more expensive
13 than an MRO; is that accurate?

14 A. Yes; but I think that's inappropriate to
15 look at it that way because if you are excluding
16 that, I believe you do have to change the way we have
17 done the DCR, basically to reflect updated
18 information that was contained in a subsequent order
19 of the Commission. And so --

20 EXAMINER PRICE: Why -- I believe --
21 sorry. I'll let you finish, then I'll ask.

22 A. Again, I go back to the intent of our ESP
23 III was to basically look at it the same way we did
24 in ESP II because we saw it basically, primarily as
25 an extension, so the attachment 1 reflected that.

1 EXAMINER PRICE: I'm not understanding
2 why those two are contingent upon one another.

3 THE WITNESS: I think the DCR basically
4 ought to be updated basically, like, to reflect more
5 recent Commission thinking.

6 EXAMINER PRICE: Okay.

7 Q. (By Mr. Dortch) You did have the
8 opportunity to reflect that change in the ESP but you
9 did not in your testimony.

10 A. Again, the thought was to try to keep
11 everything consistent with what we did in the ESP II,
12 and under that -- under that concept we kept it
13 consistent. We didn't change it. Could we have?
14 Yes. But under the idea of trying to keep everything
15 consistent, we did not.

16 Q. And the changes Mr. Fortney refers to are
17 basically timing changes?

18 A. When you say that he refers to, what are
19 you referring to?

20 Q. You refer to Mr. Fortney's testimony and
21 referred to an additional quantitative benefit
22 Mr. Fortney wished to make known to the Commission,
23 and it is -- my question to you is whether that
24 additional benefit is simply reflective of timing in
25 recovering the dollars at issue there.

1 A. I believe that's part of it, yes, that
2 there was as timing difference that in the long-term
3 would basically make no substantial difference. And
4 I believe that's consistent with what the Commission
5 ruled.

6 EXAMINER PRICE: Let me ask you a
7 question. I had this question, so I'll interrupt
8 here. Turning to your WRR attachment 1 part of the
9 Company Exhibit 3, this is your comparison of the ESP
10 compared to the MRO; is that correct?

11 THE WITNESS: Yes.

12 EXAMINER PRICE: And you use that as a
13 shorthand. The statute actually says compared to
14 what otherwise would apply under Section 4928.142,
15 but as is commonplace around here, we are using the
16 shorthand "compared to the MRO."

17 THE WITNESS: Yes, we do.

18 EXAMINER PRICE: Would you agree if the
19 RTEP provision is on the ESP side, the RTEP provision
20 should also be on the MRO side because even if you
21 were to pursue an MRO, the same RTEP savings would
22 apply?

23 THE WITNESS: I'm not sure. You'd have
24 to do a test at that point of the ESP versus MRO if
25 you are pursuing an MRO.

1 EXAMINER PRICE: No, you don't have to do
2 it if you are pursuing an MRO. I'm saying under the
3 MRO, if you are going to include the RTEP under the
4 ESP provisions, this ESP, you should also include the
5 RTEP, the RTEP section under the MRO provision
6 because it would apply in the event you pursued an
7 MRO. It would either be in both places or neither
8 places.

9 THE WITNESS: If you pursued an MRO and
10 didn't pursue an ESP, I could see an argument for
11 that.

12 EXAMINER PRICE: Okay. Thank you.

13 Thank you, Mr. Dortch.

14 MR. DORTCH: Thank you, your Honor.

15 Q. (By Mr. Dortch) Mr. Ridmann, what's your
16 understanding of the expression or the phrase "more
17 favorable in the aggregate"? Does that mean that
18 quantitative benefits must inherently be greater in
19 an ESP than in an MRO?

20 A. I think the combination of the
21 qualitative and quantitative aspects.

22 Q. Is it possible for the qualitative
23 benefits of an ESP to outweigh even a negative
24 quantitative benefit of an ESP, in your opinion?

25 A. I think it's very important to -- on the

1 quantitative side to get very close to a quantitative
2 benefit of a positive or zero. I see possible
3 situations where the qualitative aspects could
4 overcome a slight negative, but I think if you have
5 very, very large quantitative negatives, I think it
6 would be very hard for the qualitative aspects to
7 override the very negative quantitative results.

8 EXAMINER PRICE: So it's a matter of
9 proportionality?

10 THE WITNESS: I think that goes into it,
11 your Honor, somewhat.

12 EXAMINER PRICE: 7 million out of a
13 billion would be different than 7 million out of 70
14 million.

15 THE WITNESS: Or 400 or 500 out of a
16 billion, yes.

17 EXAMINER PRICE: Thank you.

18 Q. (By Mr. Dortch) So is it fair to say you
19 would have to look at the qualitative factors and
20 make judgments about the qualitative factors in ways
21 that you perhaps don't apply the same way to
22 quantitative benefits?

23 A. Again, I think you would have to take
24 into account the qualitative benefits, but I see them
25 having some impact, possibly, on the overall, but I

1 think it would be a stretch to say if you're
2 extremely negative on the quantitative, that the
3 qualitative aspects would overcome it.

4 And, again, you know, if you take out the
5 RTEP and you -- and I don't take out the -- or don't
6 make the adjustment for the DCR that the Commission
7 ruled on relative to a DCR type of thing, you're
8 negative about 7 million, which is pretty small
9 compared to the overall value of the stipulation.
10 And then when you correct it by doing what the
11 Commission ordered in another case, it's very
12 positive.

13 Q. When you -- your reference was a bit
14 vague. When you say what the Commission did in
15 another case, are you referring to the DIR benefit
16 or -- what was it, rider DIR approved in the AEP
17 case?

18 A. Yes.

19 Q. When -- I am going to ask some questions
20 about page 11 of your initial direct testimony,
21 Mr. Ridmann. Specifically you state that the
22 stipulation does not violate any important regulatory
23 principle or practice; is that correct?

24 A. Yes. If you have got a line reference, I
25 would like to look at it.

1 Q. Just about everything under the caption
2 that says, "Does the Stipulation violate any
3 important regulatory principle or practice?"

4 A. All right.

5 Q. You state that the stipulation "supports
6 competition and governmental aggregation." Do you
7 see that?

8 A. Give me a line number.

9 Q. It's the very last line.

10 A. Line 23.

11 Q. Leads over to 12.

12 A. Yes.

13 Q. Aggregation and competition are two of
14 the important regulatory principles to which you
15 refer here, fair enough?

16 A. It's two of the items I point out here.

17 Q. And these principles are also found in
18 the state policies included within 4928.02; is that
19 right?

20 A. I believe so. I don't know with
21 particular reference to the particular code, but it's
22 contained in the code under some section.

23 Q. If competition is significant, do you
24 agree there needs to be a level playing field for
25 competition in Ohio?

1 A. What do you mean by level competition?

2 Q. A level playing field.

3 A. A level playing field.

4 Q. Well, that's a very good question. I
5 would assume that that means that there's nothing
6 about the ESP that disadvantages someone seeking the
7 benefits of competition. Is that a fair enough
8 definition?

9 A. Your definition, okay.

10 Q. Do you have a definition you would like
11 to offer for fair playing field?

12 A. We'll go with your definition.

13 Q. So we can accept my definition as nothing
14 that disadvantages someone seeking competition within
15 Ohio.

16 A. Is that a --

17 Q. That is a question. Can we accept the
18 definition?

19 A. For now.

20 Q. And does the ESP plan, in your opinion,
21 do exactly that?

22 A. Support a level playing field?

23 Q. Yes, sir.

24 A. Yes --

25 Q. Or using the definition, in no way

1 disadvantages someone seeking the benefits of
2 competition in Ohio, either way.

3 A. I believe there is a level playing field
4 within the companies' service territories for
5 competition.

6 Q. Do you believe the plan favors any
7 particular participants in the market?

8 A. No.

9 Q. What about the market for SSO auction
10 service?

11 A. I don't see where it advantages one party
12 over another.

13 Q. In the market for competitive retail
14 electric service.

15 A. I don't see where it advantages one party
16 over another.

17 Q. And do you believe market conditions
18 favor competition at this point in time within the
19 companies service territory?

20 A. I presume with 75 percent of our load
21 shopping, that it favors competition. And I believe
22 it favors competition at the wholesale level because
23 the number of parties that have bid into the
24 auctions.

25 Q. How many companies bid into the auction,

1 sir, if you know?

2 MR. DORTCH: I'm asking only a number,
3 nothing about --

4 EXAMINER PRICE: I'm not even sure -- I
5 think the number that he can answer, based upon
6 Commission protective orders, is how many winning
7 bidders there have been. I'm not sure, off the top
8 of my head, that he can give the number of bidders,
9 subject to the Commission protective order.

10 MR. DORTCH: Your Honor, I'm reading a
11 Toledo Edison report of the --

12 EXAMINER PRICE: I could be wrong.

13 MR. KUTIK: Your Honor --

14 EXAMINER PRICE: That's off the top of my
15 head.

16 MR. KUTIK: Your Honor, as I indicated
17 earlier, as long as Mr. Ridmann's answers are limited
18 to whatever's public, and particularly things like
19 the manager's report.

20 EXAMINER PRICE: If I was premature, then
21 I was premature. My mistake. Please proceed.

22 Q. Do you, sir, know how many bidders there
23 were in the auction?

24 A. I have got to ask, is it public
25 information?

1 Q. Yes, sir, it is.

2 MR. DORTCH: Actually if I may approach?

3 EXAMINER PRICE: You may.

4 MR. DORTCH: This is off the FirstEnergy
5 competitive bid price auction page, web page.

6 MR. KUTIK: These are registered bidders.

7 MR. DORTCH: Registered bidders.

8 Q. (By Mr. Dortch) Mr. Ridmann, do you know
9 how many registered bidders there were at the last
10 auction?

11 A. Under this document it says there were
12 eight registered bidders.

13 Q. And do you know how many winning bidders
14 there were at the last auction?

15 A. Under this document it says there were
16 six winning bidders.

17 Q. Thank you, sir. And this document I will
18 represent is a web page, [www.firstenergycbp.](http://www.firstenergycbp.com/results.aspx)
19 [com/results.aspx](http://www.firstenergycbp.com/results.aspx).

20 EXAMINER PRICE: We'll take
21 administrative notice of it.

22 MR. DORTCH: Thank you.

23 Q. Mr. Ridmann, FirstEnergy has announced
24 plans to build a series of transmission projects to
25 enhance service reliability. Are you aware of those

1 plans?

2 A. Generally.

3 Q. And is there a plan --

4 MR. KUTIK: May I have the question read,
5 please?

6 EXAMINER PRICE: You may.

7 (Record read.)

8 MR. KUTIK: I would ask, your Honor,
9 talking about FirstEnergy, could we be --

10 EXAMINER PRICE: If you could specify
11 which particular FirstEnergy affiliate or operating
12 company, it would be helpful.

13 THE WITNESS: Just to be clear, my
14 response was relative to FirstEnergy, and it's the
15 parent.

16 MR. DORTCH: And my question was actually
17 based on an announcement by FirstEnergy Corp., which
18 was the -- of course, is the umbrella organization.

19 Q. Are you aware of a -- or a program known
20 as Energizing the Future?

21 A. Not offhand.

22 Q. Do you have any concept of the dollars
23 that FirstEnergy Corporation is projected to find it
24 necessary to commit to PJM-approved upgrades over the
25 next three years in --

1 MR. KUTIK: Objection. There is no
2 evidence in the record that "FirstEnergy Corporation"
3 has committed to anything.

4 MR. DORTCH: I'll rephrase the question,
5 your Honor.

6 EXAMINER PRICE: Okay.

7 Q. Are the companies going to commit dollars
8 to transmission over the next three years?

9 A. And by the companies you mean Ohio
10 Edison, Cleveland Electric, and Toledo Edison?

11 Q. Yes, sir.

12 A. They don't really own any transmission
13 facilities. They are owned by ATSI.

14 Q. When you say "they," you mean the
15 transmission facilities are owned by ATSI?

16 A. Yes. There are some minor exclusions
17 that deal with isolated -- very isolated transmission
18 that serve one customer, for instance, or so. But
19 the great bulk of the transmission assets -- there
20 are no transition assets, basically, other than the
21 ones -- the few that I just described owned by the
22 EDUs in Ohio.

23 Q. Is -- that's a function of FirstEnergy's
24 business structure, though; isn't that correct? It's
25 not a function of state law, is it?

1 A. I don't know if there was anything that
2 required us to divest of transmission in Ohio or not.
3 The fact is we did.

4 Q. And you are unaware whether there is any
5 requirement that you divest.

6 A. I'm not aware of anything.

7 Q. Are you aware of anything that would
8 preclude the company from constructing transmission
9 facilities --

10 MR. KUTIK: Objection.

11 Q. -- if necessary, to promote a level
12 playing field?

13 MR. KUTIK: Objection.

14 EXAMINER PRICE: Grounds?

15 MR. KUTIK: Relevance.

16 EXAMINER PRICE: I'll allow it, but let's
17 move along after that.

18 A. All I can say is I don't think it's the
19 intent of the EDUs to build any transmission.

20 Q. There's been much leading up to this
21 hearing between the parties about the issuing of
22 capacity price. Are you aware of some of those
23 issues that have arose between --

24 A. Could you speak up a little. I'm sorry.

25 Q. I'm trying.

1 MR. DORTCH: Can we go off the record for
2 just a moment, your Honor?

3 EXAMINER PRICE: We may.

4 (Discussion off the record.)

5 EXAMINER PRICE: Let's go back on the
6 record.

7 Q. Who pays for transmission facilities
8 constructed by the companies? I'm sorry, constructed
9 within the FirstEnergy system.

10 A. Oh, that's a rather broad question.
11 Would you like -- FirstEnergy has 10 operating
12 companies. They have many forms of organization
13 under the corporate parent. And so generally --
14 well, it will basically vary by jurisdiction that we
15 are operating under.

16 Q. What about in Ohio?

17 MR. KUTIK: Your Honor, at this time I'll
18 object, relevance.

19 EXAMINER PRICE: Where are you going with
20 this, Mr. Dortch?

21 MR. DORTCH: Your Honor, the purpose of
22 these questions are to lay a foundation, if you will,
23 for the fact that the ATSI zone is a constrained
24 zone, that the companies are capable and, in fact,
25 arguably have an obligation to address constraints

1 within their territories in order to assure a level
2 playing field for competition within the state.

3 EXAMINER PRICE: I think you can just ask
4 him more directly those questions. He will answer
5 truthfully, move more quickly through this.

6 Q. (By Mr. Dortch) All right. Mr. Ridmann,
7 let's go at it that way. Would you agree with me,
8 sir, that the companies, meaning the EDUs, have an
9 obligation to promote a level playing field for
10 competition within the state?

11 A. What do you mean by "obligation"?

12 Q. I mean an obligation imposed upon them by
13 statute.

14 MR. KUTIK: Then I'll object, your Honor.

15 EXAMINER PRICE: Sustained.

16 Mr. Ridmann, are you aware of whether or
17 not the ATSI zone is constrained?

18 THE WITNESS: It was constrained for the
19 2015-2016 BRA.

20 EXAMINER PRICE: Are the companies
21 intending to proceed with any investments to relieve
22 those, to mitigate those constraints, not the
23 companies, ATSI?

24 THE WITNESS: We -- the transmission
25 companies, under FirstEnergy, have agreed through

1 public announcements that we will build transmission
2 lines to re -- to help ensure reliability in the ATSI
3 zone, and they have been approved -- several of them
4 have been approved by PJM.

5 There are some that are pending before
6 PJM to build additional transmission which would
7 relieve -- which would help reliability, and we have
8 also have been asked to produce RMR relief in the
9 ATSI zone between now and basically May of 2015 --
10 and '15.

11 EXAMINER PRICE: Are any of the ATSI
12 construction projects to be funded through this ESP?

13 A. No; directly funded, no. They will be
14 built by another entity within FirstEnergy.

15 EXAMINER PRICE: Mr. Dortch.

16 MR. DORTCH: Thank you, your Honor. A
17 very quick follow-up then, without trying to make
18 this sound argumentative.

19 Q. (By Mr. Dortch) I think I just heard that
20 FES is responsible for addressing the constraints
21 through a PJM RMR; is that correct?

22 MR. KUTIK: Objection. Mischaracterizes
23 his testimony.

24 Q. You said -- Mr. Ridmann, you said we are
25 subject to RMR, that RMR -- and that's a reliability

1 must run order from PJM; is that right, Mr. Ridmann?

2 A. That's correct.

3 Q. And the RMRs are directed to FirstEnergy
4 generation, correct?

5 A. That's correct.

6 Q. And the companies own no generation?

7 A. The companies, being FE Ohio, own no
8 generation.

9 Q. And then you also discussed ATSI efforts
10 or ATSI announcements of efforts to address
11 constraints that are caused by transmission lines.

12 A. I said that basically FE has committed to
13 build transmission, that the EDUs would not build but
14 some organization entity under FirstEnergy would
15 build to relieve or to help reliability as requested
16 by PJM.

17 Q. So --

18 A. And Mr. Price asked me basically, you
19 know, basically some other -- some organization with
20 FirstEnergy would basically do that, commit to it.
21 And there are some that are still pending before PJM
22 to be built by First -- by an entity within
23 FirstEnergy that is not the FE Ohio EDUs.

24 Q. So these efforts that we're talking about
25 to address the constraints within the ATSI zone are

1 being taken by other entities within P -- or within
2 FE but not the EDUs?

3 A. They may be taken by other entities, or
4 they may be taken by ATSI, but they will not be taken
5 by the FE Ohio EDUs.

6 EXAMINER PRICE: Are there projects on
7 the distribution level which FirstEnergy operating
8 companies could undertake that could serve to help
9 mitigate or alleviate these constraints?

10 THE WITNESS: You know, we're looking at
11 through our AMI process, our pilot, basically whether
12 there is Volt-var for type things that could be done.
13 I think we are not certain yet because that pilot is
14 still ongoing.

15 EXAMINER PRICE: That's in the
16 stipulation?

17 THE WITNESS: And that's in the
18 stipulation. Other types of distribution things
19 could be done under the normal course of business.

20 EXAMINER PRICE: Are there any other
21 distribution-type projects you could do that could be
22 targeted towards the constrained area that could
23 relieve the constraint?

24 THE WITNESS: That has made PJM, the ATSI
25 zone, a constrained zone for '15-'16, not that I am

1 aware of.

2 MR. DORTCH: I'm sorry, your Honor, I
3 could not hear.

4 EXAMINER PRICE: Not that he is aware of.

5 MR. DORTCH: Not that you are aware of,
6 thank you, sir.

7 THE WITNESS: And I will say not aware at
8 this time. Obviously, as technology evolves, things
9 develop, but at this time I don't see anything.

10 EXAMINER PRICE: Thank you.

11 Q. (By Mr. Dortch) Can the companies propose
12 projects to PJM to promote state policies since, such
13 as transmission to alleviate the constraints within
14 the zone?

15 A. I'm not sure they do it relative to state
16 policy. These issues are basically governed at the
17 FERC level and PJM level so I think they have agreed
18 to build it as a result of rules and procedures
19 within PJM.

20 Q. Can the companies propose projects to
21 relieve congestion?

22 A. I think, subject to PJM approval.

23 Q. And has the -- have the companies done
24 so?

25 MR. KUTIK: Excuse me, your Honor. I am

1 not sure Mr. Ridmann had finished his prior answer.

2 EXAMINER PRICE: Then finish your prior
3 answer.

4 A. Particularly at certain voltage levels.

5 Q. And have the companies done so?

6 A. The companies have proposed transmission
7 to increase the reliability in the ATSI zone and, as
8 I stated, some of those have been approved by the PJM
9 board. Some of them are still under study, yet to be
10 approved by the PJM board.

11 Q. These transmission projects are years in
12 the planning, as I understand it; is that correct?

13 A. I would think the transmission planners
14 have a pretty good idea within PJM at the individual
15 operating companies about basically the reliability
16 or the transmission that's being planned.

17 Q. And PJM's concern is reliability, it is
18 not competition, at the retail level at least; is
19 that fair?

20 A. Well, I'll draw somewhat of a caveat
21 there. I mean, I think the market monitor is very
22 concerned about competition. And -- and he has a
23 major role in determining whether there is sufficient
24 competition or not, particularly at the wholesale
25 level. And I think PJM is primarily concerned with

1 the reliability aspects, but I believe the two work
2 pretty much hand in hand.

3 Q. Mr. Ridmann, on May 29, FirstEnergy
4 supplemented its discovery responses to interrogatory
5 11.7 as issued by AEP Retail to show what wholesale
6 generation rates would be for the companies. Are you
7 aware of that?

8 A. Yes, I am.

9 Q. By any chance, do you have a copy of that
10 supplement with you? And if not, we will supply one.

11 A. I do not.

12 MR. DORTCH: Your Honor, I will ask this
13 be marked as AEPR-2.

14 EXAMINER PRICE: So marked.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 MR. DORTCH: This is the supplement, your
17 Honor.

18 EXAMINER PRICE: So we're marking both
19 sheets?

20 MR. DORTCH: I would just mark them both
21 as Exhibit 2, your Honor.

22 Q. With reference to the exhibit I marked
23 AEPR-2, could you describe what the top half of the
24 exhibit shows?

25 MR. KUTIK: Are we referring to the

1 attachment?

2 MR. DORTCH: I'm sorry, the attachment 1,
3 which would be the second page of the exhibit.

4 A. The top chart basically shows the
5 historical wholesale auction prices for the delivery
6 periods identified through basically column D, and
7 then it attempts to -- the chart attempts to show
8 what happens given what came out of the BRA -- the
9 PJM BRA 2015-2016 delivery year auction, what the
10 results would be under the blending process of the
11 companies and the laddering process the companies
12 have proposed in the ESP III stipulation, with
13 basically the change being made to the capacity rate
14 that came out of the various PJM auctions through the
15 '15-'16 delivery period.

16 Q. Well, then for the '15-'16 delivery
17 period, what capacity price are you using?

18 A. The base capacity price of 294 and then
19 adjusted for scaling factors.

20 Q. Unadjusted for scaling factors?

21 A. No, I believe scaling factors -- I
22 believe there was an adjustment for scaling factors.

23 Q. So you believe this was adjusted for
24 scaling factors.

25 A. Right.

1 Q. So you actually get a price I think you
2 folks reported as about 326, 324?

3 A. I would say in that range.

4 Q. Now, who made this projection? It was
5 done under your direction?

6 A. Yes, it was.

7 Q. And who -- who specifically did it?

8 A. I don't know who specifically did it. My
9 guess is probably a team of people worked on it.

10 Q. When was this study performed?

11 A. I don't have the exact date but very
12 close to. You said it was handed over on May 29,
13 somewhere in that --

14 Q. I don't recall --

15 A. Somewhere between the results of the
16 auction being announced and May 29, that's when this
17 was provided.

18 Q. So sometime after the 18th -- well, and
19 then probably the 29th when it was turned up.

20 A. Yeah. It was after the most recent BRA
21 auctions for '15-'16, obviously, because we needed to
22 fold in those prices to determine the impact.

23 Q. So the study itself had nothing to do
24 with your decision to hold a three-year auction?

25 A. No. I think the -- the rationale to hold

1 a three-year auction was basically as stated in the
2 stipulation, which is to provide more certainty,
3 price stability for -- for our customers, and also
4 with energy prices currently being relatively low,
5 hopefully to lock in those lower energy prices to the
6 October, 2012, and January, '13, auction.

7 Q. If you are trying to lock energy prices
8 in, is it your expectation that prices are rising at
9 this period?

10 A. They have risen slightly since -- since a
11 low of about February, but they are still very low
12 compared to the nine-year history.

13 Q. And you are talking about energy prices
14 when you say pricing in that --

15 A. That's correct; which makes up basically
16 the bulk. Energy makes up, I would think, the bulk
17 of the costs.

18 Q. Capacity can significantly influence the
19 overall price, would you agree?

20 A. It can have an influence on the price.

21 Q. Were there any financial studies
22 performed for the purposes of analyzing whether the
23 ESP plan would smooth prices and mitigate volatility?

24 A. I think this is supportive -- this
25 exhibit is supportive of it.

1 Q. Let me ask it in a different way. Before
2 the company filed its ESP application -- ESP III
3 application, was there any sort of study performed
4 for the purposes of analyzing whether the plan would
5 smooth prices and mitigate volatility?

6 A. No study per se, no analytical study. I
7 think just general knowledge of the industry that we
8 have and that those who signed on the stipulation
9 have, and the fact that laddering, which is what our
10 proposal basically is, which includes a three-year
11 product, two-year product, and one-year product,
12 would provide for stability.

13 Q. Now, the prices reflected in the historic
14 portion -- well, first of all, what is part 2?
15 What's the lower half of the chart here indicating?

16 A. Part 2 basically shows -- well, let me --
17 part 2 basically then shows if you don't have an ESP
18 III, where there is not this three-year product in
19 place that we've proposed for the October, 2012, and
20 January, '13, auctions, what would happen to pricing
21 if you changed again the auction results coming out
22 of the January, '12, auction for the known capacity
23 rates through '15-'16 that came out of the PJM
24 process.

25 And then similar to the top graph,

1 basically the increase from the prior -- previous
2 year just shows basically the change, percent change,
3 from the prior year, and the difference from ESP I
4 just compares basically back to, if you will, the
5 '09-'10, '10-'11 rates to show what the overall
6 changes from -- from the first ESP.

7 And so, for instance, the change under
8 our blending process for ESP III shows that compared
9 to the auction results in '09-'10, '10-'11 that there
10 is -- in the '15-'16 time period an increase of
11 3 percent increase over the prices that were in
12 effect in the delivery years '09-'10, '10-'11 under
13 our blending proposal, .likewise, if you don't blend
14 in, the ESP III is not accepted, basically you see a
15 14 percent increase over the rates in '09-'10,
16 '10-'11.

17 And, more importantly, you see an
18 increase in '15-'16 compared 2014-'15 of 25 percent.
19 And I believe this is what those who signed on to the
20 stipulation, many of those who signed on to the
21 stipulation, saw in terms of the benefits of
22 laddering in the proposal the company made under the
23 ESP III.

24 Q. Now, note 3 states "Illustrative of known
25 capacity prices and energy from FE Ohio's January 24,

1 2012 ,auction." Why did you choose the one January,
2 2012 auction?

3 A. It was the most recent auction.

4 Q. Are these -- for the years through the
5 current date, are these the actual prices charged to
6 customers through rider GEN?

7 A. These are the wholesale rates that came
8 out of the auctions. And then from these, basically
9 you have the retail rates.

10 Q. But these are, again, not the actual
11 rates being charged customers, correct?

12 A. They are not. During this time period,
13 they form the basis for the rates that would be
14 charged retail customers. Basically you take these
15 wholesale generation rates and adjust them for
16 seasonal factors and adjust them for losses to come
17 up with your retail generation rate.

18 And then starting in ESP II we separated,
19 like we had the discussion earlier this morning
20 regarding developing a capacity-related rate and an
21 energy-related rate.

22 Q. You are holding the energy price constant
23 in attachment 1?

24 A. Yeah. Again, we are adjusting for
25 capacity rates that came out of the various BRA or

1 PJM auctions. If it's -- again, it may not be a BRA
2 auction for ATSI in the later years.

3 Q. And, of course, you are projecting prices
4 to rise throughout the entire three-year period of
5 ESP III.

6 A. We are projecting prices to increase in
7 '14 and '15 by 4 percent, and '15 and '16 by
8 8 percent. But, again, relative to the prices in
9 effect in '09, '10, '11, it's only a 3 percent
10 increase.

11 Q. And what is your projection based on for
12 '14-'15 and '15-'16?

13 A. Well, as I described previously, we use
14 the January auction results, replace those -- well,
15 first of all, let me step back for the historical
16 period. They are the auction results associated with
17 those time periods. So, for instance, in columns A,
18 B, C, and D, those are the historical rates that came
19 out of the various auctions based on laddering.

20 Q. So if I may interrupt for a moment, just
21 so I make sure I understand, can you tell --

22 MR. KUTIK: Well, your Honor, the witness
23 should have an opportunity to finish his answer.

24 MR. DORTCH: And I don't mean -- I just
25 want to make sure I understand.

1 EXAMINER PRICE: Just this once,
2 Mr. Dortch.

3 MR. DORTCH: Thank you, your Honor.

4 Q. The September, '10, planning year?

5 A. September, '10, planning year, there is
6 no --

7 Q. Which is your term here. I know we had a
8 discussion about planning year earlier, but the
9 September, '10 planning year -- I believe -- sorry,
10 the 2009-2010 planning year reflects an auction held
11 when?

12 A. Since this was the first ESP, I believe
13 it was the auction held -- I don't have the exact
14 date, but somewhere in the first five months of 2009.

15 MR. KUTIK: Your Honor, can Mr. Ridmann
16 now finish his answer to the previous question?

17 EXAMINER PRICE: If you have anything to
18 add to your previous question, please proceed.

19 THE WITNESS: Plenty.

20 EXAMINER PRICE: Okay.

21 A. So -- so that describes what we did up
22 through column D.

23 And then for, again, the top chart,
24 basically we replaced the January, 2012, auction
25 results. We took out the capacity price that was in

1 place for the -- for the appropriate time that that
2 auction was seeking power for and replaced it with
3 the known capacity rates that have come out in the
4 PJM auctions, whether it's BRA or the special ones
5 that have been held for ATSI, and basically adjusted
6 those for the laddering, if you will, the three year,
7 two year, one year that we have proposed as part of
8 the ESP III, to come up with the blended rates in
9 columns E, F, and G.

10 EXAMINER PRICE: Just so the record is
11 clear, the point in which planning year '10-'11 at B,
12 the change from ESP I to ESP II, is the same time you
13 changed from MISO to PJM; is that correct?

14 THE WITNESS: That's correct. We changed
15 effective June of 2011.

16 EXAMINER PRICE: Thank you.

17 Q. (By Mr. Dortch) And if -- if it is a
18 three-year auction project, why isn't this a similar
19 price for the '13-'14 through '14-'15 time period?

20 A. Because of the laddering approach that we
21 are using in our proposed ESP III where you are
22 combining three-year products with two-year products
23 and one-year products in the auctions that take place
24 under ESP III.

25 Q. So if I understand correctly, then it's

1 the January, 2012, energy price and it's the
2 projected capacity prices based upon the May '18 PJM
3 auction; is that correct?

4 MR. KUTIK: May I have the question read,
5 please.

6 EXAMINER PRICE: You may.

7 (Record read.)

8 A. No.

9 Q. Well, if we're -- sir, if we are
10 laddering -- I am trying to understand why the
11 change. We have a single auction January of 2012.
12 We are making an adjustment for capacity and we are
13 showing increases throughout three years during the
14 periods of ESP III. What's changing here?

15 A. Well, the capacity prices coming out of
16 PJM for the '13 and '14 delivery year are different
17 than the capacity prices coming out of the PJM
18 auction process for year -- for delivery year '14 and
19 '15, and are different than the delivery -- the
20 capacity prices coming out for delivery years '15 and
21 '16. So we are basically taking into account the
22 capacity prices that have come out of three different
23 auction processes before PJM and not just the May '18
24 auction.

25 Q. So you're blending the capacity prices

1 from the May, 2012, auction with prior auctions in
2 order to determine a capacity price for purposes of
3 this chart?

4 THE WITNESS: Could you reread the
5 question, please.

6 (Record read.)

7 A. No. Can I try to help, though?

8 Q. Please do.

9 A. Thank you. We are proposing under this
10 ESP III basically a three-year product in our next
11 two auctions which are going to be held, hopefully,
12 in October of this year and January of next year.
13 Okay? Those three-year products cover the period
14 June of '13 through May of '16.

15 We know what the capacity prices are that
16 came out of the three auctions of PJM that set the
17 prices for three time periods based on their BRA or
18 based on any particular ATSI special auctions, and we
19 took that into account in developing the charge for
20 years '13-'14 because '13-'14 is technically under
21 ESP II, but because we have got a three-year blend,
22 the ESP III will impact the -- the prices associated
23 with the auction in the last year of the current ESP,
24 and it reflects that.

25 And for '13 and '14 it also takes into

1 account not only the auctions *taken playing in
2 October and January, it takes into account the
3 auctions that have been held previously that provide
4 products in the '13-'14 time period. Does that help?

5 Q. I believe so. Now, the '15-'16 price is
6 what? That price necessarily is determined solely by
7 the May, 2012, auction?

8 A. Again, under our laddering proposal in
9 the ESP III, there are -- there are three-year
10 products, two-year products, and one-year products,
11 and so it's the blending of those products.

12 Q. So are you forecasting what the future
13 auctions will clear at?

14 A. No. That's the whole point of our
15 disclaimer on 4 in the disclaimers we have made
16 throughout this case, that we have no idea what the
17 energy prices are going to be. We have no idea what
18 capacity rates, charges are going to be built in by
19 the suppliers in the auctions, and if you just
20 mechanically replace the capacity and you just do
21 that mechanically, this is the result.

22 We don't necessarily think it's
23 indicative. We just don't know one way or the other
24 what people are going to bid in in October and
25 January into the auctions, and we don't want to be

1 after the fact held saying basically the auction
2 results are different than what we had put in place
3 under our ESP III information that we have filed
4 because we don't know.

5 EXAMINER PRICE: Mr. Ridmann, are you
6 done?

7 THE WITNESS: Yes.

8 EXAMINER PRICE: For columns F and G,
9 then you are simply holding energy constant and
10 changing capacity values; is that --

11 THE WITNESS: Yes, holding energy
12 constant based on taking the capacity that was built
13 in -- built in, but basically associated with the
14 January, '12, auction for the auction period -- for
15 the delivery period that that auction provided for.
16 We took out basically the capacity of the BRA or the
17 appropriate ATSI auction, removed it, and replaced it
18 by the appropriate capacity auction prices.

19 EXAMINER PRICE: Just to clarify, counsel
20 asked you about blending capacity prices. You are
21 never blending capacity prices. You're substituting
22 then as to the relevant PJM years; is that correct?

23 THE WITNESS: That's correct.

24 EXAMINER PRICE: But you are blending
25 energy prices when you have data that's known. Your

1 energy price is a blend. Column C is a blend for
2 multiple auctions?

3 THE WITNESS: Yes, it is.

4 EXAMINER PRICE: Exactly.

5 THE WITNESS: But, again, we didn't use
6 that as the basis -- we used the basis of the
7 January, '12 auction.

8 EXAMINER PRICE: Okay. I understand.
9 Thank you.

10 Q. (By Mr. Dortch) Looking at your chart,
11 Mr. Ridmann, the market price is lower in year one
12 for the one-year product -- well, the ESP II period
13 because you haven't begun the blend, correct?

14 A. In year one of the ESP II?

15 Q. I'm sorry, of the -- the last year of the
16 ESP II, as proposed for the first year of the ET --
17 let's try that again. The last year of the ESP II or
18 the first year of the ESP III, as proposed, market
19 price is lower without the blend, without ESP III,
20 correct?

21 A. That's correct. You're comparing
22 basically the 53.45 in the top chart versus the 50.16
23 in the bottom chart.

24 Q. Okay. Now, that would encourage
25 shopping.

1 A. What would encourage shopping?

2 Q. A market price lower than the standard
3 service offer price would encourage shopping,
4 correct?

5 A. Not necessarily.

6 Q. You don't believe there are any migration
7 risks associated with a standard service offer price
8 greater than market?

9 A. Well, I guess what we're saying is these
10 are -- these are the markets that are reflected under
11 a blending process.

12 Q. Well, if there is no --

13 A. The market is basically what's bid in by
14 the wholesale suppliers.

15 Q. If there is an ESP III, it's approved by
16 the Commission, you're projecting a 53.45
17 megawatt-hour price in the '13-'14 planning year,
18 correct?

19 A. Correct.

20 Q. And if there is no ESP III, and instead
21 we play out ESP II, you're projecting a \$50.16
22 megawatt-hour price. Agreed?

23 A. Again, I'm going to quibble with the word
24 "projecting." This is a mechanical calculation that
25 shows what the effect is if you replace the capacity

1 prices.

2 Q. Very well. We will not use the term
3 "projecting."

4 A. Thank you.

5 Q. Can we use the term, under the same
6 assumptions, ESP II played out under the same
7 assumptions, gives us a market -- gives us a price
8 that is lower for the '13-'14 planning year than
9 the same price under ESP III?

10 MR. KUTIK: Objection. Asked and
11 answered.

12 EXAMINER PRICE: Overruled.

13 A. I don't know about the same assumptions
14 and what goes into all that, but under this
15 mechanical calculation, the price under the ESP II
16 under the bottom chart where there is no blending,
17 the 50.16 is lower than the blended price in the top
18 chart that assumes a three-year product basically
19 under the ESP III.

20 Q. And these are the prices that you're
21 projecting -- I'm sorry. I know you don't like the
22 term "project." These are the prices that you have
23 provided as wholesale generation rates for the Ohio
24 companies, all else equal, only thing different being
25 ESP II versus ESP III, right?

1 A. Yes. And the blending process associated
2 with the differences between it.

3 Q. Now, the blend for ESP II -- I'm sorry.
4 Is there a blend for ESP II? You have a one-year
5 product you have yet to purchase, correct?

6 A. Well, there is a blend under ESP II under
7 the terms of the ESP II stipulation.

8 Q. And would that price -- or would that
9 blend increase or lower the price anticipated during
10 the last year of ESP II?

11 A. Well, again, if you go to the bottom
12 chart, it shows that based on the laddering that's
13 contained in the ESP II stipulation, would not be an
14 influence by the ESP III stipulation, that basically
15 that laddering and the aggregation of the products
16 that affect the '13-'14 delivery year would go down.
17 I guess what I'm saying is the '15-'16 itself is a
18 product of the concept of laddering multiple-year
19 products that were built in the ESP II.

20 Q. Would you agree that laddering, for
21 whatever reason, distorts the price for market?

22 MR. KUTIK: Distorts the price for what?

23 MR. DORTCH: Distorts the price for
24 market.

25 A. Not necessarily. I think it depends on

1 changes in the market. And basically what the
2 auction results are that the customers -- or that
3 suppliers have bid in.

4 Q. If we assume the market prices are
5 different during the periods of the laddering, would
6 we assume changes --

7 EXAMINER PRICE: Mr. Dortch, they are all
8 market prices. When you say market, do you mean the
9 day-ahead market, in the realtime market? They are
10 all market based.

11 MR. DORTCH: Your Honor, what we're
12 dealing with here is rates that are being manipulated
13 between three different years, so that, in theory, if
14 I understand the plan correctly, we're smoothing --
15 we're smoothing the rate increases that customers
16 might otherwise be -- might otherwise anticipate.

17 The result of that smoothing is that
18 you're paying more up front than you are paying at a
19 later point in time, all else equal, assuming the
20 same wholesale market prices that we've seen for PJM
21 BRA over the last three years.

22 The prices are increasing for capacity.
23 If you roll that capacity into any sort of pricing
24 structure, the price goes up. Okay. That's not a
25 market price, though, if you are then blending rates

1 from various auctions because the auction rate for
2 '15-'16 is whatever that auction rate is. A blended
3 rate for '13-'14, '14-'15, and '15-'16 is going to be
4 different.

5 Now, that depends on whether the rate --
6 the auction for '13 and '14 and '14 and '15 will be
7 higher or lower whether you are going to like that
8 outcome better. But they are, nonetheless, going to
9 be different than the '15-'16 auction.

10 EXAMINER PRICE: Okay. I understand. I
11 think you and I have a different definition of
12 market-based rates, but I can live with that.

13 MR. DORTCH: Perhaps we do, your Honor.

14 MR. KUTIK: Nevertheless, your Honor, in
15 terms of the question that's been asked, I think we
16 have tread this ground several times, so I will
17 object.

18 MR. DORTCH: Your Honor, in terms -- I'm
19 not certain we've gotten where -- where I'm trying to
20 go with these questions.

21 EXAMINER PRICE: Just go with your next
22 question and go from there. I interrupted you. Go
23 with your next question.

24 Q. (By Mr. Dortch) Mr. Ridmann, do you agree
25 that the blended price creates a price that may be

1 higher or lower than another provider may be willing
2 to provide the same service, at the same period of
3 time?

4 A. I'm not really sure I understand the
5 question. Let me see if I can try to help.

6 Q. Let's see if I can do it this way.
7 Mr. Ridmann, let's assume that today I can buy a
8 product for a dollar, and you'll sell that product
9 for a dollar, and I'll sell that product for a
10 dollar. Are we okay so far?

11 A. Okay.

12 Q. And let's assume that tomorrow the price
13 for that same product would be \$2. You would sell it
14 for \$2, and I would sell it for \$2. So far okay?

15 A. Okay.

16 Q. Now, let's assume on day 3 that the price
17 for that same product is \$3. You would sell it for
18 \$3. I would sell it for \$3.

19 A. Okay.

20 Q. So far we're okay, right?

21 A. I'm following your example.

22 Q. Okay. If we blend those prices, all else
23 being equal, to come up with an even price all three
24 days, day one, your price would be \$2. The blended
25 price would be \$2. Day two, the blended price would

1 be \$2 and day 3 the blended price would be \$2. Would
2 you agree with that?

3 A. You're averaging basically the results of
4 three different days of prices you would come up with
5 \$2.

6 Q. So you would come up with a price for
7 three days that is \$2.

8 A. An average of the three days would be \$2.

9 Q. So on day one you are selling at \$2.
10 Let's assume that you're invoking a blended price,
11 you're selling at \$2, correct?

12 A. Well, we've jumped from averaging to
13 blending, but go ahead.

14 Q. All right. There's a difference between
15 blending and averaging in your -- in FE's mechanism
16 of creating a blend?

17 A. Yeah. Because, again, I think it goes
18 back to the laddering concept where some of the
19 pricing associated with '13 and '14 is based on
20 auctions that have already been held. And that's
21 reflected in the '13-'14 price, along with the
22 three-year product that comes out of the ESP III from
23 October of 12 and January of '13. So were's blending
24 auctions that have taken place over a different time
25 period. You recall it's blending products that have

1 occurred over a different time period.

2 Q. And those blended products and prices,
3 those blended products all start with a wholesale
4 market product that has a price at the time the
5 auction determines the price?

6 A. The auction results are -- are associated
7 with the auctions that -- the bid prices that were
8 made by wholesale customers at the time of that
9 auction. And those prices are reflected in -- if
10 it's a three-year product, it's reflected in the
11 three years that would sell for. If's it a one-year
12 product, it's for the one year, and you blend the
13 three year and the one year.

14 And under our approach posted in the ESP
15 II and ESP III is we have several auctions and
16 several products that we blend. And we do that --
17 that's called laddering. We do that in order to
18 smooth out the impact of variances that could occur
19 in the market to the benefit of our customers.

20 Q. If I -- if in year three of our blended
21 system, I'm a marketer offering service at the
22 auction price of \$3, I cannot -- I am unlikely to be
23 very successful in selling to your customers who are
24 able to purchase at \$2 at that same date; would you
25 agree?

1 A. Well, there, I think, you are getting
2 into basically how the CRES supplier or the -- the
3 CRES supplier is -- what products they are offering
4 into the market and how they are coming up with the
5 product offering, part of which is price. And so
6 they may, and often do, include a period longer than
7 just one year in how they make up the price.

8 Q. With reference to attachment 1 --

9 MR. KUTIK: Are we back to AEP 2?

10 MR. DORTCH: I'm sorry, AEPR Exhibit 2.

11 MR. KUTIK: Thank you.

12 Q. I was reading by your title. If you add
13 the prices in E, F, and G together under both
14 proposals, both charts, I don't want to use the term
15 "projections," add up to approximately the same
16 number, do they not?

17 A. I didn't do the math. I could do the
18 math, but I didn't.

19 Q. Well, subject to check, aren't these
20 essentially the same dollars just spread differently
21 over the same three-year period?

22 A. I think it's -- I think it's a blending,
23 where in the top chart you have tried to smooth out
24 the rates that are contained basically if I don't do
25 the blending in the ESP III.

1 Q. The answer is yes, these are the same
2 dollars spread out over the same three-year period?

3 A. I'm off by a couple of cents, but that's
4 probably rounding.

5 Q. Well, is there an assumption built into
6 the fact that these dollars will add up to the same,
7 whether you are adding up three years' worth of
8 blended products or three years' worth of one-year
9 products, indicate that overall there is no real
10 difference in risk?

11 MR. KUTIK: Can you tell without -- may I
12 have the question read, your Honor?

13 EXAMINER PRICE: You may.

14 (Record read.)

15 A. That's very hard to answer that question
16 based on just -- just the question. First of all,
17 risk to who?

18 Q. I would say risk to the market, risk to
19 marketers, risks to those who will sell products,
20 whether for one-year terms or for blended terms.

21 A. So there are risks to the market. It is
22 risks associated with the blending, is that what
23 you're saying?

24 Q. I believe it's -- sorry.

25 A. Are you asking is there more risk

1 associated with -- I presume you are talking about
2 CRES suppliers?

3 Q. No. Actually, I'm asking sort of the
4 exact opposite. There is no more risk associated
5 with the market in a blended or a -- in a one-year
6 purchase -- series of one-year purchases than in a
7 blending over the same period, is that correct?

8 A. I don't know if there is a difference of
9 risk. I will say that, you know, potentially there
10 is a risk -- a greater risk if you don't provide for
11 the three-year products in the next two auctions and
12 you wait to acquire products for, say, '15 and '16
13 when prices of energy may go up.

14 And there's a risk associated with our
15 customers who are SSO customers in terms of possibly
16 adding more risk onto that, and, again, I go back to
17 the idea of laddering and blending so that you pick
18 up products and auction prices at various times so
19 that you don't try to time the market.

20 I think many people would like to think
21 they know how to time the market, but under our
22 auction proposal, we would prefer to basically have
23 auctions that set time with varying product lengths
24 to basically mitigate any risk that you may have of
25 buying at one time for one year.

1 Q. You are seeking to avoid the risk of
2 pricing going up in your proposal; is that accurate?

3 A. We are trying to avoid -- trying to help
4 ensure some price stability through the laddering
5 process that we have proposed in the products we have
6 proposed.

7 EXAMINER PRICE: Let me try it a
8 different way. Finish first.

9 A. And so not only going up, I would say if
10 you look at the change in pricing, for instance, from
11 year '12 delivery, years '12-'13, to year -- delivery
12 years '13 and '14, we are looking to smooth out
13 basically the change from those two delivery years,
14 which you get under the top chart by the blending and
15 the laddering where basically the prices are
16 approximately constant, versus a decrease that would
17 occur absent the blending. And so we are trying to
18 smooth out the aberrations for our customers in terms
19 of what would happen to their pricing over the
20 three-year time period.

21 EXAMINER PRICE: Let me try it another
22 way. You are trying to avoid the risk of rate shock
23 because right now all of your products come to an end
24 on May 31, 2014, and if there is a rise in market
25 rates commencing in '14, your customers would have to

1 absorb all of that in one month.

2 THE WITNESS: Basically by the process
3 we're proposing, I may argue with rate shock, but
4 with large increases or decreases in prices charged
5 to our customers.

6 EXAMINER PRICE: Large increases in the
7 prices.

8 THE WITNESS: Correct. That's what we're
9 trying to do, and you see that in the chart by the
10 top chart basically showing '13-'14 is basically held
11 constant to the '12-'13 delivery year, and then there
12 are modest increases in '14-'15, '15-'16, and at the
13 end of the time, you're 3 percent above the prices
14 that came out of the ESP auction one process, as
15 opposed to in the chart below, which shows if you
16 don't do this as we are proposing under the ESP III,
17 you get large variances year by year, and our
18 customers see benefit in some stability in smoothing
19 of the price that comes out of the ESP III.

20 EXAMINER PRICE: Thank you, Mr. Dortch.

21 MR. DORTCH: Thank you, your Honor.

22 Q. (By Mr. Dortch) Except the benefit of the
23 smoothing process as we've been discussing about it,
24 if I understand how you pay for that smoothing
25 product -- smoothing process, though, you're paying

1 for that benefit in year one; is that right? In a
2 rising market at least --

3 A. There is -- there is a difference in the
4 price in year one, which is year '13 and '14.

5 Q. And that difference in price is an
6 increase in price over what you would otherwise see
7 in year one of an ESP III that began at the end of
8 ESP II?

9 MR. KUTIK: Objection. This is now the
10 third time this has been asked.

11 EXAMINER PRICE: Sustained.

12 MR. DORTCH: Your Honor, may we go off
13 the record for a moment?

14 EXAMINER PRICE: Yes. Off the record.

15 (Discussion off the record.)

16 EXAMINER PRICE: Back on the record.

17 Q. Mr. Ridmann, if you will turn to page 7
18 of your testimony. Generally speaking, you support
19 recovery of lost distribution revenues associated
20 with Commission-approved energy efficiency and peak
21 demand resource programs; is that correct?

22 A. Generally, yes.

23 Q. And why is that justified?

24 A. I think in order to basically have the
25 customers' interests aligned with the companies'

1 interest so that the companies are made whole for
2 implementing energy efficiency programs which
3 decrease their revenue on the distribution side of
4 the business.

5 Q. If the company was precluded from doing
6 so, would that have an effect on the financial
7 strength of the company?

8 MR. KUTIK: Objection.

9 EXAMINER PRICE: Grounds?

10 MR. KUTIK: Relevance.

11 EXAMINER PRICE: I'll allow it.

12 A. It may.

13 EXAMINER PRICE: Mr. Ridmann, are you
14 familiar with FirstEnergy's portfolio proceeding,
15 09-1947-EL -- I think it's POR?

16 THE WITNESS: Very generally.

17 EXAMINER PRICE: Are you familiar with
18 the chairman's concurring opinion in that decision?

19 THE WITNESS: I am familiar with that.

20 EXAMINER PRICE: Was it not the case that
21 the chairman strongly discouraged future applications
22 for lost distribution revenues?

23 THE WITNESS: At that time.

24 EXAMINER PRICE: At that time?

25 THE WITNESS: Yes, in that case.

1 EXAMINER PRICE: Did you consider any
2 other mechanisms besides the recovery of the lost
3 distribution revenue as part of the ESP.

4 A. No, because we sought this ESP as part of
5 an extension of ESP II in terms of concepts, so the
6 only thing we tried -- the only thing we looked at
7 changing, I think, for the most part, were those
8 things that would provide benefits to our customers.

9 EXAMINER PRICE: Okay. Thank you.

10 Mr. Dortch, please proceed.

11 MR. DORTCH: Thank you, your Honor.

12 Q. (By Mr. Dortch) What costs are recovered
13 in rider DCR?

14 A. Investments made in the companies'
15 distribution transmission system that the companies
16 own, the EDUs own, and general plant associated --
17 general plant associated with plant used to service
18 the operating companies that have been incurred since
19 the date certain in the last rate case, or in the
20 case of the general plant, those that were excluded
21 from the rate case but were known but were excluded
22 for various reasons because of timing.

23 Those additional investments that have
24 been made from that point in time, the costs
25 associated with those additional investments in terms

1 of depreciation, return on the investments, taxes,
2 both federal income taxes and property taxes
3 associated with those investments.

4 Q. And what are the benefits, in your
5 estimation, of recovering those costs through a rider
6 DCR rather than through a traditional rate case?

7 A. I think the benefits are probably similar
8 to the benefits that other companies see in terms of
9 such a rider where basically you are able to maintain
10 the reliability of the system because you gave more
11 rapid recovery of the dollars associated with
12 investment into the system.

13 Q. Any other benefits?

14 A. Obviously, I think those are the benefits
15 to our customers to maintain reliability.

16 Q. Are there burdens imposed by rider DCR
17 that would not be imposed through a rate case?

18 A. I heard GCR, but I may have heard
19 improperly. You mean DCR?

20 Q. Did I say GCR? I meant DCR.

21 A. Maybe I didn't hear you properly. Are
22 there burdens? Well, I will say just having gone
23 through the first audit associated with the DCR
24 rider, I would say -- I would say that was a burden,
25 at least to my team members.

1 Q. Understood. Are there burdens to the
2 rest of the world, other than the company itself,
3 through rider DCR, in your opinion?

4 A. No. I basically think that customers are
5 getting -- are paying for a service that they are
6 being provided.

7 Q. In your opinion, is it ultimately a wash
8 one way or the other as far as the dollars the
9 company would anticipate recovering through DCR or
10 through a distribution rate case?

11 A. I think it could very well be that. Over
12 a longer period of time, basically a base
13 distribution rate case may provide more or less.

14 Q. You are aware of no provisions of Ohio
15 law that would preclude a DCR charge?

16 A. Well, I will just state that there are
17 some people out there that may think that there is a
18 preclusion under the law. I don't.

19 Q. Are you aware of any provisions of Ohio
20 law that you maintain specifically permit the
21 imposition of a DCR-type charge rather than the rate
22 case proposal?

23 A. I believe it's permitted under the
24 statutes that govern the ESP.

25 Q. Would it be permitted under an MRO?

1 A. I don't believe so. Unless the -- unless
2 the Commission approves some type of special rider,
3 but not exclusively under the MRO under a separate
4 filing.

5 Q. Now, I understand that PJM declared ATSI
6 would be a separate zone for purposes of RPM in late
7 2011; is that accurate?

8 A. I don't know the exact timing, but it was
9 sometime after the company announced retirement of
10 coal plants, and it was for the delivery year
11 '15-'16.

12 Q. And those coal plants -- that
13 announcement was in September of 2011?

14 A. I don't remember the exact timing of the
15 announcement.

16 Q. And have analysts, since the announcement
17 of those retirements, been predicting ATSI would
18 clear at a price above 250 to 300 dollars?

19 A. I have seen analysts' predictions of a
20 range of prices, very large range of prices.

21 Q. What sort of analysts' pricing do you
22 rely on, sir, when you are reviewing?

23 A. Reviewing what?

24 Q. When you are reviewing pricing.

25 A. I don't rely on analysts for

1 determining --

2 MR. KUTIK: Excuse me, your Honor. May
3 the witness finish his answer?

4 EXAMINER PRICE: He may.

5 A. I don't rely on any analysts in terms of
6 pricing our product.

7 Q. For what purposes do you review analysts'
8 pricing?

9 A. Well, sometimes for the comical effect.
10 I don't want to say that's number one, but that's --
11 that's interesting to read, their analysts' reports,
12 and see what they're thinking, obviously, just in
13 terms of keeping abreast of what people think, and
14 the range of people, what people think, are all over
15 the board.

16 Q. I think I heard you say you don't rely
17 upon analysts' pricing for any purposes.

18 A. No, I didn't say that. I say I don't
19 rely on analysts' pricing -- analysts' pro --
20 analysts' statements for developing pricing or
21 ratemaking.

22 Q. What purposes do you rely on an analyst's
23 projections?

24 A. I don't think in my professional capacity
25 I rely on them.

1 Q. I think I just asked this and you said
2 you disagreed with that statement.

3 A. From a professional aspect, I don't rely
4 on them. I may find them interesting to read and
5 lists reports of other companies, for instance, in
6 terms of what I may decide to do for my own personal
7 standpoint, but, generally, in terms of my job
8 responsibilities, in terms of setting rates for the
9 ten utilities, I don't really pay attention to the
10 analysts' reports in terms of with my
11 responsibilities.

12 Q. How do you determine rates that you do
13 set as the vice president of rates?

14 A. I base --

15 MR. KUTIK: Objection.

16 EXAMINER PRICE: Sustained.

17 Q. Mr. Ridmann, you're responsible for
18 determining rates for the FE companies, correct?

19 A. I'm responsible for determining rates for
20 the FE regulated companies, the EDUs, the electric
21 distribution utilities.

22 Q. What information do you take into
23 consideration when you determine rates on behalf of
24 the EDUs?

25 MR. KUTIK: Objection.

1 EXAMINER PRICE: Grounds?

2 MR. KUTIK: Relevance.

3 EXAMINER PRICE: Mr. Dortch, where's the
4 relevance to this?

5 MR. DORTCH: Your Honor, we have been
6 repeatedly informed Mr. Ridmann does not take into
7 consideration analysts' projections or apparently
8 information regarding the forward markets, and I am
9 exceedingly curious now to what information is -- is
10 considered at the time that rates are set.

11 MR. KUTIK: Your Honor, we are here to
12 consider an ESP. Mr. Dortch's curiosity, while
13 titillating, isn't necessarily something that should
14 guide us in terms of the relevant inquiry in this
15 case. Mr. Ridmann's general philosophies and
16 inclinations and predilections as to what he might do
17 generally in setting rates is irrelevant.

18 EXAMINER PRICE: I agree. Sustained.

19 MR. DORTCH: Your Honor, may I ask, am I
20 barred from asking what he looked at in this case to
21 set an ESP price?

22 EXAMINER PRICE: There's a proposal for
23 an ESP price that has market-based rates. If you
24 have questions about their developing the market --
25 as to which year products that they chose, those are

1 fair questions. He is not setting a price. They are
2 setting a mechanism. I think you are getting a
3 little far afield.

4 MR. DORTCH: Your Honor, I think that's
5 one of the things we are struggling with, is that we
6 understand the mechanism isn't changing, but the
7 likely results of the mechanism can dramatically
8 influence the results that customers will see in the
9 years '13, '14 --

10 EXAMINER PRICE: And I think you made
11 that point, Mr. Dortch. I think you made those
12 points in your discussion of attachment 1. But you
13 are going from specific to more general questions,
14 and I think it's time to --

15 MR. DORTCH: Very well, your Honor.
16 Thank you. May I have a moment, your Honor?

17 EXAMINER PRICE: You may.

18 We're off the record.

19 (Discussion off the record.)

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

22 Mr. Dortch.

23 MR. DORTCH: Thank you, your Honor.

24 Q. (By Mr. Dortch) Mr. Ridmann, could you
25 explain the government aggregation generation supply

1 or phase-in credit to me, please. How does it work?

2 A. Basically it comes into play in terms of
3 really the first sentence under attachment D where
4 this attachment D applies to the situation where the
5 Commission has ordered the phase-in pursuant to its
6 authority, RC 4928.144, of the generation price
7 arising out of the auction provided for in Section
8 A-1 of this stipulation. A governmental aggregation
9 group, with agreement from its government aggregation
10 generation supplier elects to phase in such
11 generation costs. So really attachment D never comes
12 into play unless the Commission orders a phase-in.

13 Q. What triggers Commission consideration of
14 a phase-in? Does that have to be asked for,
15 requested?

16 A. I presume they have the authority under
17 4928.144 to order a phase-in. And so whatever
18 obligation there is on their part to comply with
19 4928.141, they would -- they would supply with.

20 Q. So when it goes into play, does it
21 provide a credit to anyone other than aggregation
22 customers?

23 A. I believe No. 1 on page 53, basically a
24 customer of a government aggregation group will be
25 entitled to a phase-in credit.

1 Q. If I understood your answer, sir, that
2 means only customers of the aggregation group; is
3 that right?

4 A. Yeah. I think this whole provision
5 provides -- is relevant to government aggregation.

6 Q. A customer who switches from its
7 aggregation program to a CRES who is a nonaggregator,
8 does the customer lose the benefit of this credit?

9 A. Not if he didn't have to it to begin
10 with.

11 Q. Assume the customer had the credit and
12 then switches. Does he lose the benefit?

13 A. I don't believe that's addressed in
14 attachment D.

15 Q. Is it fair to say you don't know?

16 A. Because it's not addressed in attachment
17 D, I think that's appropriate.

18 Q. So attachment D states the customer is
19 entitled to receive the credit. The aggregator is
20 granted the right to the receivable, and the entity
21 paid by the companies; is that correct?

22 THE WITNESS: Could you repeat the
23 question?

24 (Record read.)

25 A. The entity paid by the company, I guess I

1 don't understand what you mean by "the entity paid by
2 the company." I don't know what happens to the
3 credit that was provided basically while they were a
4 customer of an aggregation group and they switch out.
5 I presume it's still part of the receivable.

6 Q. Okay. It may still be part of the
7 receivable, but you don't know.

8 A. But I don't know.

9 Q. And I'm not -- I'm moving to something
10 else now. I understand you don't know.

11 The aggregation entity, the GAGS -- are
12 you familiar with the term "GAGS"?

13 A. Very.

14 Q. Is the -- is that the entity that's
15 actually paid the receivable by the company; is that
16 correct?

17 A. Yes.

18 Q. And do the companies audit the GAGS to
19 determine whether that is flowed through to customers
20 or not?

21 A. The credit?

22 Q. Yes, sir.

23 A. We've never been in a situation where
24 we've had a phase-in ordered by the Commission under
25 RC 4928.144 so I don't know.

1 Q. How do the companies fund the GAGS
2 receivable that they are required to pay to the GAG?

3 A. I presume through general funds of the
4 company.

5 Q. Do you know whether the companies are
6 authorized to create regulatory assets and collect
7 those amounts from company's customers?

8 A. I presume they are under, basically,
9 paragraph 3 on page 54 of attachment D.

10 Q. And that's an unavoidable charge?

11 A. It's to be bypassable under provision 4.

12 Q. Are the GAGS amounts reduced by the
13 inability of the companies to collect GAGS
14 receivables from the companies?

15 THE WITNESS: Could you reread the
16 question?

17 (Record read.)

18 A. I'm not really sure I understand the
19 question, Mr. Dortch.

20 Q. Is the GAGS -- is the amount payable to
21 the GAGS reduced if the companies are unable to
22 collect the GAGS' receivable through the
23 nonbypassable charge?

24 A. Since it's a nonbypassable charge, I'm
25 really not sure how you get into a situation where

1 they wouldn't be able to recover it.

2 Q. Okay. So the answer is no. Okay.

3 A. If that's what you meant by your
4 question.

5 Q. What percentage of the companies'
6 shopping load is served by aggregation, if you know?

7 A. I don't know.

8 Q. For residential, is it above 70 percent?

9 A. I don't know the precise amount. I would
10 say there is a fair amount that's provided to
11 residential customers under aggregation. And I would
12 add, sounds like our legislative bodies intent of
13 providing government aggregation for the state of
14 Ohio is working.

15 Q. Is it correct that at the end of 2010 the
16 companies' affiliate, FirstEnergy Solutions, served
17 all of the aggregation load in Ohio?

18 MR. KUTIK: Objection. I believe that's
19 nonpublic.

20 EXAMINER PRICE: Pardon me?

21 MR. KUTIK: I believe that is nonpublic
22 information.

23 EXAMINER PRICE: Did you say in Ohio?

24 MR. DORTCH: Yes, I did, your Honor.

25 EXAMINER PRICE: I am going to allow it.

1 A. I don't believe the FirstEnergy Ohio EDUs
2 provide all the government aggregation in Ohio.

3 Q. That was as of the end of -- I'm sorry.
4 You said that the EDUs do not -- I'm sorry.

5 A. FirstEnergy, I presume. Repeat your
6 question.

7 Q. My question was whether it is true that,
8 at least as of at the end of 2010, FirstEnergy
9 Solutions served all the aggregation load in Ohio.

10 MR. KUTIK: Same objection, your Honor.
11 Under the Commission's rules, I believe that's not --
12 that type of information is not to be publicly
13 disclosed.

14 EXAMINER PRICE: Can you point more
15 specifically to that?

16 MR. BURK: It's in the marketing
17 monitoring rules. I don't have the specific cite.

18 EXAMINER PRICE: Let's come back to this
19 question.

20 MR. HAYS: I am an attorney for one of
21 the aggregations. I would simply say all of our
22 customers, all of our municipalities, have to go
23 through a public process in order to let the
24 contract. I believe that's true for all of the
25 aggregators in Ohio.

1 EXAMINER PRICE: That's where I'm having
2 trouble with because, obviously, everybody got an opt
3 out, and so I would like to take a look at that rule.

4 MR. BURK: Yeah. I think the obligation
5 is on the utilities not to disclose, but I'm not
6 saying the information is confidential.

7 EXAMINER PRICE: I understand. I'm
8 saying I would like to come back to this question
9 when we have had a chance -- we will defer ruling on
10 this question, and we will come back to it.

11 MR. DORTCH: Thank you, your Honor.

12 Your Honor, I thank the Bench for its
13 patience today.

14 EXAMINER PRICE: No thanks necessary.

15 Mr. Sauer, you're up.

16 MR. SAUER: Thank you, your Honor.

17 - - -

18 CROSS-EXAMINATION

19 By Mr. Sauer:

20 Q. Good afternoon, Mr. Ridmann.

21 A. Good afternoon.

22 MR. SAUER: I wonder if I might have
23 marked as OCC Exhibit 1, a three-page document that
24 is OCC Discovery 6 -- Set 6, Interrogatory 56. It is
25 an auction schedule from FirstEnergy's web page.

1 EXAMINER PRICE: So marked.

2 Mr. Sauer, I will ask you to attempt to
3 project, given we don't have microphones today.

4 MR. SAUER: I will do my best, sir.

5 (EXHIBIT MARKED FOR IDENTIFICATION.)

6 EXAMINER PRICE: Let's go off the record
7 while he is passing that out.

8 (Discussion off the record.)

9 EXAMINER PRICE: Let's go back on the
10 record.

11 Q. (By Mr. Sauer) Mr. Ridmann, I would ask
12 if you are familiar with, at least, the first two
13 pages of what I just handed out marked as OCC Exhibit
14 1, a discovery request and response in which you were
15 identified as the witness having to do with --

16 A. Yes, I am familiar with the first two.

17 Q. The order by the June 20 date you
18 requested.

19 A. I'm familiar with it.

20 Q. Okay. And are you familiar with the doc
21 -- the third page of the document that is a calendar
22 for the timeline for the October, 2012, auction and
23 the timeline for the January of 2013 auction? Are
24 you familiar with that document?

25 A. I would say generally I'm familiar with

1 basically a timeline for the two upcoming auctions.

2 Q. And as far as you know, is this the
3 timeline that's established for at least the October,
4 2012 auction?

5 A. Well, I looked at two dates.

6 Q. Okay.

7 A. Basically the October 23 date, which is
8 when the auction -- the auction takes place, and I'm
9 also familiar with the August 9 date.

10 Q. Okay. And there are a couple of
11 deadlines. There's a part one application the
12 company submitted, and the deadline for that is
13 Wednesday, September 5, 2012. Do you see that?

14 A. Yes, I do.

15 Q. And, generally, what is part one of the
16 application?

17 A. Well, generally they provide some
18 background information to the auction manager in
19 terms of specific information -- in terms of
20 information regarding the bidder that intends to bid
21 in.

22 Q. And is any of the information that they
23 are providing as part one of the application
24 contingent on whether you're conducting a one-year or
25 two-year or three-year auction?

1 A. I don't -- I don't know offhand. I mean,
2 I think, like, credit is provided, that type of
3 information. Whether that's affected by the product
4 line, I don't know.

5 Q. To the extent it is credit related, is
6 that -- is that impacted by whether or not the
7 auction product is going to be a one-year or a
8 two-year or a three-year product?

9 A. I think I just stated, I'm not sure if
10 what's provided in the part one is -- if the
11 information varies by whether it's a one-year
12 product, two-year product, or three-year product.

13 Q. And do you know how that information
14 varies?

15 A. What information? That's provided --

16 Q. The price varies whether it's a one-year
17 product or two-year product?

18 A. No. That's what I just said.

19 Q. Oh, you don't know if it varies?

20 A. Under the part one application, as I sit
21 here now, I'm not sure how that may or may not vary,
22 depending on whether it's a one-year product,
23 two-year product, or three-year product. I don't
24 know if it does or it doesn't.

25 Q. But, nevertheless, there is a September

1 deadline where they would have to have that
2 information in order to participate in the October,
3 2012 auction, correct?

4 A. At the September 5 deadline. I thought I
5 heard you say September 6, but if I misunderstood.

6 Q. I'm sorry, maybe my older eyes aren't
7 reading. September 5, 2012. And you know what part
8 two of the application entails?

9 A. I do not as I sit here right now.

10 Q. And that part two has a deadline of what,
11 October 10, 2012?

12 A. Yes, October 10.

13 Q. You had some discussions with Mr. Dortch
14 regarding the three-year product. I hope I am not
15 going to beat a dead horse here, but do you still
16 have the AEP No. 2? It was a two-page document that
17 had the schedule that showed the blending and then
18 the year by year. Do you still have a copy of that
19 with you, sir?

20 A. Yes, I do.

21 Q. If I understood what you were telling
22 Mr. Dortch, if you go down in the lower half of that
23 page 2, you have ESP I, ESP II, and then a one-year
24 product under F and G for planning years '14-'15 and
25 '15-'16?

1 A. Yes.

2 Q. And it's possible, is it not, that if you
3 don't do a three-year auction but do a two-year or
4 one-year auction, those increases from previous year
5 projections could change; is that correct?

6 A. I would quibble again with "projections,"
7 but the results could change as a result of one-year,
8 two-year products and when they come about could
9 change.

10 Q. And would you agree that a lot of what
11 has caused the 2015-2016 planning years to increase
12 so dramatically was creation of the ATSI zone? Did
13 this contribute?

14 A. Well, under this -- which the mechanical
15 process of just replacing capacity pricing, it was
16 obviously -- the changes basically are driven by the
17 changing in capacity pricing over the time periods.

18 Q. And those -- were those affected by
19 announcement of plant retirements?

20 A. I presume so.

21 Q. And the fact that the ATSI zone is con --

22 A. At least for the '15-'16 auction.

23 Q. Right. And that's what I was asking you.
24 And the ATSI zone is constrained, and that
25 contributes to the 2015-16 prices that we are looking

1 at?

2 A. It's constrained for the '15-'16 delivery
3 year.

4 Q. Okay. And you had talked about some
5 projects that are on -- some approved by PJM, some
6 pending approval by PJM, that may relieve some of the
7 constraint.

8 A. In 2015-2016?

9 Q. That's correct.

10 A. That's correct.

11 Q. And that could result in prices coming
12 down from what's shown on this schedule?

13 A. That's --

14 Q. Potentially.

15 A. That's potentially in the realm of
16 possibility.

17 Q. In your testimony, page 6, lines 9, you
18 state that "Customers, particularly larger customers,
19 have indicated that price predictability is
20 important."

21 MR. KUTIK: What page? I'm sorry.

22 MR. SAUER: Page 6, lines 8, 9.

23 A. Did you say page 6 of my testimony?

24 Q. I thought that's what I had. You are not
25 finding that?

1 EXAMINER PRICE: Page 6, lines 8 and 9.

2 MR. SAUER: 8 and 9.

3 EXAMINER PRICE: No.

4 MR. SAUER: Not there?

5 EXAMINER PRICE: Did you say his
6 supplemental testimony?

7 MR. SAUER: I thought it was direct, but
8 I'll check. I don't think it was there. Yeah, it
9 was in your supplemental testimony, I believe.
10 Sorry.

11 Q. You said at line 8 and 9, "Customers
12 particularly larger customers, have indicated price
13 predictability is important." Do you see that?

14 A. Yes, I do.

15 Q. Okay. Is it your opinion that customers
16 are willing to pay higher prices to get
17 predictability?

18 MR. KUTIK: Objection.

19 EXAMINER PRICE: Grounds?

20 MR. KUTIK: Assumes facts, your Honor.

21 EXAMINER PRICE: Sustained.

22 Q. (By Mr. Sauer) Under the ESP III are
23 customers asked -- being asked to pay higher class
24 prices in order to get predictability?

25 A. No.

1 Q. No? Looking at this chart again, if I
2 understand the numbers correctly, in the '13-'14 year
3 if you did blend the \$53.45 per megawatt-hour rate on
4 the top half, would customers be paying, under your
5 assumption, \$50.16?

6 MR. KUTIK: Objection. This is now the
7 fourth time.

8 EXAMINER PRICE: First time for
9 Mr. Sauer, though. Overruled.

10 A. The price for '13 and '14 with no
11 blending as proposed under the ESP III would pay
12 \$50.16 under our mechanical calculation, adjusting
13 the capacity price, and they would pay 53.45 under
14 our ESP III blend.

15 Q. In year one?

16 A. For that given time period, but over the
17 term of this proposed ESP we calculated with
18 Mr. Dortch, the aggregate amount is approximately the
19 same over the three years.

20 Q. Mr. Ridmann, if the circumstances were
21 reversed and '15-'16 was year one, '14-'15 was year
22 two, and '13-'14 was year one, in which, under the
23 blending, customers are charged \$60.10 and under the
24 nonblending rate, it's 66.32, would the company ask
25 for carrying charges to cover that differential

1 between year one and year two?

2 A. In and of itself, I would say no. The
3 only piece we would seek carrying charges on is on
4 the reconciliation that occurs between the revenue
5 collected versus the costs the EDU incurs.

6 Q. Are there discrepancies between the
7 revenue collected and the costs incurred between the
8 60.10 and 66.32?

9 A. Not in terms of the EDUs. Basically, the
10 EDUs are having to pay out of the top 60.10, and
11 that's what they are going to pay suppliers, and what
12 they are going to collect from customers is basically
13 that number adjusted for seasonality factors and loss
14 factors. And so the EDUs themselves, other than a
15 reconciliation between the actual cost and the actual
16 revenue coming in, is the only thing that we would be
17 entitled to in terms of carrying charges.

18 Q. Okay. Thank you. In your opinion,
19 Mr. Ridmann, for residential customers, would you
20 perceive that lower prices are more important than
21 stable prices?

22 MR. KUTIK: Objection.

23 EXAMINER PRICE: Grounds.

24 MR. KUTIK: Again, your Honor, we are
25 assuming facts.

1 EXAMINER PRICE: Sustained.

2 MR. SAUER: If I could have marked, your
3 Honor, a three-page document that is the companies'
4 response to OCC Set 1 and the company's response to
5 AEP Set 3, Interrogatory 69 be marked as OCC Exhibit
6 No. 2.

7 EXAMINER PRICE: So marked.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 MR. KUTIK: And the OCC interrogatory is
10 what?

11 MR. SAUER: Set 1, No. 1.

12 Q. Mr. Ridmann, I would ask if you are
13 familiar with the document I just handed you that is
14 marked as OCC Exhibit 2?

15 A. Generally.

16 Q. And that you are the witness identified
17 who responded to the interrogatory?

18 A. That's correct.

19 Q. And if I could turn your attention to the
20 chart on page 2, this chart has to do with lost
21 distribution revenues, correct?

22 A. That's correct.

23 Q. And they are for program year 2011 and
24 program year 2012. Do you see that at the top in the
25 green shading?

1 A. Yes.

2 Q. And the companies, Ohio Edison, Toledo
3 Edison, and Cleveland Electric across the top there
4 as well?

5 A. Yes.

6 Q. And then you have some totals for 2011,
7 for example, Ohio Edison is 2,589,071; is that
8 correct?

9 A. Yes.

10 Q. And then program year 2012 is a 3 plus 9
11 forecast, correct? That's what it says at the top?

12 A. That's correct.

13 Q. And then the dollars that you have for
14 those -- those companies in the year 2012, are those
15 dollars cumulative, or are they stand-alone for that
16 year?

17 A. They are cumulative for that year.

18 Q. Okay.

19 EXAMINER PRICE: I'm sorry, did you say
20 they are cumulative?

21 THE WITNESS: Yes, they are.

22 EXAMINER PRICE: For the three years up
23 to that year, or cumulative for that year?

24 THE WITNESS: They are cumulative -- they
25 are cumulative for prior periods.

1 EXAMINER PRICE: Thank you.

2 Q. (By Mr. Sauer) Make sure we are clear,
3 the Ohio Edison, 5,548,853 also includes then the
4 2,589,071?

5 A. That's correct.

6 Q. Okay. Thank you, sir. Mr. Ridmann, I
7 believe in your direct testimony, page 10, lines 4 to
8 7, is a response to a question that started over on
9 page 9 where you were identifying the signatories
10 parties that have signed the stipulation in this
11 proceeding. Do you see that?

12 A. Yes, I do.

13 Q. And on line 7, you indicate that low
14 income residential customers are signatory parties to
15 the stipulation, correct?

16 A. Yes.

17 Q. And that there -- there's no party
18 representing all residential customers in this case?

19 EXAMINER PRICE: I think you mean on the
20 stipulation.

21 MR. SAUER: On the stipulation.

22 EXAMINER PRICE: You're in this case.

23 MR. SAUER: I'm in this case. I'm kind
24 of forgetting that at the hour of the day.

25 A. Not all customers, but I think low income

1 are well represented based on all the parties, and I
2 would say residential customers are also represented
3 by one of the municipalities that signed on to the
4 agreement.

5 MR. SAUER: May I approach again, your
6 Honor?

7 EXAMINER PRICE: You may.

8 MR. SAUER: May I mark as OCC Exhibit 3 a
9 response to AEP -- AEP Retail Set 1, Interrogatory
10 No. 6, again marked, I believe, as OCC Exhibit 3?

11 EXAMINER PRICE: Yes. It will be so
12 marked.

13 (EXHIBIT MARKED FOR IDENTIFICATION.)

14 Q. And, Mr. Ridmann, are you familiar with
15 this document?

16 A. Yes, I am.

17 Q. That was again marked as OCC Exhibit No.
18 3?

19 A. Yes.

20 Q. And you were identified again as the
21 witness that's responding?

22 A. Yes, I am.

23 Q. And for this time period shown, 2014-2015
24 and 2015-2016, the chart on the second page reflects
25 the percentage of PIPP customers as -- PIPP sales as

1 a percent of total sales; is that correct?

2 A. Yes.

3 Q. And for Ohio Edison, it's 3.1 percent of
4 your total sales are PIPP sales?

5 A. That's correct. That's the estimated.

6 Q. I am sorry, those are estimated?

7 A. Those are estimated.

8 Q. And -- okay. Because of the time periods
9 involved.

10 A. Right.

11 Q. Do those estimates differ from what your
12 understanding is as of the current PIPP sales as a
13 percentage of your total?

14 A. There may be some variation, but I would
15 not expect it to be, you know, the magnitude, for
16 instance, of going from 2 or 3 percent up to
17 10 percent. I think these are reasonable ranges of
18 our -- of the estimate of the PIPP as a percent of
19 total load.

20 Q. PIPP sales stay fairly constant over
21 time?

22 A. I wouldn't think you would see major
23 gains or -- except, you know, in terms of a downturn
24 in the economy. If that happens, you may see some
25 fluctuation. But -- or vice versa, if the economy

1 really picks up, you see less customers under PIPP
2 because the economy has improved and the income of
3 the customers has gone up. But absent those
4 variations in the economy, I wouldn't see a lot of
5 disruption in terms of percentages.

6 Q. If you could turn to page 6 of your
7 testimony, I believe.

8 A. I'm sorry, page what?

9 Q. Page 6.

10 A. Okay.

11 Q. I believe you are discussing the
12 delivery -- delivery capital recovery rider, DCR.

13 A. Yes.

14 Q. And it states there, I believe, around 4,
15 there's a mechanism -- or "a mechanism to encourage
16 the Companies to continue to make investments in
17 their delivery systems, thus benefiting customers
18 with enhanced service reliability." Do you see that?

19 A. What line are you talking about?

20 Q. I believe it's line 3 through 6. I
21 believe 3 through 6.

22 A. Yes. I see that.

23 Q. And is it your understanding that the DCR
24 investments will result in fewer service
25 interruptions?

1 A. I think it will help us maintain
2 reliability.

3 Q. And how --

4 A. Reliability is measured in many different
5 forms under the Commission's rules.

6 Q. For instance, was it the SAIFI measure?

7 A. SAIFI is one measure.

8 Q. Or CAIDI?

9 A. CAIDI is another measure.

10 Q. And does the company have customer
11 surveys to demonstrate that the companies DCR
12 investments are enhancing service reliability at a
13 cost customers find reasonable?

14 A. Well, the last survey we took of our
15 customers was in the 2008 time period. And it's been
16 a little while since I have read those surveys and
17 survey results. But I would think normally we have
18 questions about reliability, satisfied with
19 reliability, satisfied with pricing, as part of those
20 surveys.

21 MR. SAUER: If I might approach again,
22 your Honor.

23 EXAMINER PRICE: You may.

24 MR. SAUER: I have, I believe, a six-page
25 document, which is company's response to OCC Set 1

1 request to produce No. 8. OCC Set -- OCC Set 2,
2 Interrogatory No. 30, Set 2, No. 34, and AEP Retail
3 Set 4, Interrogatory No. 106.

4 EXAMINER PRICE: It will be so marked.

5 (EXHIBIT MARKED FOR IDENTIFICATION.)

6 Q. Mr. Ridmann, I would ask again if you are
7 familiar with the documents I just handed to you
8 marked as OCC Exhibit No. 4.

9 A. Yes, I am.

10 Q. And Interrogatory OCC Set 1, No. 8 is
11 a --

12 MR. KUTIK: That is request for
13 production 8 or interrogatory 8?

14 MR. SAUER: I'm sorry, Request to Produce
15 No. 8.

16 Q. There is a chart on the back, sir, that
17 the second page of that two-page Request to Produce,
18 No. 8, attachment 1 is its label.

19 A. Yes, I see.

20 Q. There is a schedule that shows DCR
21 revenue caps under the existing ESP II and the
22 proposed ESP III, correct?

23 A. Yes.

24 Q. And the incremental increase in each of
25 those years from 2012 to 2013 is \$15 million?

1 A. The -- the incremental increases are from
2 year to year \$15 million.

3 Q. \$15 million, okay. And if I could turn
4 your attention to OCC Set 2, Interrogatory No. 34,
5 there's an attachment 1 that has a schedule attached,
6 Actual DCR Revenue Collected through March, 2012. Do
7 you see that for each of the three EDUs?

8 A. Yes, I do.

9 Q. There is a breakdown between the
10 residential and the total DCR collected through March
11 of 2012. Do you see that?

12 A. Yes, I do.

13 Q. If I could back up a minute, Mr. Ridmann,
14 I believe you had indicated that the last survey that
15 was completed, last customer survey, was in 2008.

16 A. I believe it was in that timeframe.

17 Q. Was that associated with a case; do you
18 know? Or was this just a survey that the company did
19 independently?

20 A. I don't know offhand. I would say
21 generally it's a practice where we go out and survey
22 customers, and if there's an opportunity to tie it to
23 a case because there's an obligation to do so, we do
24 so. Whether we did in the 2008, I don't know
25 specifically.

1 Q. Okay. And do you know, is there a -- an
2 intention on the horizon to do another customer
3 survey that you are aware of?

4 A. I can't remember if there is an intent to
5 do one or not.

6 Q. There's nothing --

7 A. There's none that I am aware of scheduled
8 for this year.

9 Q. Maybe I ought to ask it a little more
10 normally. Is there an obligation that you are aware
11 of under the Commission rules that would necessitate
12 you do a customer survey in the next one or two
13 years?

14 A. I am not aware of any.

15 Q. There was, I think, some questions from
16 Mr. Dortch regarding the DCR, and there was some
17 discussion regarding the annual audit and the pain
18 that was felt by the company. Do you recall that?

19 MR. KUTIK: I think the word was
20 "burden."

21 Q. Burden, okay, burden. Can you tell me
22 is -- do you foresee the annual audit to be a review
23 to confirm that the amounts for which recovery are
24 sought are not unreasonable?

25 A. That sounds like you are reading from a

1 document so.

2 Q. I think that was probably part of the
3 stipulation on page 22.

4 A. Thank you. This is language basically on
5 22, "The audit shall include a review to confirm all
6 the amounts for recovery which are sought are not
7 unreasonable."

8 Q. Okay. And how would you characterize
9 that as a financial audit?

10 A. Well, I believe this auditor has looked
11 into not only the financial audit, but also in great
12 detail in terms of what projects were put in place,
13 the purpose of it, so I think it went to those issues
14 also, and the audit is basically shown that -- well,
15 at least for the first audit, that everything is
16 reasonable, and there was an adjustment of, I think,
17 it was less than a tenth of a percent to what the
18 customers had calculated for what the revenue
19 requirement would be for these additions.

20 Q. Would you --

21 A. It was a very extensive audit.

22 Q. Would you consider it to be a prudence
23 review?

24 A. I think they are looking for
25 reasonableness. I don't see the words "prudence

1 review" as used normally in the regulatory
2 environment being there.

3 Q. Would you -- in your opinion, would you
4 believe the auditor if they found amounts for which
5 recovery sought were not reasonable, that there could
6 be a disallowance?

7 A. I guess potentially they could raise an
8 issue and it could potentially go to litigation.

9 Q. Okay.

10 A. There is language in here. I'm sorry.

11 EXAMINER PRICE: Go ahead.

12 A. Basically what's defined as unreasonable
13 or --

14 EXAMINER PRICE: That's funny, I was
15 going to ask about that language. Is that language
16 in the ESP II stipulation?

17 THE WITNESS: If you will, let me check
18 for just one minute. I don't think that language
19 is -- well, I don't know. Let me check.

20 MR. SAUER: Your Honor, I think the ESP
21 II stipulation didn't have the unreasonableness
22 language. I think maybe in a supplemental
23 stipulation that followed the original stipulation
24 there may have been some language.

25 EXAMINER PRICE: I meant anywhere in the

1 combined stipulations.

2 MR. SAUER: I think the original
3 stipulation it was not there, so maybe if you look in
4 the supplemental.

5 A. It looks like the language regarding that
6 is the same as in the existing ESP II.

7 EXAMINER PRICE: As exists in the ESP
8 II. The language regarding the independent auditor
9 "shall be selected by staff with consent of the
10 companies," is that in the ESP II also?

11 THE WITNESS: That was in the existing
12 ESP II.

13 EXAMINER PRICE: Thank you.

14 MR. SAUER: It I might approach again,
15 your Honor.

16 EXAMINER PRICE: You may.

17 MR. SAUER: I think I am up to OCC
18 Exhibit No. 5. This is a two-page -- four-page
19 document, Companies' Response to OCC Set 2,
20 Interrogatory No. 37 and --

21 EXAMINER PRICE: So marked.

22 MR. SAUER: OCC Set 2, Interrogatory No.
23 40.

24 (EXHIBIT MARKED FOR IDENTIFICATION.)

25 MR. SAUER: And this is OCC Exhibit No.

1 5. Thank you.

2 Q. Mr. Ridmann, I would ask you to take a
3 look at those documents and let me know if you are
4 familiar with the documents.

5 A. Yes, I am.

6 Q. You were identified as the witness that
7 responded.

8 A. Yes, I have been identified as the
9 witness that responded.

10 Q. You were busy. The topic of these
11 discovery requests, I believe, have to do with
12 deferrals for the years 2011 through 2016, and
13 there's a chart on the next two pages that are 2011
14 Regulatory Deferral Carrying Charges. Do you see
15 those?

16 A. Yes. I would just say these
17 interrogatories more precisely deal with carrying
18 charges.

19 Q. Carrying charges, okay. And that is for
20 the years 2012-2016. The companies have no
21 projections available for what the deferred carrying
22 charges may be comparable to what's been recorded for
23 2011?

24 A. That's correct. However, I think it is
25 as contained in this stipulation. Basically, several

1 of the major items that involve carrying charges on
2 these two charts are basically subject to the
3 company's request for securitization. As a matter of
4 fact, I think it's probably 80 percent of the
5 carrying charges depicted on these two pages are
6 subject to being removed if the securitization case
7 is approved.

8 Q. So potentially the deferred carrying
9 charges for 2012 may be as low as 20 percent of what
10 is reported here if your securitization case is
11 approved?

12 A. Or lower. I said I think the maximum
13 amount that would be remaining is 20 percent so I
14 think that would be the top end, basically. I mean,
15 basically, if you go through here -- and there are
16 three things that are basically subject to the
17 securitization. Basically the -- for Ohio Edison the
18 rider DFC.

19 Q. Rider DFC?

20 A. Yes, rider DFC and rider RGC/RER rider
21 below it.

22 Q. Okay.

23 A. So those two combinations add up to
24 roughly 13 million, 13.2 million.

25 Q. Okay.

1 A. On CEI it's basically, again, rider DFC,
2 it's kind of down towards the bottom, \$5.9 million
3 rider RGC/RER, both about 2.6 million; and rider DGC,
4 which is a little bit further up, about 10.6 million.
5 So that the combination of those three add up to
6 maybe 19 million or so of the 21.8.

7 And then for Toledo Edison, basically the
8 rider DFC, which is the fourth from the bottom, of
9 \$2.4 million is subject to securitization.

10 Q. Is that the only one?

11 A. Yes; under what we have filed thus far.

12 Q. Is there a -- is there a difference
13 between the rider RGC/RER and CEI and the same rider
14 in Toledo Edison?

15 A. It's meant to recover the same thing.
16 Those are for those who have been through the case
17 associated with the all electric. Those are
18 all-electric related residential deferrals, if you
19 will, that came out of the pricing out of that case.

20 And the reason Toledo is so much less is
21 because there really isn't that much relative to Ohio
22 Edison, and CEI there are not that many all-electric
23 facilities in Toledo, so the deferrals coming out of
24 that case were substantially less

25 Q. So it has to do more with the volume than

1 anything else?

2 A. Correct. And I would say even, you know,
3 even if you forget about securitization and you look
4 at our recent SEET filing, that basically if you
5 added in all these carrying charges on these
6 deferrals into what we filed in May of this year for
7 the 2011 SEET filing, the maximum impact on the SEET
8 amount is 100 basis points, and that's on CEI where
9 the CEI return on equity under a SEET filing was less
10 than 2 percent.

11 So even if you included all these
12 carrying charges in the SEET calculation, it would go
13 to -- under the 2011, what we filed, it would go to
14 less than 3 percent. And if you take out these
15 things that are subject to securitization and assume
16 they pass the -- or are approved by the securiti --
17 approved by the Commission, basically the adjustments
18 for what's left would add about 20 basis points max
19 to any one company for including in the deferred
20 carrying charges.

21 And so for the SEET test, the earnings
22 are so below the threshold that I don't think it
23 would have any material impact upon the judgment of
24 whether you've exceeded the SEET amounts or not.

25 EXAMINER PRICE: While Mr. Sauer confers

1 with his co-counsel, we will go ahead and take a
2 10-minute break. Let's go off the record.

3 (Recess taken.)

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

6 Before we resume Mr. Sauer's questioning,
7 we've previously deferred ruling on an objection by
8 FirstEnergy regarding the question as to whether one
9 supplier was the supplier for all government
10 aggregations in the state, and having looked at the
11 relevant rules, we are persuaded it is confidential;
12 therefore, the objection will be sustained.

13 MR. DORTCH: Your Honor, may I review the
14 rule?

15 EXAMINER PRICE: Sure. Approach.

16 MR. DORTCH: We are off the record?

17 EXAMINER PRICE: No. We're on the
18 record.

19 MR. DORTCH: I'm sorry. Thank you.

20 EXAMINER PRICE: Mr. Sauer, please
21 proceed.

22 MR. SAUER: While Mr. Dortch is reviewing
23 that rule, could I approach the witness, your Honor?
24 I would like to have a document marked as OCC Exhibit
25 No. 6.

1 EXAMINER PRICE: You may.

2 MR. SAUER: It's an OCC Set 1, Request to
3 Produce, No. 3, Attachment 3, and DE Set 1,
4 Interrogatory No. 13.

5 (EXHIBIT MARKED FOR IDENTIFICATION.)

6 Q. Mr. Ridmann, are you familiar with the
7 document I just handed out that's been marked as OCC
8 Exhibit No. 6?

9 A. Yes, I am.

10 Q. And if you look at the first page of
11 that, it's a -- it's correspondence from yourself to
12 the Chairman and Chief of Staff and Tammy Turkenton,
13 4/12/2012. Do you see that?

14 A. Yes.

15 Q. Regarding this case.

16 A. Yes.

17 Q. And you were estimating that the
18 deferrals related to the AER rider or the REC
19 recovery rider could get up to \$35 million; is that
20 accurate?

21 A. During the timeframe of the ES -- during
22 the timeframe between now and basically the end of
23 the ESP III.

24 Q. Would these deferrals be eligible for the
25 securitization that you were talking about?

1 A. They may be eligible, but we didn't file
2 it as part of our securitization. They may be
3 eligible for a subsequent one, although I will add
4 that generally under securitization, you don't want
5 short-term deferrals, which is what this is. This is
6 a short-term deferral that basically arises and
7 dissipates over the next few years.

8 Q. So they would be included in the chart we
9 were looking at earlier from OCC, Set 2,
10 Interrogatory 37 as you go forward?

11 A. No. There is a difference between the
12 chart and this. This is deferral of costs. The
13 chart that you showed me under Exhibit 5 are
14 basically the carrying charges.

15 Q. Okay.

16 A. So there's a difference between the
17 carrying charges on a deferral and the deferral
18 itself.

19 Q. Okay. Will there be carrying charges
20 with regard to the deferral that's being discussed in
21 OCC Exhibit No. 6?

22 A. Yes. And I presume it's at basically the
23 .7066 rate, but it's at a rate basically that's laid
24 out in the tariffs or in the stipulation from the ESP
25 II.

1 Q. Are there any other deferral charges --

2 A. You understand there is a big difference
3 between the level of a carrying charge versus the
4 level of the deferral.

5 Q. Right. Right.

6 A. Substantially less for the carrying
7 charge.

8 Q. I understand.

9 A. Okay.

10 Q. And are there any other deferrals that
11 may lead to carrying charges related to the ESP III
12 case that are not included on the chart that we were
13 discussing from OCC Set 2, Interrogatory 37, that was
14 part of OCC Exhibit No. 5?

15 A. Well --

16 Q. If you follow my question.

17 A. First of all, I disagree with how you
18 phrased your question because the rider AER carrying
19 charges are on basically OCC Exhibit 5, and so these
20 charges are already recognized in that exhibit.

21 Q. Okay. And those will be carried forward
22 into the 2012 through 2016 timeframe, right?

23 A. Well, the category itself would continue
24 forward. The charges or the carrying charges
25 themselves would change, obviously.

1 Q. Change, sure. And when we were talking
2 about the SEET test earlier under the ESP I, the DSI
3 the revenues derived from the DSI were not taken into
4 consideration for the SEET test of the ESP II?

5 A. They were taken into consideration
6 because they were spelled out under ESP I under
7 provisions of how to calculate the -- how to
8 calculate the SEET provision, so they were
9 specifically spelled out.

10 Q. And they were specifically excluded?

11 A. They were excluded.

12 Q. And going forward, the DCR, rider DCR,
13 will be included for consideration of the SEET test
14 going forward, correct, under ESP II and ESP III?

15 A. That's correct.

16 EXAMINER PRICE: Let's go off the record.

17 (Discussion off the record.)

18 EXAMINER PRICE: Back on the record.

19 Now go.

20 MR. SAUER: Thank you.

21 Q. (By Mr. Sauer) Mr. Ridmann, earlier today
22 there were some questions regarding rider EDR and the
23 provision for the Cleveland Clinic. Do you recall
24 those?

25 A. Yes.

1 Q. And I believe it was established that
2 over the five years of the ESP II and the ESP III
3 there is a \$70 million commitment to the Cleveland
4 Clinic.

5 A. Total of \$70 million.

6 Q. Total of 70 million. And do you know how
7 the DC -- the rider EDR is collected?

8 A. I believe it's collected under the
9 tariffs in a manner consistent with the allocation of
10 recovery of costs in the company's last distribution
11 rate case.

12 Q. Do you know what percentage of that
13 recovery would be from residential customers based on
14 that allocation that you are referring to?

15 A. I don't, sitting here right now.

16 Q. When you say it's based on an allocation,
17 do you know if it's a demand-related allocation?

18 A. I don't know offhand. Most of the
19 allocations in the distribution rate case for
20 distribution equipment was basically demand related.
21 So I presume that these were allocated on demand, but
22 I don't know precisely, but I assume that's how they
23 are allocated.

24 Q. And there's a provision in the
25 stipulation for domestic automakers. Are you

1 familiar with that?

2 A. Yes.

3 Q. Have the companies estimated what may be
4 recovered during the ESP III case for -- for that
5 provision?

6 A. I don't think we've made an estimate
7 because it's really hard to determine over the next
8 four years, basically, what the automakers are going
9 to do, given the state of economy.

10 Q. So the company didn't -- made no attempt
11 to try to estimate --

12 A. We made no attempt because we don't know
13 what the automakers plan to do in our service
14 territory over the next four years.

15 Q. Is there a cap in any way in terms of
16 what that recovery potentially could be?

17 A. Well, I don't think there is a cap
18 necessarily stated, but I just think there's a
19 physical cap just based on the facilities. You can
20 only produce so much at these facilities that are --
21 that have been around a number of years.

22 MR. SAUER: May I approach again, your
23 Honor?

24 EXAMINER PRICE: You may.

25 MR. SAUER: What are we up to, OCC

1 Exhibit No. 7?

2 EXAMINER PRICE: Yes.

3 MR. SAUER: This is a six-page document
4 Set 1, Interrogatory 2; AEPR, Set 1, Interrogatory
5 35; AEPR Set 2, Interrogatory 53, AEPR Set 3,
6 Interrogatory 58; and AEPR Set 3, Interrogatory 59.

7 EXAMINER PRICE: It will be so marked.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 Q. You were -- Mr. Ridmann, I would ask you
10 again to take a look at documents I have just marked
11 as OCC Exhibit 7 and ask if you are familiar with the
12 document.

13 A. Yes.

14 Q. And I believe, as the previous discovery
15 documents, you were listed as the witness responsible
16 on each of them again.

17 A. That's correct.

18 Q. Correct?

19 A. Correct.

20 Q. And if you look at Interrogatory Set 1,
21 Interrogatory No. 2, the very first document, the
22 company's response to question B, it indicates that
23 through March of 2012 the companies have been billed
24 \$6.1 billion in RTEP costs. Do you see that?

25 A. Yes, I do.

1 Q. And do the companies have an estimate
2 when they expect to be billed the full 30 million in
3 RTEP costs that the companies have committed to
4 forego?

5 A. First of all, this 6.1 is based, like,
6 from the period June 1, 2011, through March, 2012,
7 just so we have clear what the period is.

8 I believe there was a discovery request
9 out there that we responded to, and, obviously, we
10 have put in an estimate in our attachment 1 regarding
11 the ESP versus MRO test in terms of what those would
12 be.

13 Q. And in your Attachment WRR-1, you don't
14 hit the 360 million, do you, in the years that you
15 depict in that schedule?

16 A. Well, I wouldn't expect to because this
17 period under attachment 1 starts with the ESP III
18 when that kicks in in June of 2014, and so there
19 would have been some costs incurred before June of
20 '14 that would be part of the 360 million.

21 Q. Okay. I guess my question for the
22 five-year period of the ESP II and ESP III, in that
23 period that will terminate in May 31, 2016, do the
24 companies anticipate they will have been billed a
25 total of \$360 million in RTEP costs by that time?

1 A. I think it's pretty clear from my
2 attachment 1 where the RTEP estimate goes out past
3 May of '16, that we would not collect or not forego
4 all the 360 million by the time ESP III is concluded.

5 Q. Okay. You had some discussions with
6 Mr. Dortch regarding the PIPP discount. And I
7 thought I heard you say something about DOD could
8 conduct a PIPP auction at any time. Do you recall
9 making a statement like that?

10 A. Yes. I think I was questioned about
11 could the ODOD conduct an auction, and I presumed
12 under the law they could.

13 Q. Okay. But with the bilateral contracts
14 in place, do you -- do you anticipate that foregoes
15 DOD from doing anything while those contracts are in
16 place?

17 A. Well, first, I'm not a lawyer, and I
18 would think it would take some interpretation by a
19 lawyer, but I would think under law, I would think as
20 a layman, that that basically would prevail, but I
21 think overall that calls for a legal determination
22 and I am not a lawyer.

23 EXAMINER PRICE: Mr. Ridmann, the
24 companies at least are aware of the fact that it may
25 be the case that the DOD commitment will prevail over

1 the ESP?

2 THE WITNESS: Yes. And I think I
3 stated --

4 EXAMINER PRICE: FES is aware of that,
5 too.

6 THE WITNESS: I would think so. I would
7 assume they are getting adequate legal
8 representation, as it prevails.

9 EXAMINER PRICE: I think that's a safe
10 assumption.

11 MR. KUTIK: Is that on the record?

12 EXAMINER PRICE: Yes.

13 Q. (By Mr. Sauer) And, Mr. Ridmann, there's
14 a \$2 million economic development commitment that the
15 company has -- has made that will not be collected
16 from customers, is that correct, under the
17 stipulation for ESP III?

18 A. That's correct.

19 Q. And there's a provision for Material
20 Sciences Corporation, stipulation on page 37,
21 footnote 11?

22 A. Yes. We discussed that this morning.

23 Q. And have the companies made an estimate
24 of how much could be collected from customers during
25 the term of the ESP III for that provision?

1 A. We have made an estimate, and I don't
2 recall in the scheme of things for the GT class
3 customers. I would say it's not a huge item, but
4 this, really, provision only applies to those
5 customers on the GT rate. And I might add in some of
6 the bill comparisons that we provided as supplemental
7 information, this adjustment was made basically to
8 the GT class customers, but since it doesn't impact
9 anyone else, it was made only for the bill
10 comparisons for the GT customers.

11 Q. And the collection is strictly from GT
12 customers?

13 A. Is strictly from GT customers.

14 EXAMINER PRICE: And it's strictly from
15 Toledo Edison?

16 THE WITNESS: I believe what happens
17 under this provision is that the G -- that the GT
18 customers for all three companies are combined. It's
19 a load factor adjustment. They are all combined and
20 adjusted appropriately, I believe.

21 EXAMINER PRICE: Thanks for the
22 clarification.

23 Q. (By Mr. Sauer) And there's a fuel fund
24 commitment of \$9 million that is also not collected
25 from customers?

1 A. Over the term of the ESP III, that's
2 correct.

3 Q. And FirstEnergy has made fuel fund
4 commitments outside of ESPs before, correct? It's
5 nothing unique about fuel funds we have created here?

6 A. There have been funding over -- I think
7 off and on maybe over the years. But, clearly, in
8 terms of ESP history, I think most of -- if not all
9 the money has been provided through ESP provisions,
10 except possible -- except that which is if you put
11 Community Connections in that category. Community
12 Connections is basically agreed to out of this but
13 provided under basically the distribution rate case.

14 And what we've done for ESPs is basically
15 extend that provision to continue to provide money to
16 the Community Connections program. But other than
17 that, I would say in Ohio basically these provisions
18 have fallen under the ESPs.

19 Q. And I think I'm trying to understand, if
20 I look at what you've kind of listed as some
21 qualitative benefits in your analysis of the ESP
22 versus the MRO, you listed, like, the RTEP and the
23 fact that's not collected from customers, the PIPP
24 discount, the economic development, and the fuel
25 funds, and then rider DCR is also listed.

1 MR. KUTIK: Counsel, could you point to
2 his testimony?

3 MR. SAUER: On -- starts on page 7, line
4 7.

5 A. Page 7, line 7?

6 Q. Or you can look at WRR-1 also. It has
7 kind of a similar listing of the items under the ESP.

8 A. A couple points of clarification. I
9 thought you said qualitative and so --

10 Q. I meant quantitative.

11 A. If you are looking at attachment 1, it's
12 quantitative, and I think we identified some other
13 things in the supplemental testimony, for instance,
14 that we didn't know the precise amount for but could
15 be seen as a benefit. And we quantified those
16 basically on terms of use, a term unification,
17 basically, "if it produced this much, the value is
18 that much" type of calculations in my supplemental
19 testimony.

20 For instance, the energy efficiency being
21 bid in the auctions where we now know what they were
22 bid in at, we now know what they were bid in. We
23 know what the pricing was coming out of the '15-'16
24 auction, and that's, I think, in the range of 4-1/2
25 to 5 million dollar benefit.

1 Q. And was that more of a benefit or less of
2 a benefit than the estimated at the time you prepared
3 your testimony?

4 A. At the time I prepared my direct
5 testimony I didn't have an estimate. And when I
6 prepared my supplemental testimony, as I said, in my
7 supplemental testimony I provided some estimates.
8 For instance, on page -- page 4, page 5, page 6, of
9 some other potential benefits that could be
10 quantified, at least in terms of, as I said,
11 unification, again, where if there's this much out
12 there and here is the price, this is the value.

13 Q. You said the \$9.2 million that resulted
14 from bidding the energy efficiency into the BRA
15 auctions saved customers \$9.2 million; is that the --
16 was that the number you just gave me?

17 A. I don't know if I gave you \$9.2 million,
18 but it's in my testimony on page 5 where it's an
19 example if you assume an average load factor of
20 60 percent, which is not unreasonable, for every
21 dollar per megawatt-day, the capacity clearing price
22 decreases because the effect of offering the
23 company's low cost energy, low cost energy efficiency
24 resources, our nonshopping customers save \$9.2
25 million annually in generation costs.

1 And this just kind of quantifies. I
2 don't know what impact it had by bidding it in. But
3 if it's for every increment of \$10 per megawatt-day
4 that it did have an impact, then the value is \$9.2
5 million. I tried to give you some feel in these
6 calculations of what's the order of magnitude, if you
7 will.

8 MR. SAUER: Your Honor, I apologize. I
9 got back from lunch a little late. Did Mr. Dortch
10 enter into evidence the companies' response to AEPR
11 Set 1, Interrogatory 146, 147?

12 MR. DORTCH: I have not.

13 EXAMINER PRICE: He has not.

14 MR. SAUER: Well, if I could mark as OCC
15 Exhibit No. 8.

16 EXAMINER PRICE: So marked.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 MR. SAUER: I apologize. I don't have
19 but a couple of copies.

20 EXAMINER PRICE: Maybe Mr. Dortch can
21 help you out.

22 Q. Now, Mr. Ridmann, if you could take a
23 look at the document we have just handed you marked
24 as OCC Exhibit No. 8, it's a response to AEPR Set 7,
25 146 and 147. Do you see that, sir?

1 A. Yes, I do.

2 Q. And, once again, you're listed as the
3 witness responsible.

4 A. Yes, I am. I am.

5 Q. If we could go through that just a
6 second, similar to what you did for us earlier today,
7 if you would turn to the first -- I think it's the
8 fourth page of the document, that is residential
9 service, standard rate, RS Exhibit 3, as filed with
10 updated capacity for 2014-2015 and 2015 and '16 only.
11 Do you see that?

12 A. Are you talking about what you just
13 handed out?

14 Q. Yeah.

15 A. Page 4.

16 Q. I think it's the fourth page of that
17 document. It's the first bill analysis.

18 A. So are you talking about -- I mean, it's
19 page 2 of 25 at the top right-hand corner for the
20 Cleveland Electric Illuminating Company.

21 Q. I think I've got 27, 2 of 27.

22 A. What company are you dealing with? I am
23 looking at Ohio Edison.

24 EXAMINER PRICE: I'm on 2 of 25 also.

25 THE WITNESS: I think he got his things

1 mixed up.

2 Q. Maybe they were copied in a different
3 order. I can find 2 of 25.

4 A. It's for CEI.

5 Q. 2 of 25 for Cleveland Electric
6 Illuminating?

7 A. Yes.

8 Q. I am there. That's a typical bill,
9 correct, for the residential service, standard rate
10 RS?

11 A. Yes.

12 Q. Okay. Can you walk me through what --
13 what the companies did to prepare this document?

14 A. Basically, under this document we took
15 the information that -- we took the information we
16 discussed previously from AEPR Set 1, 11.7, as
17 described on the first page of what you handed out to
18 me, and looked at basically putting in the current --
19 under basically the column C, basically the rates
20 adjusted from 1 AEPR Set 1, 11.7, for 2014 we
21 adjusted those for the retail level by basically
22 splitting it into capacity and energy, and then
23 applying those rates to come up with item 7, along --
24 or column C, along with the other adjustments we had
25 made previously that we talked about.

1 For instance, the DCR would have been
2 impacted. I don't think AER -- for AER the change
3 there we talked about previously in the company's
4 earlier filing to confirm with the company -- with
5 the Commission's ruling regarding what we needed to
6 provide as a result of the rules. The AER I don't
7 think changed.

8 So basically you are looking at a
9 difference between C and D, which incorporates
10 basically the results of converting the information
11 for blending, top part of the chart, from 1.7 for
12 years '14 and then also for '15 and it shows a dollar
13 increase, and it shows basically the blending impact
14 under this CSP and the percent change for the various
15 rate schedules of each of the three companies.

16 Q. Okay. Now, the typical bills that you
17 did for the supplemental information that you filed,
18 that was part of your FES No. 2.

19 A. Yes.

20 Q. Are those for a different time period?
21 Did you compare the existing ESP II, year one, versus
22 the proposed ESP III?

23 MR. KUTIK: Objection. Compound, your
24 Honor.

25 EXAMINER PRICE: Sustained.

1 Q. Your -- let me rephrase. If I look at
2 the first exhibit, Exhibit No. 2, this was a
3 supplemental filing, there's some typical bill
4 calculations, and if I go to the Cleveland Electric
5 Illuminating section for Exhibit 3, page 27 of 154,
6 "Residential Service, Standard, (Rate RS)" --

7 A. I'm sorry. It's Exhibit 3. You
8 mentioned Exhibit 2 before, so Exhibit 3. What page?

9 Q. Exhibit 3, page 27 of 154. Are you
10 there?

11 A. Yes, I am.

12 Q. The heading says that it's ESP II,
13 existing ESP II, versus year 1 of proposed ESP III.

14 A. Yes.

15 Q. And the typical bill analysis I'm looking
16 at here says, ESP III, year 1, versus ESP III versus
17 year two.

18 A. Correct.

19 Q. So there are different time periods
20 involved between these two typical bill calculations;
21 is that correct?

22 A. Different time periods involved, yes,
23 correct.

24 Q. Yeah. Okay. Is there new analysis that
25 you did that was in response to AEPR Set 7,

1 Interrogatories 146 and 147, that compare similar
2 time periods, as were done under your typical bill
3 analysis for FirstEnergy Exhibit No. 2?

4 A. We basically -- since the order coming
5 out of this case, the entry coming out of this case
6 basically dealt with comparing '14 and '15 and '15
7 and '16, that those are the -- those are what we
8 provided in response to 146 and 147.

9 MR. SAUER: Okay. I think I may be
10 close, your Honor. May I have a minute?

11 EXAMINER PRICE: You may.

12 THE WITNESS: But I will --

13 MR. KUTIK: We are off the record.

14 EXAMINER PRICE: We are still on the
15 record, and the witness is extending his remarks.

16 MR. SAUER: Okay. We can go back on the
17 record.

18 Q. I'm sorry, anything?

19 A. I've concluded. I'm done with the
20 response.

21 Q. Oh, okay, okay.

22 EXAMINER PRICE: Let's go off the record
23 now.

24 MR. SAUER: Thank you, your Honor.

25 (Discussion off the record.)

1 EXAMINER PRICE: Let's go back on the
2 record.

3 MR. SAUER: I have no further questions,
4 your Honor.

5 EXAMINER PRICE: Thank you.

6 MR. SAUER: Thank you, Mr. Ridmann.

7 EXAMINER PRICE: Mr. Royer.

8 MR. ROYER: Thank you, your Honor.

9 - - -

10 CROSS-EXAMINATION

11 By Mr. Royer:

12 Q. You had a conversation earlier today with
13 Mr. Dortch, and a couple of times I thought I heard
14 you say there were 35 registered suppliers in the
15 FirstEnergy service territory. Do you recall those?

16 A. Yeah. The last time I looked I think
17 there were around 30, 35.

18 Q. When you say registered suppliers, do you
19 mean there are 35 separate CRES suppliers that are --
20 that have authority to serve -- certificated
21 authority to serve within the territory of
22 FirstEnergy companies, or do you mean there are 35
23 suppliers that have entered into supply -- into
24 agreements with FirstEnergy pursuant to their
25 supplier tariffs?

1 A. I think the 30 to 35 had to do with -- I
2 think you have to be registered to be a CRES
3 supplier, and so I think you're kind of mixing apples
4 and oranges because then you switch to wholesale
5 suppliers.

6 Q. No. I don't believe I said anything
7 about wholesale supplier.

8 A. If you could reread the question, please.

9 Q. Let me just try it again.

10 A. Okay.

11 Q. When you spoke in terms of 35 registered
12 suppliers, were you talking about 35 CRES suppliers
13 that have authority to serve in FirstEnergy
14 operating -- territory of FirstEnergy operating
15 companies, or were you talking about 35 CRES
16 suppliers that have actually entered into an
17 arrangement with FirstEnergy to supply customers on a
18 competitive basis within the -- within -- under the
19 supplier tariff?

20 A. I don't really know who of those CRES
21 suppliers that are registered have entered into
22 contracts with customers.

23 Q. Okay. So -- so it was the former
24 scenario you were describing?

25 A. Yeah. I was describing those who are

1 registered to be able to make offers in --

2 Q. Do you know how many CRES suppliers are
3 currently supplying customers within the FirstEnergy
4 operating companies' territory?

5 A. Across -- across the class spectrum,
6 residential, commercial, industrial, I do not.

7 Q. Okay. And when you were talking about
8 the 35 customers -- or 35 CRES providers, are you
9 getting to 35 by adding -- adding -- are you counting
10 somebody that's serving in Toledo Edison, CEI, Ohio
11 Edison? Is that 1 -- is that 1 supplier, or is that
12 3 suppliers for purposes of your 35 count?

13 A. No. I think it would have been one
14 supplier.

15 Q. Okay. And do you know how many -- if you
16 don't know how many were currently supplying service,
17 I suppose you won't know the answer to this either.
18 But do you know how many are currently supplying
19 service to residential and small commercial
20 customers?

21 A. Not precisely, when you include the small
22 commercial.

23 Q. And then Mr. Dortch asked you a series of
24 questions regarding the terms of the stipulation that
25 provide specific quantifiable benefits to specific

1 signatory parties and asked you if those provided --
2 those terms provided any benefits to customers
3 generally. Do you recall that conversation?

4 A. Very generally.

5 Q. Okay. And I believe in the course of
6 that discussion, you indicated that in the case of
7 funding to intervenors representing low income
8 customers, all customers -- or all SSO customers
9 would benefit from lower uncollectible expense
10 riders' rates? Do you recall that answer?

11 A. Yes. I indicated that possibly as a
12 result of some of that funding to the extent it's
13 used to have the customer pay the companies' bills,
14 that that may decrease the uncollectible rates of the
15 companies.

16 Q. Which would be a qualitative benefit of
17 the ESP?

18 A. Well, to the extent I didn't necessarily
19 quantify that, I quantified basically the dollars
20 that are given to the agencies to help customers,
21 however, you know, under the provisions of the fuel
22 funds.

23 Q. That wouldn't necessarily translate
24 directly into a -- into a -- into a change in the
25 uncollectible rate, would it?

1 MR. KUTIK: I am not sure, your Honor,
2 Mr. Ridmann had finished.

3 Q. I apologize. I thought he had finished.

4 EXAMINER PRICE: Had you finished?

5 THE WITNESS: No.

6 A. I think it's a natural resource, if
7 customers are able to pay their bills, that they
8 wouldn't have otherwise provided -- and they do,
9 absent the funding, that it seems natural to me that
10 basically the uncollectible rate would go down. I
11 have not done a calculation of that.

12 Q. Okay. And when you were speaking in
13 terms of the uncollectible riders, as I understand
14 it, the company actually has two uncollectible
15 riders, a distribution uncollectible rider, rider DUR
16 and a -- and that's nonbypassable, and they also have
17 a -- a bypassable generation-related uncollectible
18 expense rider, I guess, is rider non -- NDR,
19 non-distribution uncollectible expense?

20 A. I think your acronyms are wrong, but
21 there are two uncollectible riders associated with
22 each company.

23 Q. One for distribution?

24 A. And one for generation.

25 Q. And the distribution is -- and the

1 distribution is nonbypassable?

2 A. That's correct.

3 Q. And the generation is bypassable?

4 A. That's correct.

5 Q. Okay. And if there were an opportunity
6 to further reduce the rider rate for the --
7 applicable to the generation under collections
8 from -- paid by SSO customers, would that be an
9 additional benefit to those -- those SSO customers
10 generally?

11 A. I don't know how that would occur.

12 Q. Well, for example, if the generation
13 rider were made nonbypassable as a part of a
14 compensation mechanism for a purchase of receivables
15 program, would that -- and if it were shown that that
16 would reduce the overall level of the rider rate paid
17 by both sets of customers, would that be a benefit to
18 the SSO customers as well?

19 A. It could be. I would think it may end up
20 being the direct opposite way where basically SSO
21 customers are subsidizing shopping customers.

22 Q. And for that to be true, what would have
23 to happen?

24 A. Basically, those CRES suppliers who can't
25 manage their uncollectibles would basically ask that

1 we purchase their receivables so that the SSO
2 customers would incur a higher uncollectible expense.

3 Q. To -- first of all, wouldn't you, if
4 that -- the CRES suppliers generation rates would be
5 lower than the SSO rates; otherwise, they wouldn't
6 have any customers?

7 A. Well, I think basically what's being
8 offered in the marketplace is basically products over
9 a multi-year period, and so in any one year, it may
10 be slightly above, slightly below, but I don't think
11 the price alone is the determinant in terms of the
12 uncollectible amount.

13 Q. So -- okay. So you would have to know --
14 in order to make a definitive statement on this, you
15 would have to know both how many more dollars would
16 be coming in as -- under collection dollars, and you
17 would also have to know something about the relative
18 default rates of SSO customers versus shoppers; is
19 that correct?

20 A. Yeah. And my concern, basically, is
21 under a purchase of receivables, those CRES suppliers
22 who cannot manage their uncollectibles appropriately
23 would move those over to the SSO side of the business
24 for collection through a purchase of receivables.

25 Q. Isn't this precisely what's done for

1 every natural gas company that has a choice program?

2 A. I don't know about the natural gas
3 industry.

4 Q. Are you familiar with the arrangement
5 that was approved for Duke Energy Ohio in this regard
6 in their recent ESP?

7 A. I'm familiar with what's been approved in
8 the ESP for Duke.

9 MR. ROYER: That's all I have. Thank
10 you.

11 EXAMINER PRICE: Thank you.

12 Mr. Petricoff.

13 MR. PETRICOFF: Yes, thank you, your
14 Honor.

15 - - -

16 CROSS-EXAMINATION

17 By Mr. Petricoff:

18 Q. Good afternoon, Mr. Ridmann.

19 A. Good afternoon.

20 Q. I want to follow up on a question and
21 answer you had with Mr. Royer. Mathematically, just
22 speaking mathematically, if, in fact, the default
23 rate for the shopping customers was lower than for
24 the SSO customers, then wouldn't the SSO customers
25 benefit by having the shopping customers in the bad

1 debt tracker?

2 A. Under that scenario, yes, but I wouldn't
3 think that would be the typical scenario.

4 Q. And isn't it true there is a purchase of
5 receivables for shopping customers in the FirstEnergy
6 Pennsylvania utility affiliates?

7 A. We agreed as part of the elimination of
8 the Pennsylvania caps in terms of generation pricing
9 to a stipulation to stimulate what, at least some
10 people thought, needed to be stimulated, the market
11 for competition. We agreed to a purchase of
12 receivables program for MetEd and Pennalec and
13 subsequently for Penn Power.

14 Q. Now, I have a couple of questions to ask
15 you, and these center around -- because of the hour I
16 think we can make this both quick and to the point --
17 it centers around page 8, line 20 of your testimony
18 where we talk about the renewable energy credits and
19 the renewable energy deferrals.

20 I just want you to focus on that because
21 I am going to try to make the questions quick. And,
22 first, I want to ask you a few questions about the
23 renewable energy credits.

24 Would you agree with me that the
25 companies -- when I say the "companies," I am

1 referring to Ohio Edison, Toledo Edison, Cleveland
2 Electric Illuminating, that the companies have to
3 purchase renewable energy credits in an amount
4 according to the Commission's rules?

5 A. Yes, generally I would agree with that.

6 Q. And the Commission's rules, in general,
7 call for calculating a base rate number of
8 megawatt-hours sold, and then applying that against a
9 percentage that is set in the legislation that has to
10 be -- to determine your -- your renewable energy
11 credits?

12 A. Yes, generally.

13 Q. And that --

14 A. And it's a historical period based on the
15 load that the utilities have to supply SSO service
16 to.

17 Q. In fact, let's go down one more gradation
18 in detail. I think it's a three-year rolling
19 average.

20 A. I believe that's correct.

21 Q. And today in ESP II basically the
22 companies are procuring these renewable energy
23 credits in the market by auction or by bilateral
24 agreements?

25 A. Or by RFPs.

1 Q. Or by RFPs. Thank you. I was thinking
2 of auction in a broader term, but for now, let's --
3 we'll just use RFPs and include auctions in there as
4 well. And then those are -- the moneys that are
5 needed to pay for those RECs are collected through
6 the rider AER?

7 A. That's correct.

8 Q. Okay. And the proposal that we have in
9 ESP III differs when it comes to the collection in
10 that there is going to be a deferral as to these REC
11 purchases for the three years in the extended period?

12 A. Well, it differs from what exists today
13 in terms of -- first of all, there are always
14 deferrals even existing -- there are deferrals that
15 basically exist, and as I pointed out to I think
16 OCC's counsel, in the carrying charges you could see
17 the carrying charges associated with that rider. If
18 you have carrying charges, you have deferrals, so
19 deferrals have existed in ESP I, ESP II, and, I
20 presume, will exist in ESP III.

21 Q. And, generally speaking, what are the
22 levels of the -- what causes the deferrals in ESP II?

23 A. Timing differences between when the costs
24 are expensed and when the revenue is collected.

25 Q. Okay. So this is an accounting mechanism

1 that causes the deferrals as opposed to an
2 intentional bifurcation of part of the renewal costs
3 to be recovered at a later time?

4 A. It's different in terms of we're trying
5 to spread out the costs over a broader period of time
6 under this ESP III.

7 Q. And deferrals that we have now in the
8 ESP II do not have that goal of deferral, the -- I
9 believe -- I'm sorry. Let me start that over.

10 In the ESP II, the reason for deferrals
11 is purely to catch up on the differences in timing.
12 There's no intent or provision in the ESP II to
13 consciously take a large portion of the amount that's
14 required for renewable energy credits and defer it
15 for a subsequent collection.

16 A. I think there's some effort within the
17 latitude that we have to try to smooth out basically
18 the D -- AER. And the provisions that we have
19 proposed under ESP III, the parties, is that it would
20 provide a broader time period to spread out.

21 Q. And when you say "spread out," what is
22 the current level of deferrals? How much of the cost
23 of renewable energy credits are now picked up in the
24 current deferrals?

25 A. I don't know that.

1 Q. Would it be 10 percent or --

2 A. I don't know, Mr. Petricoff.

3 MR. PETRICOFF: Your Honor, I would like
4 to have marked as RESA Exhibit No. 1, a response to a
5 data request from FirstEnergy. May I approach?

6 EXAMINER PRICE: You may approach, and it
7 will be so marked.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 Q. Mr. Ridmann, I have handed you what has
10 been marked as RESA Exhibit 1, and it's printed on
11 both sides. Take a look at it. This is the
12 discovery response that you prepared?

13 A. Or prepared under my direction.

14 Q. And you're familiar with it?

15 A. Yes.

16 Q. Now, I want you to turn to what I will
17 call the backside, and that's the chart that says
18 rider AER. And I want to direct your attention to
19 column H. And in the interrogatory we asked the
20 question of basically what the charge would be for
21 renewable energy credits for a residential customer
22 purchasing a thousand kilowatt-hours a month. Fair
23 summary?

24 A. Yeah, fair summary.

25 Q. And currently that would be \$3.36, that's

1 the response?

2 A. For Ohio Edison.

3 Q. Right, for Ohio Edison, right. And under
4 the proposed ESP, that would be -- that would be cut
5 to \$1.18 for Ohio Edison?

6 A. That's the estimate.

7 Q. All right.

8 A. So we are talking about a reduction or a
9 deferral of roughly 65 percent of the cost that's
10 reflected basically in column J.

11 Q. All right. And assuming the Commission
12 approved this portion of the application, then that
13 \$2.18 that would be deferred into an account for
14 subsequent collection?

15 A. That's correct.

16 Q. And that account would have a carrying
17 charge of roughly 7 percent?

18 A. I can check real quickly.

19 Q. Certainly. Thank you.

20 A. I believe it's in that range. It's not
21 listed in the tariff, but I believe it's in that
22 range.

23 Q. Thank you.

24 A. That's per month.

25 Q. Per month. That's correct, per month on

1 the balance.

2 A. That's correct.

3 Q. Now, when would -- under the proposal
4 when would the moneys in the deferred account start
5 to be collected?

6 A. The time during the life of ESP II and
7 ESP III.

8 Q. Is there a set period in which the
9 collection would begin?

10 A. I presume there is some mathematical
11 computation that shows when you start to reverse the
12 deferrals.

13 Q. And what would be the -- in that
14 mathematical computation, what is the trigger that
15 starts us from deferring to collection of the
16 deferrals?

17 A. It's the cost incurred relative to the
18 revenue collected, and when you start to collect more
19 revenue than the cost before the deferrals, then you
20 would flip and start recovering some of your
21 deferrals.

22 Q. Okay. Does the company have an estimate
23 of how long the deferrals will continue?

24 A. Well, I think the provisions in the
25 stipulation provided that we would basically extend

1 this over the proposed life of ESP III, which is May
2 of 2016, May, 2016, and then end.

3 Q. And do you have a projection on what the
4 total carrying costs will be at the time that
5 these -- this deferral account is finally paid up?

6 A. I do not. Presumably it had to be part
7 of the calculation, but I don't know, sitting here
8 right now, what it would be.

9 Q. And is it fair to say that at the end of
10 the day in terms of looking at the community, the SSO
11 community as a whole, they -- the company will
12 collect every dollar that has been expended for
13 renewable energy credits, plus carrying costs?

14 A. Well, that's clearly the hope. Basically
15 these are costs incurred by the utilities, and we
16 expect to be able to recover those from our customers
17 in compliance with the statute.

18 Q. And is rider AER bypassable?

19 A. Yes, it is.

20 MR. PETRICOFF: Your Honor, I have no
21 further questions.

22 Thank you very much, Mr. Ridmann.

23 EXAMINER PRICE: Mr. Ridmann, something
24 that's puzzling me about rider AER, rider AER is the
25 collectable energy renewable requirements; is that

1 correct.

2 THE WITNESS: That's correct.

3 EXAMINER PRICE: Every year your
4 renewable requirement, the percentage of your
5 generation you need to get from renewable resources
6 and from solar, goes up; is that correct?

7 THE WITNESS: It's -- there are two
8 factors. One is under the statutory provisions about
9 how much you have got to get from renewables, and
10 it's applied to basically a historical amount that
11 you are providing for SSO and so as the SSO load that
12 you are providing changes, and it has changed
13 dramatically for these companies where shopping has
14 really taken off.

15 EXAMINER PRICE: Because your load is
16 dropping dramatically.

17 THE WITNESS: That's correct. It more
18 than offsets the increase in the -- about which you
19 need to get renewables.

20 EXAMINER PRICE: That answers my
21 question. Perfect. Thank you.

22 Mr. Warnock.

23 MR. WARNOCK: No questions.

24 EXAMINER PRICE: Mr. Hays. I told you
25 you had to sit at the table.

1 MR. HAYS: Thank you. You did tell me
2 that. I am behaving. I've learned today I'm a GAG,
3 government aggregator.

4 MR. KUTIK: And you are proud of it.

5 MR. HAYS: I would be.

6 MR. DORTCH: That is not a pejorative
7 meaning of the term.

8 - - -

9 CROSS-EXAMINATION

10 By Mr. Hays:

11 Q. If I am understanding your testimony
12 today correctly, you're saying that the ESP III is
13 setting a mechanism but not setting a price; is that
14 correct?

15 A. I think that's fair, particularly for the
16 generation.

17 Q. Do you ever go out to buy a new car?

18 A. Occasionally. A new car? Actually, most
19 of my cars have been used.

20 Q. That's fine. Buy a new vehicle, so every
21 once in awhile when you look at a mechanism like a
22 car, you find that you need a new car or different
23 car to fit a different time and purpose?

24 A. Yes.

25 Q. And isn't that what this ESP III case is

1 about, whether or not the proposal you are putting
2 forward from three years ago under those economic
3 circumstances is appropriate for today's economic
4 circumstances; isn't that correct?

5 MR. KUTIK: Objection, argumentative.

6 EXAMINER PRICE: Sustained.

7 Q. Everybody got the point. So I will ask
8 another car question.

9 EXAMINER PRICE: Do you want to move to
10 strike?

11 MR. HAYS: I'm from Toledo. We are the
12 largest transmission factory in the world.

13 MR. KUTIK: I want to make a comment, it
14 is not evidence, your Honor, as you know.

15 Q. My question for you is rather simple, did
16 Ford and GM and Chrysler have to change to meet
17 changes in the market and changes in what's happened
18 in the energy market in the United States?

19 A. I presume they have had to make changes
20 because of their business, as FirstEnergy has had to
21 make changes in its business.

22 Q. Now, you know that all three major
23 consumer organizations, OCC, NOAC, NOPEC, have all
24 opposed this ESP III. You are aware of that, aren't
25 you?

1 MR. KUTIK: Objection to the
2 characterization of "all three major."

3 EXAMINER PRICE: Sustained.

4 Q. What are the two largest aggregation
5 groups in the state of Ohio?

6 A. Probably NOAC and NOPEC.

7 Q. So --

8 A. In terms of aggregat -- in terms of
9 aggregation groups, not in terms of suppliers
10 necessarily.

11 Q. I'm sorry, I didn't mean to --

12 A. Not in terms of suppliers, but in terms
13 of aggregation groups.

14 Q. Do you have an idea how many residential
15 customers are in NOAC and NOPEC?

16 A. No idea.

17 Q. None at all?

18 A. No. I really don't keep track of those
19 statistics.

20 Q. Would it be more than 100,000?

21 A. Probably more than 100,000.

22 Q. Would it be more than 400,000 if you
23 combined them?

24 A. It could be, yes.

25 Q. Would you agree with me that under ESP

1 II, that we would lock in the historically low price
2 for 2013-2014?

3 A. Under what assumption?

4 Q. If you just went ahead under ESP II as it
5 exists currently, would we not lock in the
6 historically low prices at the next two auctions for
7 2013 and 2014?

8 A. If you had -- if you had a one-year
9 product under the ESP II, you would lock in basically
10 like what comes out of the October auction and the
11 January auction.

12 Q. And you do want to lock those prices in,
13 I take it?

14 A. We state that basically we want to lock
15 in prices for a longer period of time at those
16 prices.

17 Q. Will the price in 2015-'16 be the same
18 price as today?

19 A. I don't know that. Again, the forwards
20 today are low compared to what they have been
21 historically.

22 Q. But --

23 A. I don't know. I believe -- sorry.

24 Q. Go ahead.

25 A. And I don't know what the pricing will be

1 two years out for products for those delivery years.

2 Q. So essentially you are saying you can
3 lock in the 2013-2014 price just by following ESP
4 II; am I correct?

5 A. I'm saying if you sell your product
6 basically for what's -- there's probably two-thirds
7 of it is already locked in for '13-'14, and the other
8 third would be supplied under the October and January
9 auctions coming up.

10 Q. And that's when you would lock in the
11 historic prices for that year because you don't
12 know --

13 A. The --

14 Q. Excuse me. Let me finish because you
15 have testified you don't know the price for
16 2015-2016.

17 MR. KUTIK: May I have the question read?

18 EXAMINER PRICE: You may.

19 (Record read.)

20 A. The historic prices from prior auctions
21 are already locked in to the extent they are
22 applicable to the '13-'14 calendar year. To the
23 extent you have additional auctions in October and
24 January, you will know what those are, and you will
25 be able to lock in whatever prices come out of those

1 auctions, and if the current energy prices remain
2 low, then that hopefully will be reflected in the
3 wholesale bidders' price.

4 Q. I want you to look for a minute at the
5 results from the recent PJM BRA auction for ATSI for
6 2015-2016. I believe you have testified about those
7 from a number of people so far.

8 MR. KUTIK: Your Honor, what auction are
9 we talking about?

10 MR. HAYS: The one they just conducted in
11 May, you know, which is PJM.

12 EXAMINER PRICE: Are you referring to the
13 2015-2016 base residual auction?

14 MR. HAYS: Yes.

15 EXAMINER PRICE: That's the one.

16 A. Yes, I testified about that earlier.

17 Q. At that auction was the price for the
18 ATSI territory more than twice that of any adjoining
19 territory?

20 A. I don't -- if you give me a minute. I am
21 not sure I can tell precisely from the document. We
22 had a discussion earlier about what's the price
23 basically coming out of the BRA for the ATSI zone.
24 It's not as published in here, basically published in
25 another document. We had the discussion about 357

1 versus 294. So I don't have precisely what's coming
2 out, if there is any affect basically on other RTO
3 areas or any other areas that get adjusted because of
4 auction results, if you will.

5 Q. Do you know if AEP's number was more in
6 the range of \$140 for their territory?

7 A. I believe it was in that range.

8 Q. I believe you testified that part of this
9 was driven by uncertainty, or for that year '15-'16?

10 A. What was driven by uncertainty?

11 Q. The price. We will use your price, 297.

12 A. 294.

13 Q. 294. That part of that price increase
14 from the prior price was driven by uncertainty?

15 A. No. I never said that. I presume it's
16 being driven by the supply demand curves associated
17 with the auction.

18 Q. And did you indicate that right now there
19 are barriers to transmission into your territory, the
20 ATSI territory?

21 A. I indicated that as a result of the
22 retirement of certain coal-fired plants, that there
23 are reliability issues that the PJM wanted us to
24 address which we have done through basically
25 proposing additional transmission, which they have

1 approved partially, and also by, at least in the
2 short-term, looking at the RMR arrangement.

3 Q. Did PJM require your company to bid in
4 the gas plants that are -- I think they are at
5 Eastlake?

6 A. They are at Eastlake.

7 Q. These are proposed. Some of the old coal
8 plants are being converted to gas plants.

9 A. Basically FirstEnergy Corp., I think
10 FirstEnergy Solutions agreed that we would bid in
11 certain gas units.

12 Q. And did -- was it -- did PJM require
13 FirstEnergy to bid in these gas plants capacity?

14 A. Well, I am not close to the situation,
15 but I believe we've volunteered -- the FirstEnergy
16 Corp., through FES, volunteered to bid them in.

17 Q. And do you know about how many -- I'm
18 sorry if I get the measurement wrong, but is it
19 megawatt-days they use for the measurement?

20 A. Measurement of what?

21 Q. For the PJM auction.

22 A. What comes out of the auction is a
23 dollars per megawatt-day.

24 Q. Megawatt-day. And do you know how many
25 megawatt-days you bid in from the gas plants?

1 A. I do not know that.

2 Q. Could it have been a number like 7,000?

3 A. I don't believe so.

4 Q. Well, you must have some idea.

5 A. Well, I think it's capped by basically
6 the code rate and PJM lists what those charges --
7 what those potential highest charges are, and so what
8 are -- they would have been -- whatever the FES would
9 have bid in would have been at or under that rate.

10 Q. So your testimony is that FirstEnergy bid
11 in these gas plants at under 350 -- under 357 or your
12 number 294?

13 MR. KUTIK: Objection, mischaracterizes
14 the testimony.

15 EXAMINER PRICE: Sustained.

16 Q. Did FirstEnergy bid in these gas plants
17 that are -- that it is proposing for Eastlake at less
18 than 357 or your number 294?

19 MR. KUTIK: Your Honor, specific bids
20 made by specific companies is a matter of some
21 confidentiality in the bidding process, so I'll
22 object on that basis.

23 EXAMINER PRICE: Sustained.

24 Q. Was your companies' bid accepted --

25 EXAMINER PRICE: When you say "his

1 companies," are you referring to Ohio Edison,
2 First --

3 MR. HAYS: All of FirstEnergy companies.

4 EXAMINER PRICE: I think you need to ask
5 a more specific question.

6 MR. HAYS: Your Honor, I will ask a more
7 specific question, but I believe I am entitled to ask
8 a general question first, and I will object to not
9 being able to ask that.

10 EXAMINER PRICE: Your objection is noted.
11 Thank you.

12 MR. HAYS: Thank you. And I still
13 believe it's a legitimate question.

14 Q. But I will ask, which of the FirstEnergy
15 companies bid in the gas plants?

16 A. Well, as I think I previously testified
17 to, I think it was FES.

18 Q. Did -- was any bid from FES for the gas
19 plants accepted?

20 MR. KUTIK: Objection.

21 EXAMINER PRICE: Grounds?

22 MR. KUTIK: Again, nonpublic.

23 MR. HAYS: That's published material.

24 MR. KUTIK: If he believes it so, he
25 should prove it because I will stand on my objection.

1 EXAMINER PRICE: I'll sustain the
2 objection. If you have got an exhibit, now would be
3 the time to introduce it.

4 MR. HAYS: I believe I will have until
5 the end of the trial to do that, and we will be
6 producing it.

7 EXAMINER PRICE: Okay.

8 Q. In any of your written testimony, did you
9 address in any way what the price potentially could
10 be in 2015 or 2016 -- 2015-2016 for the third year of
11 the ESP III?

12 A. In my testimony?

13 Q. In your written testimony.

14 A. My testimony was filed before the
15 auction, so I had no idea what the auction price
16 would clear at because I have no idea what a
17 multitude of parties are bidding in in terms of
18 resources and the price they are bidding them in at.

19 Q. And your testimony in no way discussed
20 the recent results of the PJM BRA auction that was
21 held in May?

22 A. It discusses it in a general term, I
23 believe, but not in terms of specific outcomes that
24 came by the publication of the PJM document on May --
25 around May 18. My testimony was filed before then.

1 Q. Does the ESP III set out any specific
2 actions that you will take to make sure that there is
3 not a result that just assumes results in at twice
4 the rate that is being paid in other territories that
5 adjoin ATSI?

6 A. Again, I don't know what the Ohio
7 utilities could do, other than try to bid in the DIR
8 that we put into the ESP III stipulation or the
9 energy efficiency that we've identified in the
10 ESP III stipulation. I am not sure what else
11 electric utilities could do.

12 Q. So the answer is you didn't put anything
13 in your testimony that addressed how to get -- make
14 sure that those rates in your territory, the ATSI
15 territory, don't double?

16 MR. KUTIK: Objection.

17 Q. Aren't they double what they would be in
18 other --

19 EXAMINER PRICE: Sustained.

20 Mr. Hays, are you concerned with the 2015
21 base residual auction, or are you concerned with this
22 security plan? It seems to me that most of your
23 questions are referencing a PJM capacity auction,
24 which is not the jurisdiction of this Commission, so
25 if you've got questions pertaining to the ESP or why

1 this ESP is not more favorable in the aggregate than
2 the MRO, I think we need to move on to that area.

3 MR. HAYS: Well, again, I am going to
4 object for the record.

5 EXAMINER PRICE: It's noted.

6 MR. HAYS: And I will simply say what I
7 believe that a reasonable person who looked at the
8 facts and saw that there had, in fact, been closures
9 of plants, as has been testified to, and that there
10 had been an auction held in the energy market,
11 admittedly on the capacity end, that resulted in much
12 higher prices in the ATSI zone than in adjoining
13 zones, that these are legitimate questions to ask
14 what's going to happen on the energy side, and that's
15 what they are directed to is there has been for
16 FirstEnergy a clear -- a clear event that shows that
17 customers in that -- in that zone are at peril for
18 high speculative pricing three years out.

19 MR. KUTIK: Your Honor, I move to strike.

20 MR. HAYS: I'm allowed to state a basis
21 for my objection on the record.

22 MR. KUTIK: No, no. You talked about
23 speculation. There is absolutely no evidence with
24 respect to speculation whatsoever.

25 EXAMINER PRICE: Mr. Hays, I would like

1 you --

2 MR. HAYS: I will move on.

3 EXAMINER PRICE: Mr. Hays, you will not
4 talk over me. Do you understand?

5 MR. HAYS: Yes, sir.

6 EXAMINER PRICE: Okay. I would like you
7 to frame your questions with areas subject to this
8 Commission's jurisdiction, not entities which we do
9 not regulate, not only we do not regulate but
10 entities that we regulate. Thank you.

11 MR. KUTIK: Your Honor, I did have a
12 motion.

13 EXAMINER PRICE: We will -- let's -- can
14 you read back the subject of the motion to strike.

15 MR. KUTIK: Your Honor, I'll withdraw it.

16 EXAMINER PRICE: Okay. Thank you.

17 Q. (By Mr. Hays) Mr. Petricoff asked you
18 several questions. I believe he gave you one
19 exhibit. Could you find that exhibit, please?

20 MR. HAYS: And, Mr. Petricoff, I forgot
21 what you labeled the exhibit.

22 MR. PETRICOFF: Oh, RESA No. 1.

23 MR. HAYS: Thank you.

24 Q. In there he asked you about deferring the
25 energy efficiency charges out into the future; am I

1 correct?

2 A. The energy efficiency charges, no, he did
3 not ask me that.

4 Q. About the renewable energy credits, the
5 RECs?

6 A. He did ask me that.

7 Q. Yes. And I believe you explained that
8 what the company proposed to do was move those out
9 over a period of time so that there would be more
10 years that the charges would be levied over.

11 A. We basically smoothed out, if you will,
12 and recovered the charges over longer periods of
13 time.

14 Q. Right. And I believe he asked you if the
15 interest rate on that was 7 or 8 percent.

16 A. Yeah. There's two interest rates, and
17 it's not exactly -- it's not listed in the tariff.
18 It's either that rate or a lower rate. I just don't
19 remember, but it's -- I know it's no more than about
20 a .7 rate, percent rate per month.

21 Q. If --

22 A. There's also a lower rate to apply to
23 certain deferrals, and I am not sure which follows.

24 Q. I need to ask a question about your
25 overall plan to smooth out the rates.

1 A. Okay.

2 Q. By having a three-year product -- and
3 that, I understand, is another of the goals of this
4 ESP III?

5 A. Is that a question?

6 Q. Yes.

7 A. A goal is to basically spread through the
8 laddering process -- not spread out. It's basically
9 to ladder products with three-year purchases,
10 two-years purchases, and one-year purchases in order
11 to smooth out changes in the rates charged to our
12 customers.

13 Q. And as a result of that, you expect the
14 first year to have some of the higher rates than the
15 subsequent two years pulled forward?

16 A. As shown on AEPR Set 1, Exhibit 11 -- or
17 interrogatory 11.7, if you do the mechanical process
18 of substituting in the capacity rates that came out
19 of the BRA and separate ATSI auctions and mechanical
20 calculation, it would basically bring forward, smooth
21 out, if you will, the rates under the ESP III as
22 compared to the rates under the ESP III and doing the
23 laddering and the blending.

24 Q. Okay. If you instead pulled forward all
25 of the items, such as the RECs on which consumers are

1 paying interest, would that not also smooth it out
2 and eliminate all interest charges they have to pay?

3 THE WITNESS: Could you repeat the
4 question?

5 (Record read.)

6 A. I am not sure how that would smooth it.
7 Basically, what we are trying to do is smooth out the
8 AER by deferring some of the costs and checking it
9 over a longer period of time.

10 Q. Would you agree with me that money
11 is fungible, that a dollar for a REC credit is
12 similar to a dollar for a simple generation charge?
13 A buck is a buck?

14 A. I'll agree a dollar bill is a dollar
15 bill.

16 Q. Okay. And if I understand what you're
17 trying to do, you are trying to build three equal
18 piles for the next three years.

19 A. You want to describe what those three
20 equal piles are?

21 Q. Well, I believe in your proposal you are
22 saying that you would like to pull forward -- you
23 would like to take a blended rate of an auction and
24 have the three-year auction; am I correct?

25 A. There is -- in the next two auctions, we

1 are proposing three-year products.

2 Q. Yes. And you are then proposing that
3 those -- for those auctions that the -- that they be
4 equalized, the charges be equalized for each of the
5 three years to the customers.

6 A. Well, I think you can see under what
7 we've been talking about, AEPR Set 1, 11.7, that the
8 charges are not equal in each of the three years.
9 What the -- what the blending and laddering does is
10 provide smoothness, but it doesn't mean every
11 three -- that the product price necessarily coming
12 out is the same for all three years. So, no, it's
13 not correct.

14 Q. I think what I'm saying is part of the
15 proposal is -- let's just take the first year and the
16 third year. If you take the third year, you are
17 currently saying, hey, let's bring some of that cost
18 forward so that we have a more even cost over the
19 three-year period; am I correct?

20 A. I think basically that what we're
21 suggesting is that through the three-year blending
22 product, three-year product, and basically then for
23 the subsequent two- and one-year products, that you
24 get a blending process that occurs and is laid out in
25 exhibit -- in AEPR Set 1, 11.7, you see this

1 smoothing effect of doing that over the three years
2 compared to if you didn't do that.

3 Q. And what I am suggesting to you is that
4 if you left some of the money in the last year and
5 instead moved forward some of the charges on which
6 you are charging interest and you put those in the
7 first year, the customers would save money by doing
8 it that way --

9 MR. KUTIK: Objection.

10 Q. -- because they would not have to pay
11 interest.

12 MR. KUTIK: Objection. Asked and
13 answered.

14 EXAMINER PRICE: Overruled.

15 A. Carrying charge on what?

16 Q. You indicated, stated, that there are
17 interest rates that customers are paying on their REC
18 credits.

19 A. Okay.

20 Q. And that you were going to extend those
21 out into the future so that they could have more
22 interest because there are more years involved; am I
23 correct?

24 A. That's correct.

25 Q. If you pulled those all forward, they

1 would not have to pay the interest charges if you
2 made them all due today. For example, they would not
3 owe any interest charges, would they, meaning the
4 residential customers, other than the reconciliation
5 that would normally occur from other than the REC
6 credits themselves that they would have to pay for?

7 A. No. That's not what I said. I said
8 other than the reconciliation that occurs under the
9 existing AER rider.

10 Q. If you pull those dollars forward,
11 customers save interest charges. If you pull forward
12 dollars from an auction price for 2015-2016,
13 customers don't save interest charges, do they?

14 A. Oh, I don't know what supply -- wholesale
15 suppliers put into their contracts or their bids
16 basically into the market, where basically they may
17 reflect those savings in the bids they put forward in
18 the auction results. I don't know that. But they
19 could very well take that into account in the price
20 they bid for the three-year product.

21 Q. They may very well take into account the
22 difference between when they are getting paid and the
23 costs they incur.

24 MR. HAYS: I am done, your Honor, but I
25 do want to apologize.

1 EXAMINER PRICE: No apology necessary.

2 It's late.

3 MR. HAYS: Like I say, at the late hour,
4 I just got a little off key, and I do apologize.

5 EXAMINER PRICE: No apology necessary.

6 Mr. Allwein, having waited patiently.

7 MR. ALLWEIN: Yes. Good evening.

8 EXAMINER PRICE: Actually, Mr. Allwein,
9 let's go off the record.

10 (Discussion off the record.)

11 EXAMINER PRICE: Back on the record.

12 Mr. Allwein.

13 - - -

14 CROSS-EXAMINATION

15 By Mr. Allwein:

16 Q. Good evening, Mr. Ridmann.

17 A. Good evening.

18 Q. In the application --

19 MR. KUTIK: Your Honor, before, can I
20 ask, did you ask the witness if he was okay?

21 EXAMINER PRICE: No. Let's go off the
22 record.

23 (Discussion off the record.)

24 EXAMINER PRICE: Back on the record.

25 Sorry, Mr. Allwein.

1 MR. ALLWEIN: Thank you.

2 Q. In the application and stipulation, which
3 are Company Exhibit 1, and in your direct testimony,
4 which is Company Exhibit 3, you list bidding into the
5 May 7 PJM auction as a reason for filing this new ESP
6 application, correct?

7 A. For bidding in?

8 Q. Energy efficiency and peak demand
9 resources into the May 7 PJM.

10 A. Yes.

11 Q. And it is prominently listed, first, as
12 one of the additional benefits listed in the
13 application, page 2, 6th line.

14 A. Pages to what? You trailed off.

15 Q. It's the application, and it's page 2,
16 and it's basically the 6th line down.

17 A. Yes, I see that. I see that.

18 Q. And so you list that as a -- you list it
19 first. It was the primary reason for filing this new
20 ESP application?

21 A. Well, I think it's basically -- the
22 primary reason differs by those parties who signed on
23 to the stipulation. I think -- I think a big benefit
24 is basically the blending that occurs through the
25 three-year product that we've proposed in the October

1 12 and January 13 auction, and I think that's --
2 that's probably the -- one of the biggest reasons.

3 Q. Okay. Is this a substantial reason?

4 A. It's another reason. I mean, basically,
5 I don't know the impact of bidding this information
6 or these demand reductions into the market in terms
7 of what impact they would have. I do know the impact
8 of going out with three-year products and laddering
9 in terms of it smooths out the prices that we would
10 be able to charge our residential customers for SSO
11 load, so I'm dealing with something I have a much
12 better idea of the impact versus something I really
13 don't know the impact because I don't know the
14 resource curve associated with the PJM auctions.

15 Q. Okay. But it was important enough, at
16 least on page 3 of the application, to request an
17 expedited schedule in order to bid into the auction;
18 is that correct?

19 A. Yes. Basically I think the parties that
20 we were talking to as part of the stipulation
21 indicated it was important that we try to get these
22 benefits in to do so.

23 Q. And your testimony, and I believe it
24 is -- it is your supplemental testimony on line 3 --
25 excuse me, page 3 beginning at line 14, you suggest

1 "Offering in these resources will increase the amount
2 of low cost" capacity -- excuse me -- "low cost
3 supply available in the auction." Do you see that?
4 I'm sorry. Actually, excuse me, it starts on 14, but
5 what I was reading was starting on line 19.

6 A. Yes, I do see that.

7 Q. And how does low cost supply benefit
8 customers?

9 A. Again, I'm not sure if it has any
10 benefit. It could potentially have benefit by
11 altering the resource curve to provide benefits, but,
12 so, it's kind -- it's a situation where it may
13 provide benefit; it may not. But I didn't see a case
14 where it would provide disbenefit in terms of being
15 able to bid these in.

16 Q. Okay. And you list -- you characterize
17 energy efficiency on page 4 --

18 MR. KUTIK: This is on the supplemental
19 testimony?

20 MR. ALLWEIN: Yes, still on the
21 supplemental testimony. Thank you.

22 Q. Supplemental testimony, page 4, line 2,
23 you begin to speak to the changes in capacity prices
24 that may result from the offer of the companies' low
25 cost energy efficiency resources. And I was

1 wondering, can you explain the term low cost energy
2 efficiency resources?

3 A. Well, I think, you know, basically we
4 would have bid in, if it was approved in time, the DR
5 associated with rider ELR, and those prices -- or
6 those resources probably would have been bid in at a
7 pretty low rate, not zero. And the energy efficiency
8 resources would have been built -- bid in also at
9 some low rate maybe to cover the additional M&V that
10 would be required to qualify in the PJM, but I would
11 expect those costs to be reasonably low.

12 Q. Okay. So when you say low cost
13 resources, you're referring to the -- correct me if
14 I'm wrong. I thought you just said basically you are
15 referring to low cost as the cost of getting them
16 into the auction.

17 A. I'm saying the costs probably would have
18 been bid in at a low cost because under the DR I
19 don't think there would be any incremental costs
20 incurred, so then if we had gotten approval quickly
21 on the energy efficiency side, there may be some
22 costs associated with monitoring and verification
23 that we may bid in, you know, to recover those type
24 costs, but, as I said, I expect those to be low
25 relative to the potential costs of other resources.

1 Q. Okay. Low to the potential cost of other
2 resources being bid into the auction, or just
3 generally low cost resources compared to -- compared
4 to other resources?

5 A. That could potentially bid in. I mean,
6 quite frankly, and I -- there may be resources being
7 bid in on that are being bid in at zero. I don't
8 think you can go below zero, I think, in the PJM
9 resource curve, but I am sure there's probably a
10 number of resources that are being bid in at zero.

11 Q. All right. I thought you were referring
12 to the fact that energy efficiency is a resource that
13 is understood to be cheaper than other forms of
14 generation.

15 A. They could be, but what gets bid into the
16 auction I don't know and that's up to each individual
17 resource bidder, if you will, what their bidding
18 strategy is. Their costs may be higher than the bid
19 they make into the resource curve. And I think only
20 the people at PJM know that.

21 Q. And in your testimony, and this is
22 supplemental testimony, page 4, line 10, you indicate
23 that customers will benefit from the auction pursuant
24 to rider DSE1 reductions. Do you see that?

25 A. Yes.

1 Q. And can you explain how this will occur?

2 A. Basically the results of the auction that
3 these resources would be compensated for minus the
4 costs we incur for bidding them in. That revenue
5 would be flowed back through rider DSE.

6 Q. In addition to possibly providing low
7 cost capacity resources and flowing back into rider
8 DSE to reduce that rider amount, are there other
9 benefits to customers?

10 A. Could you repeat the question.

11 EXAMINER PRICE: Reread the question,
12 please.

13 (Record read.)

14 A. I think those are the primary benefits
15 associated with the auction, the PJM BRA auction.

16 Q. And just to be clear, the primary benefit
17 of bidding energy efficiency or peak demand resources
18 into the auction?

19 A. Into those auctions.

20 Q. Okay. Are there any benefits to
21 FirstEnergy, as a company, or the EDUs individually
22 in providing these benefits to customers?

23 A. Well, I can speak on behalf of the EDU,
24 of the FE Ohio EDU, if you would like. I think those
25 are the benefits associated with bidding these --

1 bidding these in. I don't necessarily see any
2 benefits to the EDU, in particular.

3 Q. Okay. So is it fair to characterize this
4 activity as this -- the sole motivation for this
5 activity is for the customers of the EDUs?

6 A. I think the benefits go to the customers
7 in terms of potentially lower wholesale auction rates
8 or potentially lower DSE charges. I think for the
9 EDUs it's basically also no impact in terms of there
10 is no profit involved for the EDUs.

11 Q. Are you familiar with case 12-814, and
12 that is where the Commission had a -- an entry where
13 they asked you to basically present all of your
14 energy efficiency and peak demand resources for
15 consideration of a bid into PJM? You referred to it
16 in a couple --

17 A. I'm familiar with case 12-814. I may
18 disagree on your characterization of case 12-814, but
19 I'm familiar with it.

20 Q. Okay, okay. That's fair. Now, in that
21 case FirstEnergy filed a response to the Commission's
22 entry and basically stated that they would not bid in
23 any potential energy efficiency or peak demand
24 resources, but you did end up participating in
25 bidding in energy efficiency resources. That's true,

1 right?

2 A. Well, there were a lot of events
3 occurring during this timeframe. That was in the
4 March timeframe.

5 Q. Right. You're right.

6 A. That was also the timeframe we were
7 negotiating the ESP III, and so there were a lot of
8 discussions with the Commission staff about the 814
9 filing and with other parties that we were having
10 discussions with about what could be done.

11 And we had indicated basically that
12 through discussions and through basically the
13 exhibits that were filed in 814, that we would
14 consider bidding in certain things if we were
15 relieved, basically, or held harmless to an extent
16 about what we would bid in because on the DR front
17 with interruptible load, our contracts didn't go out
18 past May of '14, so we had no resources to bid in.

19 And that's why we asked in the ESP III if
20 we could -- they could provide approval of the ESP
21 III so we could bid those in. And on the energy
22 efficiency front, you know, there was concern about
23 bidding something in when we didn't own the
24 attributes associated with the demand reduction, and
25 we had -- so during this whole timeframe while we

1 were complying with 814 and trying to negotiate an
2 ESP III, ESP III reflects basically that we would,
3 under conditions, basically bid into the auction.

4 It was all very -- you know, the thought
5 process was in conjunction with 814 that somehow the
6 Commission, if they so desired, if staff so desired,
7 would somehow hold us harmless in terms of what we
8 would bid in so that the companies, the EDUs,
9 wouldn't be exposed to anything since there is no
10 profit in it for the companies, and we don't want to
11 be in a position where basically we are exposed to
12 costs with no recovery, and, therefore, we seek an
13 approval basically to address those concerns.

14 Q. Okay. So the company, if you will,
15 changed its mind in terms of bidding something in.

16 A. Well, I think changed its mind from what?
17 I think the ESP III, again, filed 13 days after the
18 comments in 814 were filed, agreed to go out, try to
19 seek -- particularly on the energy efficiency piece,
20 try to seek ownership of the attributes so that we
21 could bid them in, knowing, hopefully, that after
22 discussions with the staff, and that if there was a
23 huge interest to bid in lots of energy efficiency,
24 that as part of the order, they may basically hold us
25 harmless in terms of what we would bid in in any

1 amount in addition to what we were trying to do by
2 going out and owning the attributes.

3 Q. Okay. But bidding something into the
4 auction is different than, I mean, declaring a few
5 days earlier that you weren't going to do that, so --

6 A. I'll state, again, events were moving
7 very quickly in terms of the thought process among
8 those parties to the stipulation and ourselves about
9 what could be done. And in looking at the situation
10 and exploring it, we decided to basically try to
11 pursue ownership of a couple -- of the major pieces
12 of our energy efficiency programs.

13 Q. Now, does PJM require that FirstEnergy
14 have an approved electric security plan in order to
15 bid in demand resources and energy efficiency
16 resources into the auction?

17 A. No. But they have other requirements
18 that basically provide some assurance that you are
19 going to bid in or that you are going to be able to
20 provide basically the demand resources that you bid
21 in. And they have, if you are not able to meet the
22 amount you bid in, a heavy penalty.

23 Q. Is that part of the M&V plan you turn in
24 ahead of time?

25 A. I'm not sure if it's totally part of

1 that. I mean, for instance, the M&V plan gets to how
2 you measure the savings. But some, for instance,
3 CSPs, I'm not sure we used that terminology in Ohio
4 so much, we use it in Pennsylvania, may make an
5 estimate of what they think they are going to be able
6 to provide when the time arises in the '15-'16
7 delivery year without having those under contract,
8 and if they are not able to provide it, they are
9 penalized.

10 And I think, quite frankly, when you look
11 at one of the -- at least when I look at the results
12 of the auction, when you look at the increase in
13 demand resources bid into the auction and accepted in
14 the ATSI zone, it is huge and not necessarily my
15 concern, but just as a person in the industry, I
16 question whether all those resources will be there in
17 the '15-'16 time period.

18 Q. Okay. Because they're -- they're
19 estimated by the -- and for the record, CSP is
20 curtailment service provider, correct?

21 A. Correct.

22 Q. And also, for the record, M&V is
23 measurement and verification. So you're worried as a
24 person in the industry because they are bidding in
25 estimated amounts that they will procure or generate

1 or their customers will generate in the future.

2 A. I don't know if they are estimated or
3 not. What I do know is that the amount bid in and
4 accepted went from, rough terms of 1,000 megawatts up
5 to 1,800 megawatts from the prior auction, and
6 that's -- that's like an 80 percent increase, 75,
7 80 percent increase. That's a large increase.

8 Q. Okay. And some of those resources, if I
9 logically would -- we would think are future
10 resources, you stated that as a concern?

11 A. It was bid in. Presumably, they are
12 going to deliver when -- when PJM tells them to
13 deliver.

14 Q. Okay. So those haven't been generated
15 yet.

16 A. Again, I don't know because I don't know
17 what -- first of all, I don't know all the parties
18 that bid into the resources, and I don't know on what
19 basis they made those -- that bid. I can tell you
20 the EDUs were prepared to bid in demand reduction
21 resources associated with the ELR rider for those
22 resources they had under contract. It was not
23 willing to bid in resources that it did not have
24 under the contract under the ELR.

25 EXAMINER PRICE: Mr. Ridmann, is it

1 possible that some of your customers currently under
2 ELR independently bid in their demand reduction,
3 given that the rider ELR tariffs have an expiration
4 date?

5 THE WITNESS: It's possible they did, and
6 I don't know whether they did or not.

7 EXAMINER PRICE: I am not going to ask
8 you because it might be confidential.

9 THE WITNESS: I don't know, but it's
10 possible.

11 EXAMINER PRICE: If they had, would they
12 have been required to notify you at this point as to
13 that they would be leaving rider ELR -- or rider ELR
14 expires on its own terms, but --

15 THE WITNESS: That notification is not
16 required at this point.

17 EXAMINER PRICE: Thank you.

18 Mr. Allwein.

19 MR. ALLWEIN: Your Honor.

20 Q. (By Mr. Allwein) And just to be clear, I
21 wanted to ask, were the energy efficiency resources
22 that were bid in, were those bid in by your
23 individual EDUs or by FirstEnergy Services Corp.?
24 How were they bid in?

25 A. I would presume they were -- I will

1 presume that the actual entity that bid them in would
2 be the service company on behalf of the individual
3 EDUs because basically the revenue that gets
4 recovered through the auction process would go back
5 to the individual EDUs.

6 Q. Okay. But for convenience, the -- I'm
7 sorry -- just to clarify your answer, your
8 FirstEnergy Services Corp. did one bid on behalf of
9 the three Ohio electric distribution utilities?

10 A. I don't know that specifically, but I
11 would think the service people would have done it on
12 behalf of the EDUs.

13 Q. Okay. And you stated one of the
14 requirements for -- in order to participate in the
15 auction was ownership of the customer resources,
16 correct?

17 A. The attributes associated with it, that's
18 correct.

19 MR. ALLWEIN: Your Honor, may I approach?

20 A. That was what we stated in the
21 stipulation.

22 Q. I thought you just said that a little bit
23 ago as well.

24 EXAMINER PRICE: You may.

25 MR. ALLWEIN: I apologize, your Honors.

1 I actually was not necessarily planning to use this,
2 but I managed to drag up two copies.

3 EXAMINER PRICE: How many copies?

4 MR. ALLWEIN: Just two.

5 EXAMINER PRICE: Give one to the reporter
6 and one to the witness.

7 MR. ALLWEIN: Okay.

8 MR. KUTIK: Your Honor, may I see it?

9 EXAMINER PRICE: But show it to Mr. Kutik
10 first.

11 MR. ALLWEIN: I certainly will. This is
12 three pages. It is a discovery response to the
13 Sierra Club Interrogatory No. 7, and also it contains
14 a two-page letter, form letter, presumably from
15 FirstEnergy to its customers in order to acquire
16 ownership of the attributes.

17 EXAMINER PRICE: Mark that as Sierra
18 Club?

19 MR. ALLWEIN: I would like that marked as
20 Sierra Club 1, and I do apologize for not having a
21 copy for the Bench.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 Q. Are you familiar with that document, sir?

24 A. Yes, I am.

25 Q. On this document, and I will -- I am

1 actually going to move to the letter.

2 MR. KUTIK: Your Honor, would you mind if
3 I looked over the witness's shoulder?

4 EXAMINER PRICE: Not at all.

5 MR. ALLWEIN: Mr. Kutik, I apologize for
6 not having more copies.

7 MR. KUTIK: No problem.

8 MR. SAUER: Mr. Allwein, which discovery
9 response was that again?

10 MR. ALLWEIN: It was Interrogatory No. 7,
11 Sierra Club Set 1.

12 MR. SAUER: Thank you.

13 Q. This was part of an additional response.
14 I just wanted to review a couple of things with you
15 on this letter. This was part of what FirstEnergy
16 EDUs used to secure ownership of the attributes of
17 the energy efficiency resource; is that correct?

18 A. This was part of the effort.

19 Q. Okay. And did everybody that you
20 contacted receive this letter, obviously, with
21 their -- their name and address on it?

22 A. Did everyone we contacted receive a
23 letter? Well, if we contacted them, they received
24 something.

25 Q. Okay.

1 A. Fair?

2 Q. And it would look something like this, or
3 would have the same elements that are in this letter?

4 A. I think there were -- I think we
5 generally went out and for those we had basically
6 e-mail addresses, so we e-mailed those individuals at
7 companies. Those we didn't have an e-mail address,
8 we sent letters; and for customers, I think for
9 customers that had energy efficiency above the 100
10 kW, we actually made calls to those customers to gain
11 additional interest and support.

12 Q. Okay. Now, I just want to, if I may,
13 characterize the first part of this letter. It just
14 appears to be sort of a notice to the customers that,
15 you know, it says, I guess, perhaps the third
16 paragraph, if you will, begins with, "If you plan to
17 bid energy efficiency resources into the market,
18 please note that there are deadlines and protocols
19 that must be met." Do you see that?

20 A. If you want to refer me to a particular
21 paragraph.

22 Q. I'm sorry. Let's see.

23 A. If you are looking at the second to the
24 last paragraph, is that what you are referring to?

25 Q. No. I'm sorry, I called it a paragraph,

1 but the first -- you have got a sentence that begins
2 with "Thank you" and then a sentence that begins with
3 "Peak load reductions." And then you move down two
4 more lines, and you see it says, "If you plan to bid
5 EE resources into the market," do you see that?

6 A. Yes.

7 Q. And so this seems to be a notice that
8 customers can, if they want to, bid into the market
9 themselves. Is that -- is it kind of a public
10 service announcement, if you will, on the part of the
11 company here?

12 A. I think it's alerting them to all the
13 facts associated with it.

14 Q. Okay. And then the second half of the
15 letter begins with the bolded statement that if you
16 do not plan to bid your EE resources in, you may
17 still benefit by assigning ownership of these
18 resources. Do you see that?

19 A. Yes, I do.

20 Q. Okay. And then you explain that
21 FirstEnergy is going to aggregate these resources,
22 and then the second page there's a box they can check
23 and assign the ownership of the energy efficiency
24 resources to their local utility.

25 A. That's correct.

1 Q. Okay. And for the bid into the PJM base
2 residual auction, did you receive the assignment of
3 ownership of some resources?

4 A. Yes; disappointingly so. I think we've
5 got as a result of this solicitation I think
6 approximately 10 percent of the eligible load they
7 agreed to assign to us. And that's really quite --
8 not a whole lot different from what we heard when we
9 initiated our energy efficiency programs, and we had
10 pushback from our mercantile customers in terms of
11 no, they were not willing to assign those to the
12 companies. And as a result, based on concerns we had
13 about basically getting a program approved, I think
14 it was in March of 2011, we were concerned about
15 basically pushing for ownership of the attributes
16 knowing full well that we had an obligation to meet
17 our statutory requirements, to meet energy efficiency
18 and demand reduction requirements.

19 And so what we found out through this
20 most recent solicitation process, there are customers
21 that still don't want to assign, necessarily, demand
22 reduction attributes to the company based on their
23 energy efficiency, and I think part of it is because
24 we have administrators as part of our program which
25 are rather sophisticated in terms of reaching out to

1 their clientele and understanding the benefits of
2 bidding it in, so I would presume some of these
3 customers may have had already lined up or agreed to
4 provide the benefits to their administrators.

5 Q. Okay.

6 EXAMINER PRICE: Mr. Ridmann, there's
7 also curtailment service providers that may be going
8 out there trying to aggregate this.

9 THE WITNESS: That's correct also. They
10 call it -- they may be called something other than
11 curtailment service providers, but yes, there are
12 parties who have that as their product.

13 EXAMINER PRICE: EnerNOC does.

14 THE WITNESS: EnerNOC, I think they can
15 answer, but I think they are primarily on-demand
16 reduction, not necessarily on the energy efficiency
17 side.

18 EXAMINER PRICE: He is not here to defend
19 himself.

20 THE WITNESS: I think.

21 MR. ALLWEIN: Then let's talk about him.
22 That's what I say.

23 EXAMINER PRICE: The bottom line is you
24 may have had competitors. There may have been other
25 parties out there soliciting similar

1 acknowledgment --

2 THE WITNESS: I think the most logical
3 ones are the administrators.

4 Q. (By Mr. Allwein) I just want to point out
5 you mentioned mercantile customers as giving you some
6 pushback, but these were sent to commercial customers
7 as well, right?

8 A. Yes. And that's why I'm saying now we
9 went down to all size customers, anyone who was
10 involved in the lighting program, and solicited their
11 interest.

12 Q. Okay.

13 A. And I think only about 10 percent agreed
14 in terms of load freed to do something.

15 Q. But as the attorney examiner pointed out,
16 it also could be a product of competition that might
17 be a factor.

18 A. Sure.

19 Q. And it could also be a product of time,
20 right? This was a very short window that you had to
21 gather these together. I think it was less than a
22 month, wasn't it, that you had, were soliciting
23 these?

24 MR. KUTIK: Objection, your Honor,
25 compound.

1 EXAMINER PRICE: Sustained. Please break
2 it up.

3 Q. Sorry. It would have been a product of
4 time, correct?

5 A. It could have been or could not have
6 been. I mean, I don't know. I think they had
7 sufficient time, or if they were interested in doing
8 something, they had time to do it.

9 Q. And --

10 A. If they weren't interested --

11 Q. Sorry. And you had a short window to
12 gather that together.

13 A. I think probably a month, maybe a little
14 shorter, within that timeframe.

15 Q. Okay. And through the miracle of
16 technology, I received my final set of discovery a
17 little bit ago on an iPhone. And in that discovery
18 you -- and this response was nonconfidential -- you
19 mentioned that you bid in 36 megawatts of energy
20 efficiency resources, correct?

21 A. I didn't see the response that went out,
22 but --

23 Q. Subject to check.

24 A. Subject to check.

25 Q. Okay. Thank you.

1 EXAMINER PRICE: We can introduce his
2 iPhone into evidence.

3 MR. ALLWEIN: Actually, it's Dan's
4 iPhone.

5 Q. Of that 36 megawatts, can you tell me how
6 much of it was residential energy efficiency
7 attributes versus the C&I lighting?

8 A. What, sitting here right now?

9 EXAMINER PRICE: Did you solicit
10 residential customers?

11 THE WITNESS: There was no need to
12 solicit residential customers, so it came about as a
13 result of whatever we thought we could meet based on
14 the end of the results that came out of the PJM
15 process, if you will.

16 EXAMINER PRICE: Explain to me why there
17 is no need to solicit the ownership of residential.

18 THE WITNESS: Well, we didn't -- maybe
19 technically we should, but basically these customers
20 are so small that they wouldn't have the
21 sophistication, necessarily, and they weren't being
22 generally dealt with through the administrators in
23 our EE programs. So they weren't being aggregated,
24 if you will, that we knew of, and so we thought it
25 was -- we felt reasonably confident we would have to

1 do that.

2 EXAMINER PRICE: Thank you.

3 Q. (By Mr. Allwein) As we mentioned earlier,
4 FirstEnergy submitted a measurement and verification
5 plan to PJM for qualification of resources, correct?
6 That was the second requirement you mentioned?

7 A. That's correct.

8 Q. PJM approved the plan prior to the
9 auction, right? They had to.

10 A. Yeah, I think they had to, or
11 modification to the plan.

12 Q. Pardon me?

13 A. Or modification to the plan that was
14 initially submitted.

15 Q. Now, I have something I want to show you.

16 MR. ALLWEIN: May I approach, your Honor?

17 EXAMINER PRICE: You may.

18 MR. ALLWEIN: I have lots of copies this
19 time. And could you mark this as Sierra Club Exhibit
20 2.

21 EXAMINER PRICE: So marked.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 MR. ALLWEIN: Thank you.

24 Q. This is a three-page document. It is a
25 response to a Sierra Club interrogatory. It is

1 Sierra Club Set 1, Interrogatory 1. Mr. Ridmann, are
2 you familiar with this document?

3 A. Generally.

4 Q. One of the questions in this
5 interrogatory was a request for you to summarize the
6 measurement and verification approach the company
7 proposed.

8 A. Yeah, as proposed, okay. Do I see that?

9 Q. It's the little letter -- it's letter I.

10 A. Yes, I do.

11 Q. All right. And I want to turn to your
12 answer and just ask you about a couple of things in
13 this answer. It says that the PJM -- this is the
14 second sentence. It says, "The PJM M&V Plan proposed
15 by the Company reflects the Draft Ohio TRM with
16 modifications." Can you tell me what that means?

17 A. Well, Draft Ohio TRM, I don't believe the
18 TRM has been officially approved in Ohio. So that's
19 the meaning of "reflects the Draft Ohio TRM."

20 Q. Okay.

21 A. And with modifications, as appropriate,
22 to be consistent with joint utility comments to the
23 TRM, I presume we had, along with possibly any other
24 utilities in the state, made comments relative to the
25 TRM, and it reflects that.

1 Q. Okay.

2 A. And then, next, adjustments to meet
3 whatever standards we needed to meet to meet PJM
4 standards that were different than that TRM.

5 Q. And what -- can you tell us what some of
6 those adjustments were?

7 A. The adjustments that were basically the
8 joint utility comments? The adjustments for the
9 joint utility comments?

10 Q. Okay.

11 A. I'm asking for a clarification.

12 Q. Oh, I'm sorry. Ask me again. Sorry.

13 THE WITNESS: Could you reread his
14 question.

15 MR. ALLWEIN: Yeah, go ahead.

16 THE WITNESS: Please. Sorry.

17 (Record read.)

18 A. Then I was questioning which adjustment
19 you were referring to. I think we've identified
20 probably one of them relative to the coincident
21 factor to reflect the PJM performance period as
22 required by PJM, so relative to that, that's one of
23 the adjustments.

24 Q. Okay.

25 A. I don't specifically know what other

1 adjustments were made, and the modifications were
2 made to be consistent with the joint utility comments
3 to the TRM, to the draft TRM.

4 Q. But as you describe the period in which
5 this took place, you were able to do this fairly
6 quickly; is that correct?

7 A. I think -- as I said, I think it was over
8 within a month's timeframe. I don't know the exact
9 dates, but this was all happening in the March, April
10 timeframe in order to bid into the May auctions.

11 Q. So there are some differences in the
12 measurement and verification protocol that PJM uses
13 than that in Ohio, although, as you are pointing out
14 it's a draft, not proposed differences or proposed
15 standards.

16 A. Well, again, it clearly states that one
17 adjustment was coincident factor. Apparently PJM
18 develops a coincident factor to develop the demand.
19 It's different than what's used in Ohio. I don't
20 know the details associated with those adjustments
21 either in Ohio or in PJM.

22 Q. And I believe in an earlier response on
23 this same document you state that you started work on
24 the M&V plan in early April of 2012?

25 Do you see that? It's letter C.

1 A. I didn't specifically start to work on
2 it, but other people in the company started to work
3 on it, I would say, because -- early April sounds
4 like a reasonable time.

5 Q. Okay. And when was the plan submitted?

6 A. I believe it was submitted sometime in
7 April. I know there were follow-up questions from
8 PJM, and then I lost track, quite frankly, of what
9 was happening. I know there were follow-up questions
10 to what we submitted.

11 Q. Okay. But getting this plan together and
12 admitting it wasn't a significant hurdle in
13 participating in this auction?

14 A. Oh, I am sure we presented -- put forth
15 quite a bit of effort to get it done in the timeframe
16 we needed to get it filed.

17 Q. Okay.

18 A. But it sounds like, just reading this, a
19 lot of it may be somewhat similar to what the TRM is
20 out of Ohio, so we probably needed to adjust it for
21 the PJM methodology.

22 Q. Okay. And I think you stated to
23 someone's earlier question that your revenue from the
24 auction is 4.5 to 5 million dollars; is that correct?

25 A. Based on the amount bid in that was

1 identified on your iPhone discovery response, yes. I
2 can't see your iPhone, and based on what cleared, I
3 think it's around -- it's in that range.

4 Q. Okay. And is that net revenue?

5 A. What do you mean by net?

6 Q. Is it 4.5 to 5 million that you're
7 getting from the auction, or is that after you
8 subtract the cost of measurement and verification, or
9 have you done that yet?

10 A. I think that was basically a calculation
11 of what would come from the auction without deducting
12 the costs associated with the M&V.

13 Q. Okay. Do you know what the costs are of
14 the M&V?

15 A. I do not.

16 Q. And let me ask you -- hang on a second.
17 I want to show you one more other.

18 MR. ALLWEIN: May I approach, your Honor?

19 EXAMINER PRICE: You may, if it's only
20 one other.

21 MR. ALLWEIN: What's that?

22 EXAMINER PRICE: If this is your last
23 exhibit.

24 MR. ALLWEIN: I have been so patient.

25 EXAMINER PRICE: I'm just kidding.

1 MR. ALLWEIN: And may I ask you to please
2 mark this as Sierra Club Exhibit 3.

3 EXAMINER PRICE: So marked.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 MR. ALLWEIN: I forgot to keep one.

6 Q. (By Mr. Allwein) This is a one-page
7 document, and it is from OCC Set 6, Interrogatory 52.
8 And this is a question regarding how much residential
9 customers have paid for the ELR through the DSE1
10 portion of the DSE rider, do you see that?

11 A. Yes, I do.

12 Q. And I wanted to ask you about this, but
13 you might have already answered this question, do
14 you, see where you list from 2009 through April 30 in
15 your response what residential customers have paid
16 through the DSE1 portion of the rider?

17 A. Yes, I see that.

18 Q. And my question to you is, as a result of
19 this revenue and -- well, I'll just ask the question.
20 As a result of the revenue we just discussed from the
21 auction, will these -- will customers pay less?

22 THE WITNESS: Could you reread the
23 question.

24 (Record read.)

25 A. As a result of the '15-'16 delivery year

1 auction --

2 Q. Yes, sir.

3 A. -- since the companies were not able to
4 bid in any ELR-related demand reduction resources,
5 there is basically no revenue coming from that
6 auction. There were revenues coming in from prior
7 auctions where we owned the attributes, and when we
8 bid them in, those went to reduce DSE1 charges.

9 Q. That will reduce the overall DSC1 charge,
10 just not necessarily the charge that covers the ELR,
11 right?

12 A. No. I believe those revenues that come
13 in from the auctions when we bid them in previously
14 went to reduce DSE1.

15 Q. Okay. And those were ELR resources,
16 right, the previous auctions?

17 A. Those were ELR resources.

18 EXAMINER PRICE: Mr. Ridmann, is there a
19 planning horizon problem in that you come in for an
20 ESP and it has an expiration date, but you're racing
21 the PJM 3, your expiration date, so every time you
22 get within three years of the expiration of your ESP,
23 your rider ELR is going to expire of its own terms,
24 and then for maybe that third year, you won't be able
25 to bid in that peak demand reduction?

1 THE WITNESS: Potentially that could
2 occur, but we are primarily setting up ELR basically
3 to comply with the statutory requirements of demand
4 reduction.

5 EXAMINER PRICE: I understand, but it
6 wouldn't be a remedy for the Commission to extend the
7 rider ELR termination date beyond the ESP. So were
8 you suggesting -- this ESP will conclude in 2016,
9 would it make sense for the Commission to consider
10 the expiration date of rider ELR being extended to
11 2018 so you can continue to bid it into future PJM
12 auctions and not run across this ownership situation
13 or run into the situation where you are asking us to
14 approve an ESP in two weeks?

15 THE WITNESS: Potentially. But I will
16 say I think the longer you go out with the
17 contractual obligation under your ELR, you may find
18 yourself presented with fewer customers that want to
19 commit out that far.

20 EXAMINER PRICE: Okay. I understand.
21 Thank you.

22 Thank you, Mr. Allwein.

23 MR. ALLWEIN: You're welcome, your Honor.

24 Q. (By Mr. Allwein) I would ask that same
25 question regarding the energy efficiency resources.

1 Could you in the future arrange it so that your
2 portfolio plan is approved and does line up with
3 these auction schedules?

4 A. I think the portfolio plan is basically
5 set by the Commission in terms of what years are
6 being covered by a proposed plan. I think it's a
7 little bit different on energy efficiency because
8 there the issue is, first of all, as you probably
9 know, you can only count energy efficiency for a
10 period of time, because the assumption under PJM is
11 that earlier energy efficiency would have been
12 reflected in loads, so there's a finite period about
13 which you could bid in energy efficiency resources in
14 the PJM auction.

15 I think the issue on energy efficiency
16 really gets to are customers willing to hand over the
17 attributes associated with the projects and still
18 undertake the projects that allow to us meet our
19 requirements under Senate Bill 221 for energy and
20 demand reduction.

21 And, as I stated previously, what we have
22 seen for the existing energy efficiency plan that
23 runs through from basically January of 2010 through
24 December of 2012, December 31, 2012, we had pushback
25 from customers about taking ownership of those, and,

1 again, with the recent solicitation we saw a
2 reasonably low number of customers willing to
3 participate in delivering us those. So I think it's
4 a bit of a different issue than it is with the ELR
5 rider.

6 EXAMINER PRICE: Do you think if you
7 asked up front for the condition of the participation
8 in your energy efficiency programs for the ownership
9 attributes, you would get that pushback from
10 customers?

11 THE WITNESS: We don't know. I will tell
12 you, we have modified it so now going forward, we're
13 soliciting whether they want us -- whether they will
14 allow us to own it or not. And we're going to see
15 basically whether it's an inhibitor to us meeting our
16 statutory requirements, and if it is, we're going to
17 meet our statutory requirements first, your Honor.

18 EXAMINER PRICE: I understand. Do you
19 think -- just to clarify, I understand you don't
20 think residential is that big of an issue, but is
21 that something for the residential programs you could
22 just tariff and not worry about getting signatures?

23 THE WITNESS: Well, there are -- yes, for
24 certain of the programs. I mean, energy efficiency
25 programs for residential covers a broad gamut, and

1 for certain things, like lighting or possibly maybe
2 air conditioning installed, that maybe you could do
3 something like -- there are other programs that maybe
4 don't lend itself to that particular.

5 EXAMINER PRICE: Okay. Thank you.

6 MR. ALLWEIN: All right.

7 Q. (By Mr. Allwein) As we've discussed, you
8 suggest in your testimony there are several benefits
9 to bidding in energy efficiency resources into the
10 PJM auction, correct?

11 A. Yes.

12 Q. And would these benefits be greater if
13 FirstEnergy bid more energy efficiency and peak
14 demand resources into the auction?

15 A. Potentially, as I stated before, our
16 first -- our first priority is basically meeting our
17 statutory requirements.

18 Q. But those statutory requirements involve
19 generating energy efficiency resources and peak
20 demand reduction resources.

21 A. Yes. But as I previously indicated,
22 we've gotten pushback from customers about
23 willingness to participate in our rebate programs so
24 that we could count the energy efficiency and
25 associated demand reduction --

1 Q. Right.

2 A. -- and participate in the rebate
3 programs.

4 Q. I understand there are certain customers
5 who are giving you pushback, but you did, at the same
6 time, sign up some, in a limited timeframe, and you
7 were able to bid those resources into the auction?

8 MR. KUTIK: Objection. Argumentative at
9 this point, your Honor.

10 EXAMINER PRICE: Sustained.

11 Q. The revenue we discussed, 4 to 5 million,
12 which customers will benefit from that?

13 A. Again, I believe all customers will
14 benefit that are associated with the DSE2. I think
15 that's where it flows through, on rider DSE2. It's
16 rider DSE, and I believe it's subpart 2 of the rider.
17 They will benefit basically by flowing through the
18 revenue we're receiving from PJM to lower the
19 other -- the costs associated with DSE2, and they
20 will potentially benefit, potentially benefit, by
21 lowering the outcome of the capacity rate auction.

22 Q. On page 4, line 11, I believe you --
23 you --

24 MR. KUTIK: I'm sorry, counsel.

25 MR. ALLWEIN: Supplemental testimony.

1 Q. Supplemental testimony, I believe you
2 refer to DSE1, just for clarification.

3 A. Yes, subject -- well, I believe it would
4 flow through DSE1 that's associated with riders ELR
5 and OLR, and DSE2 is the other type of energy
6 efficiency demand reductions, so I believe probably
7 my testimony probably should read DSE2.

8 Q. Okay. Thank you for the clarification.
9 So customers that are subject to the DSE2 charge will
10 benefit from the revenue that was just received from
11 the auction?

12 A. Correct.

13 Q. And how long has PJM been conducting the
14 base residual auctions?

15 A. I don't know the exact date when it
16 started. We just joined PJM on June 1, 2011.

17 Q. And did you know about the auctions in
18 June of 2011, or had you -- were you aware of them
19 prior to that?

20 A. No, we were aware.

21 Q. Prior to --

22 A. Prior to June 1, obviously, we made
23 application to join PJM and to switch out of MISO
24 much before then.

25 Q. Okay. And does FirstEnergy have

1 personnel that monitor these auctions?

2 A. I believe there are personnel within
3 FirstEnergy Corp. that monitor these -- these
4 auctions.

5 Q. Do any of those folks that monitor these
6 auctions report to you?

7 A. I have to maybe qualify what monitor
8 means. I mean, we obviously read what comes out of
9 PJM in terms of the auction results, for instance,
10 that came out May 18. I wouldn't say that's our
11 primary responsibility in terms of following it very
12 closely and knowing all the details associated with
13 it, but we have people that are extremely
14 knowledgeable in my organization about -- about the
15 auctions.

16 Q. Okay. And I would assume that some of
17 those folks provide you with information, when
18 pertinent, or applicable about PJM and these
19 auctions?

20 A. Generally, I would agree, yeah.

21 Q. And so you've been eligible to bid into
22 the auction since joining PJM on June 1, 2011?

23 A. Actually, I think we were -- subject to
24 check, I think we were eligible to bid in because
25 there's -- there's a three-year lag between when the

1 auctions occur and when you have to deliver, so I
2 think -- as a matter of fact, some of the resources
3 were bid to actually join on June 1, 2011.

4 Q. Okay. Thank you for that clarification.
5 When were you aware that this auction, this May 7 PJM
6 base residual auction, was taking place?

7 A. When was I aware? I guess I don't have
8 an exact date. I have been aware for a while that
9 the auctions occur generally in May and that there's
10 procedures and processes that you need to meet
11 leading up to that.

12 Q. Okay. And you stated you've participated
13 in these auctions in previous years so.

14 A. FirstEnergy Corp. has.

15 Q. Okay. So it's fair to say you were aware
16 of these -- the auctions even before you joined PJM.

17 A. Yes. I'm sure FE Corp. personnel were
18 aware of it because I'm sure that's stuff they looked
19 at to join PJM and why to join PJM.

20 Q. Okay. I have one more thing I'd like to
21 show you.

22 MR. ALLWEIN: Your Honor, may I approach?

23 EXAMINER PRICE: You may.

24 MR. ALLWEIN: We've already discussed
25 this a little bit. This is the February 29, 2012,

1 entry in the Public Utilities Commission of Ohio Case
2 No. 12-814-EL-UNC.

3 MR. KUTIK: And is this being marked as
4 an exhibit?

5 EXAMINER PRICE: I'm okay marking it as
6 an exhibit just for reference purposes, if that's
7 counsel's pleasure.

8 MR. KUTIK: I don't know if it has been
9 made, that offer.

10 EXAMINER PRICE: He has not yet asked.

11 MR. KUTIK: Thank you.

12 MR. ALLWEIN: Your Honor, I am asking
13 this be marked as Sierra Club Exhibit 4.

14 EXAMINER PRICE: So marked.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 MR. ALLWEIN: Thank you.

17 Q. (By Mr. Allwein) I know that we've
18 already talked about this a little bit so I won't
19 carry on too long, but I want to point out some
20 things in this entry, and I'll try to be careful; you
21 stated you might disagree with my characterization of
22 this -- of this case.

23 So my characterization of this case is
24 that -- or this entry is just that the Commission is
25 concerned about RPM price increases. They recite

1 your -- the obligations for the FirstEnergy utility
2 companies under Ohio Revised Code Section 4928.66.
3 That is paragraph 5. Do you see that.

4 MR. KUTIK: Your Honor, I'll object at
5 this point. What the -- what it says and what
6 counsel's characterization of it and whether
7 Mr. Ridmann agrees, well, certainly that last part is
8 irrelevant. The document says what it says. The
9 parties are free to characterize orders of the
10 Commission in their briefs or whatever post-hearing
11 information is submitted to the Bench to their
12 heart's content.

13 EXAMINER PRICE: Sustained. The
14 Commission order speaks for itself.

15 MR. ALLWEIN: Okay. May I ask the
16 witness his opinion on what this order says?

17 MR. KUTIK: I would object on the same
18 basis.

19 EXAMINER PRICE: Why don't you rephrase
20 your question and then we'll see.

21 Q. (By Mr. Allwein) All right. Paragraph 8,
22 about the middle it says that -- it's describing a
23 report that the Commission is directing the companies
24 to turn in, and it says, "This report should include
25 all cost-effective energy efficiency and peak demand

1 reductions achievable by 2015." Do you see that?

2 A. Yes, I do.

3 Q. In your opinion, Mr. Ridmann, is the
4 Commission asking the companies to consider energy
5 efficiency and peak demand reductions that it may
6 create in the future?

7 MR. KUTIK: Objection.

8 EXAMINER PRICE: Sustained.

9 Q. Let me ask you this, did you consider
10 bidding in energy efficiency and peak demand
11 resources that you would generate with your future
12 portfolio plan?

13 A. Did we consider? Yes, we considered.

14 Q. Okay.

15 A. And, again, the companies are very
16 concerned with the risks associated with doing that
17 and are very cautious about what they bid in because
18 there is no profit involved in this exercise for the
19 EDUs.

20 We incur costs. The revenue we get for
21 capacity to customers, the cost is passed through,
22 and, as I stated in discussions with the staff, as a
23 result of this order or entry and as a result of
24 basically our comments that were filed or the report
25 that we filed in compliance with this, we made it

1 clear we were concerned about the risks associated
2 with doing -- bidding in resources that are projected
3 or that you don't have under your control.

4 EXAMINER PRICE: Mr. Ridmann, do I
5 understand what you are saying to be you only see
6 downside risk in bidding assets that are not solidly
7 in your control because there is no upside revenue or
8 income to the company?

9 THE WITNESS: That's correct. It's
10 strictly -- it's all passthrough, and if we don't
11 meet what we say we were going to -- what we -- what
12 we basically --

13 EXAMINER PRICE: Promise.

14 THE WITNESS: Commit, promise to PJM, we
15 are going to be penalized.

16 EXAMINER PRICE: I understand. Thank
17 you.

18 THE WITNESS: I don't think the
19 Commission will allow us to pass those penalties
20 through, although we indicated if we are held
21 harmless, we would look at that.

22 EXAMINER PRICE: Okay.

23 Q. (By Mr. Allwein) When you say you
24 indicated if you were held harmless, you would
25 consider it, was that at the March 13 meeting that

1 was the result of that entry?

2 A. I don't know the exact date, but we did
3 meet with the Commission staff, and we made it --
4 those of us who were present made it very clear of
5 the company's position in terms of taking on risk
6 associated with that activity. In our comments that
7 we filed we also made reference to it.

8 Q. Did the Commission at that time ask you
9 to consider bidding in future energy efficiency and
10 peak demand resources?

11 A. They did not.

12 EXAMINER PRICE: Excuse me, did you ask
13 the "Commission" or the "Commission staff" that time?

14 MR. ALLWEIN: I said the Commission.

15 EXAMINER PRICE: Did you mean the staff?

16 MR. ALLWEIN: I did mean the staff.

17 THE WITNESS: The Commission staff did
18 not ask us to either.

19 Q. In your opinion, was it their expectation
20 you would consider it?

21 MR. KUTIK: Objection. Calls for
22 speculation.

23 EXAMINER PRICE: Sustained.

24 Q. Mr. Ridmann, for 2012 what is the total
25 megawatt energy efficiency capacity FirstEnergy

1 intends to achieve?

2 THE WITNESS: Could you read it.

3 (Record read.)

4 A. Well, I think there's a disconnect here
5 when you say megawatt energy efficiency because I
6 think of energy efficiency in terms of
7 megawatt-hours, okay?

8 Q. You can answer using megawatts-hours.

9 A. But given that correction, I think we
10 intend to at least meet the statutory requirements
11 that we're obligated to do under Senate Bill 221.

12 MR. KUTIK: Your Honor, may we go off the
13 record?

14 EXAMINER PRICE: You may.

15 (Discussion off the record.)

16 EXAMINER PRICE: Let's go back on the
17 record.

18 Proceed, Mr. Allwein.

19 Q. (By Mr. Allwein) Mr. Ridmann, does
20 FirstEnergy -- I'm sorry. Strike that.

21 Is there any risk that FirstEnergy will
22 fail to achieve its 2012 benchmark? And when I say
23 benchmark, just for clarification, I mean energy
24 efficiency and peak demand benchmark.

25 A. I'm not really in charge of those

1 programs so I'm not intimately familiar with where
2 they stand on the stats relative to the requirements
3 under Senate Bill 221.

4 Q. But I believe you stated earlier you do
5 intend to meet that benchmark.

6 A. I think the Commission -- the company --
7 the EDUs intend to meet the requirements. Whether
8 they do or not, I don't know.

9 Q. And along those same lines, FirstEnergy
10 intends to meet its energy efficiency benchmarks in
11 future years?

12 A. Again, it's the intent of the EDUs to
13 meet the statutory requirements that they are
14 obligated to meet.

15 Q. Does FirstEnergy have any mercantile
16 energy efficiency and peak demand agreements that
17 extend beyond 2012?

18 A. "Any mercantile agreements," I don't know
19 what you're referring to basically when you use that
20 term.

21 Q. It was a broad term on purpose. Just any
22 kind of agreement that's related to energy efficiency
23 or peak demand reduction that extends beyond 2012.

24 A. Well, I presume that you could say that
25 the contracts under ELR extend past December 31,

1 2012.

2 EXAMINER PRICE: Mr. Kutik, did you make
3 an objection?

4 MR. KUTIK: I did not. I was saying
5 "bless you." I'm sorry, your Honor.

6 EXAMINER PRICE: As long as we got that
7 on the record. Sorry.

8 Q. Would you please finish your answer, sir?

9 A. I indicated one type of contract that
10 would extend past 2012, and that's those associated
11 with ELR.

12 Q. Any other contracts that you can think of
13 for the provision of energy efficiency programs or
14 measures or services beyond 2012?

15 A. I believe there are -- I am not sure I
16 would call it a contract, but there are clearly
17 provisions in ESP II dealing with the Cleveland
18 Clinic that go beyond December 31, 2012.

19 Q. And, generally, what's the substance of
20 that agreement?

21 A. As it's written in the ESP II, that
22 basically we will provide distribution facilities to
23 allow them to expand their campus, and they have an
24 obligation to provide some energy efficiency/demand
25 reduction.

1 EXAMINER PRICE: At no additional cost?

2 THE WITNESS: At no additional cost.

3 Q. And are you aware that FirstEnergy, with
4 a collaborative, energy efficiency collaborative
5 working group, is currently developing FirstEnergy's
6 portfolio plan for the years 2013 through 2015?

7 A. I believe the EDUs, the FE EDUs, are
8 working through a collaborative to establish that
9 plan, or to get input into the plan, I should say.

10 Q. Is it fair to stay that FirstEnergy has a
11 good idea of what that energy efficiency portfolio
12 plan for 2013 and 2015 will contain?

13 A. In terms of programs and reductions
14 achieved? Again, I'm not responsible for that area
15 so I presume -- I think the filings are due by
16 July 31. I presume they ought to be getting pretty
17 far along in the process, but, again, that's not my
18 area of responsibility.

19 Q. Okay.

20 EXAMINER PRICE: But it's fair to say,
21 Mr. Ridmann, you expect, at a minimum, there will be
22 sufficient energy efficiency and peak demand
23 reduction programs to meet your statutory obligation
24 which you've said you intend to meet?

25 THE WITNESS: Yes, I would expect that

1 the plan would be designed with the intent to meet --
2 meeting our statutory requirements.

3 EXAMINER PRICE: Okay.

4 THE WITNESS: Otherwise, it's not going
5 to be a very good plan.

6 Q. So earlier you discussed the risk of
7 bidding in future resources, and that is what -- that
8 was your consideration or -- excuse me. Strike that.
9 I'll start over.

10 You did not plan or consider to bid in
11 any future resources, meaning energy efficiency and
12 peak demand resources.

13 A. I believe my earlier testimony was we did
14 consider bidding in future resources.

15 Q. But you decided not to because of certain
16 risk?

17 MR. KUTIK: Objection, your Honor. We
18 have been through this before.

19 EXAMINER PRICE: Can I have the objection
20 again, please?

21 MR. KUTIK: I'm sorry, your Honor. This
22 area has been well tread.

23 EXAMINER PRICE: Sustained.

24 Q. (By Mr. Allwein) Would you agree,
25 Mr. Ridmann, that the auction, the PJM auction,

1 allows future energy efficiency savings and peak
2 demand reduction to be bid into the auction?

3 A. Yes, I believe it does.

4 Q. And regarding the risks you spoke of
5 earlier, were they quantified in any way by
6 FirstEnergy?

7 A. Oh, I think people who are responsible
8 for the energy delivery -- excuse me -- for the
9 energy efficiency and peak demand reduction know, in
10 their minds, what the penalties are under the law.

11 Q. Okay.

12 A. And they know they will be held
13 accountable and responsible for not achieving
14 targets.

15 Q. But in a couple of discovery responses,
16 you indicated there was no analysis done of the risk.

17 EXAMINER PRICE: I'm sorry, I need some
18 clarification. Are you asking the risk of not
19 hitting your statutory targets in the future, or are
20 you asking the risk of bidding future energy
21 efficiency programs into PJM that don't come to
22 fruition?

23 MR. ALLWEIN: I'll ask the question
24 again.

25 EXAMINER PRICE: Thank you.

1 Q. I was speaking of the risk of bidding
2 into the PJM base residual auction. So there was no
3 analysis, paper analysis, performed of the risks of
4 bidding into the PJM base residual auction.

5 A. I am not aware of a paper analysis. I
6 believe the people, though, that are in charge of
7 energy efficiency are aware of penalties associated
8 with PJM, meaning what the company, the EDUs, not
9 being able to meet the commitments they made.

10 Q. Okay. So you, as the sole witness in
11 this case, are not aware of any comparison of, say,
12 the risk to the benefit to customers?

13 A. Again, we look at it from the standpoint
14 of there is no profit to be made in this activity by
15 the companies, and we're not willing to make any --
16 take any risks associated with bidding it in and
17 being penalized because I presume we will not be able
18 to pass along the penalties to our customers and the
19 companies would absorb those penalties.

20 Q. And are you familiar with the three
21 incremental auctions held by PJM subsequent to the
22 base residual auction?

23 A. I'm aware that the -- that PJM can have
24 incremental auctions after the BRA.

25 Q. And it's possible that FirstEnergy could

1 also mitigate any risk of failing to deliver adequate
2 energy resources that are bid in through the purchase
3 of resources in one of these incremental auctions?

4 A. Maybe, maybe not.

5 EXAMINER PRICE: Mr. Ridmann, if the
6 Commission were to develop an incentive mechanism
7 where FirstEnergy shared in the revenue from bidding
8 into the PJM auction, would the company be more
9 aggressive in its pursuit of resources to bid into
10 the auction?

11 A. First of all, I think we are aggressive
12 in terms --

13 EXAMINER PRICE: More aggressive.

14 THE WITNESS: I think it really depends
15 on looking at what that mechanism is relative to the
16 penalties we may incur not meeting the obligation we
17 have to PJM, what we bid in. I think you have to
18 look at both pieces.

19 EXAMINER PRICE: Sure. Thank you.

20 Q. (By Mr. Allwein) Following up on the
21 attorney examiner's question, has FirstEnergy ever
22 approached the Commission with that kind of an
23 incentive mechanism or a similar idea?

24 A. Well, again, as part of 814 we raised our
25 concerns with the Commission and Commission staff

1 about our concerns with being held harmless. I don't
2 know if it got to that level of detail about if there
3 was an incentive, would that basically overcome any
4 risk you have. I don't think it got into that level
5 of discussion. We were basically looking for an
6 interest in being -- in holding the companies
7 harmless.

8 Q. So you never raised any specific
9 mitigation strategy?

10 A. I think we did. I just stated we did.

11 Q. And what was that strategy?

12 A. To be held harmless.

13 Q. So what specific mitigation mechanism?

14 A. I think that is a very specific
15 mitigation mechanism.

16 Q. Did you request approval of that strategy
17 or mechanism?

18 MR. KUTIK: Objection.

19 EXAMINER PRICE: I'll allow this, just
20 this one.

21 A. I think we indicated what our -- what our
22 position was relative to bidding in, and those were
23 made in oral comments in meetings and in the comments
24 we filed as -- in response to 814.

25 Q. And are you aware of whether AEP, Duke,

1 or DP&L bid into the PJM base residual auction?

2 A. Don't know, don't care.

3 Q. Are you aware that FirstEnergy customers
4 in West Virginia asked the FirstEnergy affiliate
5 there to bid into the capacity market in order to
6 save money on energy efficiency programs?

7 MR. KUTIK: Objection.

8 EXAMINER PRICE: Grounds?

9 MR. KUTIK: Relevance.

10 EXAMINER PRICE: Sustained.

11 MR. ALLWEIN: May I have a moment, your
12 Honor?

13 EXAMINER PRICE: You may.

14 Go ahead, Mr. Allwein.

15 MR. ALLWEIN: All right. I think I just
16 have a couple more things here. Sorry.

17 Q. (By Mr. Allwein) Mr. Ridmann, the company
18 has administrators that are liaisons for their
19 various mercantile customers to seek out energy and
20 peak demand programs. You are aware of those, right?

21 A. I'm aware of administrators that reach
22 out to their clients, if you will, to do energy
23 efficiency/peak demand reduction. I may quibble with
24 "mercantile customers" because I'm sure there are
25 some that are not mercantile customers.

1 Q. Okay. And were those administrators
2 enlisted to help you call your customers for energy
3 efficiency and peak demand reduction resources to bid
4 into this May 7 auction?

5 THE WITNESS: Could you repeat the
6 question, reread the question?

7 (Record read.)

8 A. I don't know if any of the administrators
9 were enlisted to help contact the customers,
10 particularly in follow-up calls that I talked about.

11 MR. ALLWEIN: Okay. That's all I have,
12 your Honor.

13 EXAMINER PRICE: Thank you.

14 Mr. McNamee.

15 MR. McNAMEE: Thank you.

16 You may recall five hours ago asking the
17 witness about certain steps that could be taken on
18 the distribution system to help to deal with the
19 transmission problems in -- in CEI's territory, and
20 to that end, I have what purports to be a letter
21 addressing that topic, and I would ask to have this
22 three-page letter dated June 1, 2012, addressed to
23 Daniel R. Johnson, Commission staff, written by
24 Bradley D. Eberts of FirstEnergy and copied to
25 Mr. Ridmann marked as Staff Exhibit 1.

1 EXAMINER PRICE: So marked.

2 (EXHIBIT MARKED FOR IDENTIFICATION.)

3 MR. McNAMEE: If I may have permission to
4 approach.

5 EXAMINER PRICE: You may.

6 - - -

7 CROSS-EXAMINATION

8 By Mr. McNamee:

9 Q. Mr. Ridmann, do you have before you
10 what's been marked for identification as Staff
11 Exhibit 1?

12 A. Yes, I do.

13 Q. Please take your time, it's late in the
14 day, and examine that and see if that or the subject
15 matter is familiar to you.

16 A. I'm familiar with the request and the
17 response.

18 Q. Good. All right, then, Mr. Ridmann. I
19 believe on the second -- the second page of what's
20 been marked for identification Staff Exhibit 1, there
21 are three bullets. Do you see those?

22 A. Yes, I do.

23 Q. I believe those are steps that the
24 company is -- that the EDU is considering to address
25 the transmission issues, shall we say, in CEI's

1 territory?

2 MR. KUTIK: May I have the question read,
3 please.

4 EXAMINER PRICE: Please read the question
5 again.

6 (Record read.)

7 Q. Is that right?

8 A. These items have been identified that
9 could possibly contribute to mitigating the
10 constraints on the transmission system.

11 Q. Okay. This letter is not perfectly clear
12 to me, Mr. Ridmann. Could you tell me the status or
13 the current progress, if you will, on these points?

14 A. I presume that our distribution
15 engineers, in terms of looking at the system overall,
16 look at these and determine whether it would provide
17 or contribute to mitigating any constraints. And, I
18 presume, installing capacitors are done, I won't say
19 routinely, but installing capacitors are done on the
20 system, and I presume they have looked at where you
21 can install capacitors on the distribution system
22 that may help alleviate any constraints.

23 I talked earlier about basically item No.
24 3 and where that stands in terms of a pilot program;
25 and on item No. 2, I don't know where that stands.

1 MR. MCNAMEE: Okay. That's all I need.
2 Thank you very much.

3 EXAMINER PRICE: Thank you. At this --
4 Mr. Allwein.

5 MR. ALLWEIN: Your Honor, I would like to
6 make -- I would like to move to have Sierra Club
7 Exhibits 1 through 3 admitted into the record.

8 EXAMINER PRICE: Not until tomorrow. Are
9 you going to be here tomorrow?

10 MR. ALLWEIN: It's almost tomorrow now.

11 EXAMINER PRICE: We will take admission
12 of all exhibits related to this witness's testimony
13 after the conclusion of recross.

14 MR. ALLWEIN: Okay.

15 EXAMINER PRICE: At this time we will
16 excuse Mr. Ridmann until tomorrow, and we will pick
17 up with redirect at that point.

18 So if Sierra Club would like to call its
19 next witness -- or its first witness.

20 MR. KAPLA: Your Honor, Sierra Club calls
21 Chris Neme.

22 (Witness sworn.)

23 EXAMINER PRICE: Please state your name
24 and address.

25 THE WITNESS: My name is Chris Neme. My

1 business address is Energy Futures Group, Box 587,
2 Hinesberg, Vermont 05461.

3 EXAMINER PRICE: Please proceed.

4 MR. KAPLA: Your Honor, may I approach
5 the Bench?

6 EXAMINER PRICE: You may.

7 MR. KAPLA: Your Honors, I request --
8 excuse me. It's been a while since I spoke. I would
9 request you mark the following exhibits as Sierra
10 Club Exhibit 5, Mr. Neme's testimony, and Exhibit 6,
11 his errata.

12 EXAMINER PRICE: So marked.

13 (EXHIBITS MARKED FOR IDENTIFICATION.)

14 - - -

15 CHRIS NEME

16 being first duly sworn, as prescribed by law, was
17 examined and testified as follows:

18 DIRECT EXAMINATION

19 By Mr. Kapla:

20 Q. Now, Mr. Neme, do you have the exhibit
21 marked Sierra Club 5 in front of you?

22 A. This is -- I'm sorry. What number is
23 this?

24 Q. Exhibit 5 is your testimony.

25 A. My testimony, I do.

1 Q. Can you please describe the exhibit.

2 A. I'm sorry?

3 Q. Can you please describe the exhibit.

4 A. It is the testimony that I prepared
5 addressing the topic of the degree to which the
6 company was prepared and ultimately did bid in
7 efficiency resources into PJM's base residual auction
8 for 2015-2016.

9 Q. And it was prepared by you or under your
10 direction?

11 A. That's correct.

12 Q. Do you have corrections or updates you
13 would like to make to your testimony?

14 A. Yes. I have a few beyond those that are
15 captured in the errata exhibit that you passed out.
16 First, on page 6, on line 5 where it says
17 "40 megawatts," that number should be "22 megawatts"
18 Second on line 7 where it says "8 megawatts," it
19 should be say "3.4."

20 And then I have several corrections to
21 table 1 that's on page 9. The first has to do with
22 the row called peak megawatt to megawatt-hour savings
23 ratio. My testimony said "5,804." It should be
24 changed to "5,976." The second --

25 EXAMINER PRICE: Is that all the way

1 across?

2 THE WITNESS: All the way across, yes,
3 sir.

4 A. The row right below it, there are some
5 related changes. For 2011 instead of "142," it
6 should be "138." For 2012 instead of "73," it should
7 say "71." For 2013 instead of "82," it should say
8 "80." For 2014 instead of "91," it should say "88."
9 For 2015 instead of "91," it should say 88.

10 Then in the row below where it says
11 Percent of Incremental Annual Megawatts Savings
12 Eligible for 2015/'16 BRA, for 2011 where it says
13 "54 percent," that should be changed to "46 percent."

14 And then finally in that table, the net
15 impact of all of those changes is instead of "361"
16 total megawatts on the last line, it should say
17 "339."

18 Those three -- the three values, the
19 5,976 for the ratio and the 46 percent for the 2011
20 actuals and the 339 should replace the same numbers
21 that they replace in the table in the text starting
22 on page 9 and working through the various places
23 through page 12, approximately.

24 Q. If I were to ask you the same questions
25 that appear in your testimony today under oath, would

1 you answer -- would your answers be the same, noting
2 the corrections that you've just described?

3 A. Yes.

4 MR. KAPLA: Okay, thank you, your Honor.
5 I would move for admission of Sierra Club Exhibits 5
6 and 6, subject to cross-examination.

7 EXAMINER PRICE: Thank you.
8 Company.

9 MS. KOLICH: Thank you, your Honor.
10 Good evening, Mr. Neme.

11 THE WITNESS: Good evening.

12 MS. KOLICH: Your Honor, does anyone else
13 other than --

14 EXAMINER PRICE: Is your preference to go
15 last?

16 MS. KOLICH: I'm sorry, yes.

17 EXAMINER PRICE: Absent the staff, we can
18 accept that.

19 Mr. Hays?

20 MR. HAYS: No questions.

21 EXAMINER PRICE: Mr. Sauer.

22 MR. SAUER: No questions, your Honors.

23 EXAMINER PRICE: Mr. Dortch.

24 MR. DORTCH: No, your Honor.

25 EXAMINER PRICE: Mr. Petricoff.

1 MR. PETRICOFF: No, your Honor.

2 EXAMINER PRICE: Please proceed.

3 MS. KOLICH: So I get to go first and
4 last.

5 - - -

6 CROSS-EXAMINATION

7 By Ms. Kolich:

8 Q. Good evening, Mr. Neme. My name is Kathy
9 Kolich. I am counsel for the company. I will be
10 asking you some questions this evening.

11 If at any time you don't understand them,
12 feel free to ask me to rephrase. I will be happy to
13 do so; otherwise, I will assume that you understand
14 my questions.

15 These changes to all of your numbers,
16 what prompted those changes?

17 A. There were two underlying things that
18 prompted the changes. Both of them came out of
19 discussion we had during the deposition on Friday.
20 The first is my omission in my original testimony to
21 make an adjustment to savings from CFLs that would be
22 realized in future years associated with changing
23 federal lighting standards, so that's one.

24 The second was the fact that when I
25 prepared my testimony, I didn't realize in reading

1 the companies' savings numbers in its 2011 annual
2 report, that they didn't fully reflect adjustments
3 from the evaluations that were undertaken for those
4 programs.

5 So I looked at the evaluation results,
6 particularly the realization rates that were depicted
7 for peak savings and for energy savings, for that
8 matter, for each of the programs evaluated in that
9 area, and the result was modest adjustments in the
10 peak megawatts to megawatt savings ratio, as well as
11 some modest adjustments in 2011 of the actual savings
12 realized.

13 Q. Okay. I apologize, but when you made
14 your correction on line 5, page 6 of your testimony,
15 you were changing 15 megawatts. I didn't catch that
16 number.

17 A. Line 5, where it said 40 megawatts, it
18 should say 22.

19 Q. Oh, sorry, 40 should read 22.

20 A. Correct.

21 Q. And 15 on that line stays the same?

22 A. Yes.

23 Q. Okay. Thank you. Okay. Thank you for
24 that explanation. Now, you've never worked for an
25 investor-owned utility in your professional

1 experience, right?

2 A. As an employee, do you mean?

3 Q. Correct.

4 A. That's correct.

5 Q. And you've never assisted in an
6 investor-owned utility in the development of bidding
7 strategy for capacity auctions?

8 A. That's correct. The only entity that
9 I've assisted -- actually, it was more than assisted.
10 I actually directed the submittal of a bid into the
11 New -- several bids into the New England forward
12 capacity market on behalf of my employer, Vermont
13 Energy Investment Corporation, which was delivering
14 with utility ratepayer funds all of the -- almost all
15 of the efficiency programs in the state of Vermont.

16 Q. And that's a nonprofit organization,
17 right?

18 A. It's a nonprofit organization that had
19 that contract after having competitively bid to
20 enter.

21 Q. So you really don't know all of the
22 factors that an investor-owned utility has to factor
23 in when making decisions and weighing those factors
24 for purposes of bidding into a capacity auction, do
25 you?

1 A. Well, I would say that I -- I have not
2 been privy to all of the discussions that might take
3 place inside an investor-owned utility about those
4 kinds of bidding and also those kind of bidding
5 decisions.

6 I have had conversations with several
7 utility representatives, utilities that are bidding
8 efficiency resources into the market, so I have some
9 familiarity with the things they wrestle with.

10 Q. Have you had any of those discussions
11 with FirstEnergy?

12 A. I have not.

13 Q. How about any other utility in the state
14 of Ohio?

15 A. No, I have not.

16 Q. Have you ever done any work specific to
17 PJM auctions for investor-owned utilities?

18 A. No, I have not.

19 Q. And this is your first time testifying
20 regarding investor-owned utility strategies with
21 respect to the PJM capacity auctions; is that
22 correct?

23 A. That's correct.

24 Q. Okay. When you reviewed in preparation
25 for your testimony, you did not look at the Ohio

1 Revised Code; is that right?

2 A. That's correct.

3 Q. Nor did you look at the Ohio
4 Administrative Code.

5 A. That's correct.

6 Q. How about any Commission orders?

7 A. I'm sure I've read some of the Commission
8 orders in the last couple of months. I just can't
9 recall exactly what they were. For example, I
10 believe that the one that set the stage for I believe
11 it's case 12-814 was one that I read.

12 Q. Any others?

13 A. I don't recall.

14 Q. Okay. But you don't know whether state
15 law requires the utilities, the companies in this
16 case, to bid into the PJM auctions, do you?

17 A. No, I do not.

18 Q. You are aware, though, that Ohio has
19 statutory energy efficiency benchmarks that the
20 companies are expected to achieve?

21 A. Yes.

22 Q. And in certain situations, the companies
23 can amend those bench -- ask the Commission to amend
24 those benchmarks, like I said, if certain -- under
25 certain circumstances. Are you aware of that?

1 A. Generally.

2 Q. Do you know if PJM has any similar
3 provisions?

4 A. I'm not sure I understand the question.

5 Q. If the companies bid a certain amount,
6 let's say in your case the -- what's the new number?

7 A. 339.

8 Q. The 339, and in circumstances beyond
9 their control, cannot deliver 339, does PJM provide
10 them an opportunity to seek amendments to what was
11 bid and accepted in the PJM auction?

12 A. Once a bid in the auction is cleared, the
13 party that has that bid cleared is obligated to
14 deliver on it. That doesn't change. The only
15 recourse the entity has is to either develop and
16 demonstrate that they have those resources, or to go
17 into the incremental auctions in subsequent years and
18 bilaterally acquire any shortfall that they may have
19 otherwise had.

20 Q. And that -- that requires the companies
21 to incur additional costs; is that right?

22 A. It requires some cost, to be sure,
23 because the clearing price in any auction, including
24 incremental auctions, is greater than zero, but
25 historically the clearing prices in those incremental

1 auctions has been lower, and often substantially
2 lower, than in the base residual auctions so the net
3 cost, actually it's not even the net cost. There has
4 been a -- one would normally expect if one were going
5 down that road a -- a net positive revenue stream
6 still.

7 Q. Now, I asked you if you had talked to
8 any -- any representatives from the Ohio utilities,
9 and the answer was no, so you don't know what -- you
10 don't know what any of those utilities bid in in the
11 market -- into the auction, I'm sorry, the PJM
12 auction?

13 A. Somebody told me this weekend that one of
14 them had -- AEP, in particular, and that in looking
15 at the auction results, one can see that in the AEP
16 region a little over 200 megawatts of efficiency was
17 bid and cleared. But I haven't explored the issue
18 further than that.

19 MS. KOLICH: Your Honor, I move to strike
20 that response as hearsay.

21 EXAMINER PRICE: Could I have the
22 question again.

23 (Record read.)

24 EXAMINER PRICE: I think your question
25 called for a hearsay response when you asked if he

1 talked to the utilities. Nonetheless, we are going
2 to strike the first sentence of his response. But
3 the second part was, had he investigated the PJM
4 report?

5 MS. KOLICH: Could I have the response
6 read, please.

7 EXAMINER PRICE: Sure.

8 (Record read.)

9 EXAMINER PRICE: We will agree the first
10 part was hearsay, but the rest of it was what he
11 observed.

12 Q. (By Ms. Kolich) You don't know if Dayton
13 Power & Light bid any into the auction, do you?

14 A. I do not know.

15 Q. And your response would be the same as
16 far as Duke Ohio?

17 A. That's correct.

18 Q. I'm sorry, Duke Ohio.

19 A. That's correct.

20 Q. Now, you are aware that -- thank you.
21 You are aware that the companies commitment to bid
22 into the PJM auction was contingent upon the PJM
23 accepting the EMV plan, aren't you?

24 A. I believe.

25 Q. And at the time you prepared your

1 testimony, you did not know whether or not that EMV
2 plan was accepted, did you?

3 A. I did not. I should say throughout most
4 of the writing of my testimony, I did not. And I
5 suppose I did not know for absolute certainty when I
6 finished it, which was on the weekend immediately
7 following the published publication of the PJM
8 auction results, which, among other things, showed
9 that about 45 megawatts of efficiency cleared in
10 ATSI. I couldn't say for sure whether that would
11 have been the three Ohio FirstEnergy companies, but
12 that was my supposition when I saw that.

13 Q. Do you recall telling me in deposition
14 that at the time I was taking your deposition three
15 days ago on Friday, that you did not know whether the
16 EMV plan had been accepted by PJM?

17 A. I don't recall, but I don't think I'm
18 saying anything different than that right now.

19 Q. Now, for purposes of delivering in 2015,
20 PJM requires the companies deliver actual verified
21 results; is that correct?

22 A. Yes.

23 Q. And do you know whether or not Ohio
24 requires the companies, for purposes of complying
25 with their statutory requirements, report based on

1 estimated or actual results?

2 A. I'm not familiar enough with the details
3 of the requirements in Ohio with respect to the
4 statutory obligations to say.

5 Q. And your numbers are based on the numbers
6 provided by the companies in their status reports,
7 their 2010 and 2011 energy efficiency status reports,
8 that they file with the Commission; is that right?

9 A. Yes. As adjusted, as I know I did
10 earlier, for the realization rates and reported in
11 the evaluations that were appended to the 2011
12 report.

13 Q. But you don't know where the company got
14 those numbers?

15 A. I'm sorry?

16 Q. You don't know how the companies
17 determined those numbers or where they get their
18 numbers that are included in the reports?

19 A. I don't know definitively how they get
20 all of those numbers. I -- based on some of the
21 things that have been said in some of -- today as
22 well as some of the material that's in the discovery
23 responses, I presume that this is at least some
24 reliance on the draft Ohio TRM, but I don't know it
25 in sufficient detail to say how this works for every

1 single program.

2 Q. Now, if they base their results on
3 estimated results -- I'm sorry. If they base their
4 reporting on estimated results and PJM accepts actual
5 results, would your estimates be affected by that
6 difference?

7 A. No. At least not in big picture terms.
8 As I -- as I noted in my testimony, I built my
9 estimate of the 339 up from the bottom. However, if
10 one -- as I noted in my testimony, if one looks at
11 what the company had indicated it was prepared to bid
12 from just 10 months' worth of efficiency programs of
13 65 megawatts, if it was able to get its EMV approved
14 and acquire the ownership rights to all of those
15 savings, and then extrapolate from that 10 month --
16 that 65 megawatts over 10 months to 48 months, which
17 is the period that would be eligible to be bid, you
18 get a number that's about 300 megawatts, and that's
19 just lighting.

20 So in the grand scheme of things I
21 wouldn't change my results because looking at it both
22 ways, and the first way is already adjusted for some
23 of the evaluation results, you get very similar
24 numbers.

25 Q. And 65 is based on your understanding of

1 the companies' commitment to deliver or bid
2 65 megawatts into the auction?

3 A. Yes. That was the companies' statement,
4 that it was prepared to bid that if its EMV plan was
5 approved and it could acquire the ownership rights to
6 those resources, and my presumption would be that the
7 company wouldn't make such a commitment if it didn't
8 think those resources, assuming the ownership rights
9 could be acquired, would -- wouldn't meet the test
10 that PJM would put them to.

11 Q. Isn't it true that the commitment the
12 companies made is that they would commit up to 65
13 megawatts?

14 A. That's correct.

15 Q. Into the market or into the auction?

16 A. That's correct.

17 Q. So it could have been significantly less
18 than 65 that they were going to commit, couldn't it?

19 A. It could have been less than 65, but the
20 way I was reading what the company said, the "less
21 than" was a function of whether they could get the
22 ownership rights, not whether they believed that 65
23 was actually a realization value.

24 And I guess the other thing I would say
25 in response to that is that Mr. Ridmann noted earlier

1 that the company actually bid and cleared
2 36 megawatts, even though they were only able to
3 access ownership rights to about 10 percent of the
4 capacity savings from commercial customers.

5 That would seem to suggest that there is
6 a fairly substantial additional increment that could
7 have been acquired if the ownership rights were
8 available.

9 Q. Now, you are not familiar with how -- the
10 mechanics of how the PJM auction works, are you?

11 A. I'm not intimately familiar with it, no.

12 Q. Have you ever heard of the PJM term
13 "short-term resource procurement target"?

14 A. No.

15 Q. Now, you are aware if the company doesn't
16 deliver which has been accepted by PJM as far as what
17 it bid, the companies are penalized; is that right?

18 A. That's correct.

19 Q. But you don't know how much -- you don't
20 know how much those penalties are, do you?

21 A. I do not.

22 Q. Now, it's your position that the
23 companies actions cost customers money partly because
24 the companies didn't bid as many resources into the
25 PJM auction as you believe they should; is that

1 right?

2 A. That's correct.

3 Q. Now, your calculations of the foregone
4 revenues, your calculations didn't factor in any
5 penalties the companies may have to incur should they
6 not be able to deliver the megawatts you suggest they
7 bid; is that right?

8 A. That's correct.

9 Q. And your calculation did not factor in
10 any costs incurred by the companies should they have
11 to participate in the bilateral interim market --
12 interim auctions should they find themselves not able
13 to supply as many megawatts as you suggest; is that
14 right?

15 A. That's correct.

16 Q. And your calculations didn't factor in
17 any revenues the companies might receive should they
18 bid additional resources into those interim PJM
19 auctions, did it?

20 A. No, it did not.

21 Q. And you don't know how many megawatts the
22 companies may bid into those interim PJM auctions in
23 the future, do you?

24 A. I do not know how many megawatts the
25 companies may bid, nor do we -- does anyone know what

1 the market clearing price would be should they bid.
2 However, while it is certainly possible for the
3 company to bid such resources, perhaps even to bid
4 the ones that I laid out as being consistent with
5 what they would get from meeting statutory
6 requirements, they are -- the market clearing price
7 is unlikely to be the same as what they could have
8 gotten in the BRA.

9 MS. KOLICH: Move to strike everything
10 after his answer that he does not know, starting with
11 the word "however."

12 EXAMINER PRICE: Can I have the question
13 and answer back again, please.

14 (Record read.)

15 EXAMINER PRICE: The motion to strike is
16 granted.

17 Q. Now, your calculation of the -- I
18 apologize.

19 A. 339.

20 Q. I will write it real big here. Your
21 calculation of the 339 megawatts, there is a lot of
22 variables that go into the determination of exactly
23 how many megawatts the companies could bid into the
24 PJM BRA; is that right?

25 A. Sure. And that's why I noted in my

1 testimony that the estimates I was giving are not
2 meant to be, you know, precise to any number of
3 decimal points. They are meant to be ballpark
4 numbers.

5 EXAMINER PRICE: Don't you find it
6 problematic to say that your numbers are ballpark
7 numbers and we should hold the company financially
8 accountable for -- accountable for financial harm
9 caused to Ohio customers?

10 THE WITNESS: No, for the following
11 reasons: I don't -- I don't -- first of all, I don't
12 have enough information. The PJM has not made
13 available enough information to really understand
14 precisely what kind of financial impacts or
15 implications of not bidding resources in might be.

16 However, more of that information may
17 well become available in the future. The Commission
18 has already asked PJM for a lot of confidential
19 information that may enable it to better understand
20 what that picture looked like, and, therefore, that's
21 the reason why in my recommendation, why I said the
22 company should be held accountable.

23 I didn't say what the dollar amount they
24 should be held accountable for should be. I'm
25 suggesting that the -- the Commission, when this

1 additional information when it becomes available,
2 could and should go through a process to make a
3 better determination than is possible with the
4 information I currently have available.

5 EXAMINER PRICE: So you are not
6 recommending we do anything in this proceeding with
7 respect to the ESP. You are simply saying perhaps we
8 should open some other proceeding and deal with it in
9 that proceeding.

10 THE WITNESS: I'm not sure what would be
11 the right process, but I'm not prepared in this
12 proceeding to give you a number that they should be
13 held accountable to.

14 EXAMINER PRICE: Thank you.

15 MS. KOLICH: Could I have his response
16 read back to me, please.

17 (Record read.)

18 MS. KOLICH: Thank you.

19 Q. (By Ms. Kolich) Would your answer be the
20 same as far as dealing with the other potential cost
21 to the cus -- let me strike that.

22 You also indicated that there were
23 potential costs to the customers based on the
24 companies' bidding strategy in the PJM auction with
25 regard to the market clearing price. Do you recall

1 that?

2 A. Yes.

3 Q. Now, would your answer be the same, that
4 you are not prepared to make any recommendations as
5 to any amount that the company should be held
6 accountable with regard to how the clearing price may
7 have been affected by the companies' actions or
8 inactions?

9 A. When I made the statement that I just
10 made, I was referring to the combination of the two
11 effects of the foregone revenue and the impact on the
12 market clearing price because those things are
13 interrelated.

14 MR. KUTIK: May we have a minute, your
15 Honor?

16 EXAMINER PRICE: You may.

17 Q. You indicated that it was your opinion
18 that the -- strike that.

19 In your testimony you indicated that the
20 incremental auctions generally resulted in lower
21 clearing prices than the base residual auction. Do
22 you recall that?

23 A. I do.

24 Q. You don't know for a fact what the
25 clearing prices will be between now and 2025, do you?

1 A. Between now and 2025?

2 Q. 2015, I'm sorry. It's late.

3 A. I don't think anyone can say with
4 absolute certainty what the market clearing price in
5 future auctions will be.

6 MS. KOLICH: That's all I have, your
7 Honor.

8 EXAMINER PRICE: Thank you.

9 Mr. McNamee.

10 - - -

11 CROSS-EXAMINATION

12 By Mr. McNamee:

13 Q. Good evening.

14 A. Good evening.

15 Q. Page 3, line 10 of your testimony, read
16 the sentence, "I find the Companies' proposal to be
17 imprudent." When you use the word "imprudent" there,
18 do you mean insufficiently aggressive?

19 A. I suppose that's -- that's part of it.
20 Not sufficiently responsible to consumers. One could
21 probably come up with other phrases that are
22 synonymous.

23 Q. Okay. Let me try it a different way.
24 What do you mean by "imprudent"? What does that word
25 mean to you?

1 A. Probably the term I just used that came
2 first to mind was not acting sufficiently in the
3 consumers' best interests and ratepayers' best
4 interests.

5 MR. McNAMEE: Okay. That's all I need.
6 Thank you.

7 EXAMINER PRICE: Redirect.

8 MR. KAPLA: Yes, your Honor.

9 - - -

10 REDIRECT EXAMINATION

11 By Mr. Kapla:

12 Q. Mr. Neme, I think you said you don't know
13 with certainty, but based on precedent what would the
14 effect be of the incremental auctions on both the
15 revenue and capacity price for the energy efficiency
16 demand resources.

17 A. Well, based on historical experience, the
18 market clearing prices and the incremental auctions
19 are lower than in the base residual auctions, and
20 often substantially lower, so the revenue from
21 bidding efficiency resources into the market, if that
22 were to be the case, would be lower, potentially
23 substantially lower than it was or would have been
24 from the base residual auction.

25 The other difference is that the

1 incremental auctions are primarily used as a vehicle
2 to enable bilateral contracts between entities that
3 have already cleared the market, the base residual
4 auction, and need additional resources than those
5 that may have to supply. So it serves that important
6 function, but it doesn't, as a result, change the
7 market clearing price.

8 MR. KAPLA: No further questions.

9 EXAMINER PRICE: Recross?

10 MS. KOLICH: Yes. Thank you, your Honor

11 - - -

12 RECROSS-EXAMINATION

13 By Ms. Kolich:

14 Q. The experience you referred to when
15 drawing your conclusions as to the market clearing
16 prices in the interim auctions, was that based on
17 experience in the ATSI zone?

18 A. It can't be based on experience in the
19 ATSI zone because this is the first time the ATSI
20 region has been called out as a separate zone.

21 MS. KOLICH: That's all I have, your
22 Honor.

23 EXAMINER PRICE: Mr. McNamee.

24 MR. McNAMEE: No, thank you.

25 EXAMINER PRICE: Questions?

1 EXAMINER WILLEY: No questions.

2 EXAMINER PRICE: I have got a couple.

3 - - -

4 EXAMINATION

5 By Examiner Price:

6 Q. Before you prepared your testimony, did
7 you review the FirstEnergy's portfolio proceeding,
8 09-1947-EL-POR?

9 A. I don't think -- I'm not sure what
10 proceeding that is.

11 Q. It was their three-year program portfolio
12 proceeding.

13 A. No.

14 Q. Do you know whether -- I guess I'll just
15 say, that being the case, then you don't know whether
16 any of the parties to that proceeding raised the
17 ownership issue during the portfolio proceeding?

18 A. I am not aware of whether they did or
19 not.

20 Q. Did Sierra Club participate in that
21 proceeding?

22 A. I don't know.

23 Q. Does Sierra Club participate in their
24 energy efficiency collaborative?

25 A. Currently, I was -- I participated,

1 myself, on Sierra Club's behalf in one collaborative
2 in late February.

3 Q. Late February. Did you raise the
4 ownership at that point?

5 A. I don't recall the ownership issue coming
6 up. I think that most of the focus of that
7 collaborative meeting was the companies' presentation
8 on the types of programs it was considering for its
9 next three-year DSM plan. The capacity market
10 auction came up. I don't recall the ownership piece
11 of it coming up. It may have been, though.

12 Q. Do you know whether members of the
13 collaborative have ever come to FirstEnergy and said,
14 You need to establish ownership over these energy
15 efficiency attributes?

16 A. I cannot say.

17 Q. You indicate that ownership issue should
18 be a nonissue for residential savings. Why is that?

19 A. Well, I think much for the reason that
20 the previous witness articulated, that the likelihood
21 that -- the savings are so small, you know, thinking
22 of a few compact fluorescent light bulbs being
23 purchased by a particular household, that the
24 transaction costs for any aggregator try to round up,
25 you know, tens or hundreds of thousands of customers

1 that may have purchased those would far exceed the
2 benefits, so it's almost certain to not happen.

3 Q. It sounds like what you are saying,
4 though, it would be technically wrong but practically
5 okay.

6 A. Yes. And I think that's -- I think
7 that's fair. But I think you could, you know, at
8 least going forward, you can -- you could -- the
9 companies could certainly cover themselves by putting
10 language in all of their rebate agreements or other
11 financial incentive or other program agreements that
12 ensure that that was the case. Frankly, they could
13 do that for nonresidential customers, too, as I
14 suggest.

15 EXAMINER PRICE: Okay. That's all I
16 have. You're excused.

17 THE WITNESS: Thank you.

18 EXAMINER PRICE: Thank you for your
19 patience.

20 MR. KAPLA: I have pending motion to
21 admit 5 and 6.

22 EXAMINER PRICE: Now would be the time.
23 Any objection to Sierra Club, admission of 5 and 6?

24 Seeing none, those exhibits will be
25 admitted.

1 (EXHIBITS ADMITTED INTO EVIDENCE.)

2 EXAMINER PRICE: At this time we will
3 adjourn for the evening, and we will commence again
4 at 9:00 o'clock, at which point we'll take up
5 Mr. Ridmann, complete Mr. Ridmann's redirect and
6 recross, and then we will proceed with the
7 out-of-town intervenor witnesses, and conclude with
8 any in-town intervenor witnesses, and the two
9 scheduled staff witnesses that were scheduled for
10 today.

11 Thank you, all. We are off the record.

12 (Thereupon, the hearing was adjourned at
13 9:37 p.m.)

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1 CERTIFICATE

2 I do hereby certify that the foregoing is
3 a true and correct transcript of the proceedings
4 taken by me in this matter on Monday, June 4, 2012,
5 and carefully compared with my original stenographic
6 notes.

7
8
9 Karen Sue Gibson, Registered
10 Merit Reporter.

11 (KSG-5538)

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Case No(s). 12-1230-EL-SSO

Summary: Transcript of the Application of The Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company hearing held on 06/04/12 - Volume I electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.